

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular (“**Circular**”) is issued by Fabchem China Limited (“**Company**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the Company (“**Shares**”) held through the Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting (“**EGM**”) and the enclosed Proxy Form to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM to be sent to the purchaser or the transferee. If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Circular with the Notice of EGM and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Your attention is drawn to pages 30-31 of this Circular in respect of actions to be taken if you wish to attend and vote at the EGM.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

This Circular has been made available on SGXNet and the Company’s website and may be accessed at the URL: <https://www.fabchemchina.com/investor.html>. A printed copy of this Circular, the Notice of EGM and the Proxy Form will NOT be despatched to Shareholders.

Pursuant to the **COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020**, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching the EGM proceedings via live webcast or listening to the EGM proceedings via live audio feed, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy at the EGM.



FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore on 12 October 2004)
(Company Registration Number: 200413128G)

CIRCULAR TO SHAREHOLDERS

in relation to the

- I. **PROPOSED DISPOSAL OF THE COMPANY’S PRINCIPAL SUBSIDIARY, SHANDONG YINGUANG TECHNOLOGY CO. LTD., TO TRIPLE VISION PTE. LTD. FOR S\$18.0 MILLION, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION UNDER THE LISTING RULES OF THE SGX-ST, AND**
- II. **PROPOSED CASH DISTRIBUTION OF S\$17,222,400, PRO-RATA, TO ALL SHAREHOLDERS OF THE COMPANY, AT S\$0.368 FOR EACH ORDINARY SHARE IN THE COMPANY HELD BY SHAREHOLDERS AT THE RECORD DATE (AS DEFINED IN THIS CIRCULAR), BY WAY OF CAPITAL REDUCTION PURSUANT TO AND SUBJECT TO SECTIONS 78A READ WITH 78C OF THE COMPANIES ACT (CAP 50) OF SINGAPORE**

Independent Financial Adviser in respect of the Proposed Disposal



Provenance Capital Pte. Ltd.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

- | | | |
|--|---|--|
| Last date and time for lodgement of Proxy Form | : | 12 October 2021 at 10.00 am |
| Date and time of Extraordinary General Meeting | : | 14 October 2021 at 10.00 am |
| Place of Extraordinary General Meeting | : | The EGM will be held by way of electronic means. |

TABLE OF CONTENTS

CORPORATE INFORMATION.....	1
DEFINITIONS AND INTERPRETATION.....	2
CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS.....	9
LETTER TO SHAREHOLDERS.....	10
1. BACKGROUND.....	10
2. INFORMATION ON TRIPLE VISION AND YINGUANG TECHNOLOGY.....	11
3. PRINCIPAL TERMS OF THE SPA.....	12
4. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION – RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES....	18
5. RATIONALE FOR THE PROPOSED DISPOSAL.....	18
6. INTERESTED PERSON TRANSACTION.....	19
7. CASH COMPANY – COMPLIANCE WITH 1018(1) OF THE LISTING RULES.....	20
8. IFA OPINION.....	22
9. STATEMENT FROM THE AUDIT COMMITTEE.....	23
10. PROPOSED CAPITAL REDUCTION.....	23
11. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND THE PROPOSED CAPITAL REDUCTION.....	26
12. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS.....	29
13. DIRECTORS' RECOMMENDATIONS.....	29
14. EXTRAORDINARY GENERAL MEETING.....	30
15. ACTIONS TO BE TAKEN BY SHAREHOLDERS.....	30
16. DIRECTORS' RESPONSIBILITY STATEMENT.....	31
17. CONSENTS.....	32
18. DOCUMENTS AVAILABLE FOR INSPECTION.....	32
APPENDIX A – ANNOUNCEMENT OF 23 FEBRUARY 2021 ON LOAN AGREEMENT.....	A-1
APPENDIX B – SUMMARISED AVA VALUATION REPORT.....	B-1
APPENDIX C – SUMMARISED D&P VALUATION REPORT.....	C-1
APPENDIX D – IFA LETTER.....	D-1
NOTICE OF EGM.....	N-1
PROXY FORM.....	P-1

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Bao Hongwei (Managing Director) Wee Phui Gam (Acting Chairman and Lead Independent Director) Sun Bowen (Non-Executive and Non-Independent Director) Professor Jiang Rongguang (Independent Director)
JOINT COMPANY SECRETARIES	:	Nor Hafiza Alwi Loh Mei Ling
REGISTERED OFFICE	:	8 Robinson Road #03-00 ASO Building Singapore 048544
LEGAL ADVISER TO THE COMPANY	:	Altum Law Corporation 160 Robinson Road #26-06 SBF Center Singapore 068914
INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED DISPOSAL	:	Provenance Capital Pte. Ltd. 96 Robinson Road #13-01 SIF Building Singapore 068899

DEFINITIONS AND INTERPRETATION

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“ACRA”	:	Accounting and Corporate Regulatory Authority
“Act”	:	The Companies Act (Chapter 50) of Singapore
“Acquisition Agreement”	:	The sale and purchase agreement dated 22 April 2021 entered into between the Company and the Acquisition Vendors for the Proposed Acquisition
“Acquisition Conditions Precedent”	:	The conditions set out in section 3.1 of the Acquisition Agreement to be fulfilled and satisfied for the completion of the Proposed Acquisition
“Acquisition Vendors”	:	The vendors for the Proposed Acquisition, being Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon collectively
“Appraised Value”	:	A valuation of 100% equity interest of Yinguang Technology and all its properties, assets, receivables, businesses, undertakings, operations, goodwill, stock-in-trade, rights and entitlements (whether under contract, trusts or otherwise) and relationships with customers, suppliers, employees, agents and others having relationships with any of them, as at the Valuation Date
“Arranger Shares”	:	The allotment and issuance of an aggregate of 5,681,818 new Shares, credited as fully paid-up, at S\$0.22 per new Share, to the arranger of the Proposed Acquisition, an unrelated third-party, Prestige Fame Limited
“associated company” and “associate”	:	Associated company and associates respectively, as defined in the Listing Rules
“Audit Committee”	:	The audit committee of the Company
“AVA Valuation Report”	:	The valuation report of the Appraised Value issued and delivered by the Independent Valuer
“Board”	:	The board of Directors of the Company
“Business”	:	The business activities of Lincotrade & Associates Pte Ltd, involving primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders’ carpentry and joinery
“Business Day”	:	Means a day (other than a Saturday, Sunday or gazetted public holiday in Singapore) on which commercial banks are open for business in Singapore
“Catalist”	:	The Catalist board of the SGX-ST
“Catalist Rules”	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, supplemented or otherwise modified from time to time
“Cash Distribution”	:	The cash distribution of S\$17,222,400, <i>pro-rata</i> , to all Shareholders at S\$0.368 for each Share held by Shareholders as at the Record Date
“CGU”	:	Cash generating unit

DEFINITIONS AND INTERPRETATION

“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 22 September 2021
“Code”	:	The Singapore Code on Take-overs and Mergers
“Conditions Precedent”	:	The conditions set out in section 3.4 of the Circular to be fulfilled and satisfied for the completion of the SPA
“Consideration Shares”	:	The allotment and issuance of an aggregate of 113,636,363 new Shares, credited as fully paid-up, at S\$0.22 per new Share, to the Acquisition Vendors
“Completion Date”	:	The date falling 3 Business Days after the satisfaction (or express waiver in writing by the respective entitled Party) of the Conditions Precedent or such other date as may be agreed in writing between the Company and Triple Vision, but in every case, not later than the Long-Stop Date
“Constitution”	:	The constitution of the Company as may be amended, modified or supplemented from time to time
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen per cent. (15%) or more of all voting shares in a company; or (b) in fact exercises control over such company
“Duff & Phelps”	:	Duff & Phelps Singapore Pte Ltd, the other independent valuer appointed by the Company on 24 June 2021 pursuant to the Notice of Compliance
“D&P Appraised Value”	:	The conclusion by Duff & Phelps on the valuation of Yinguang Technology as at the Valuation Date
“D&P Valuation Report”:	:	The valuation report of the D&P Appraised Value issued and delivered by Duff & Phelps
“Director”	:	A director of the Company (whether executive or non-executive) and the term “ Directors ” shall be construed accordingly
“Disposal Consideration”	:	The payment of S\$18.0 million in cash by Triple Vision for the Sale Shares
“Distributable Amount”	:	An amount of S\$17,222,400 in aggregate, to be distributed <i>pro-rata</i> to all the Shareholders, amounting to S\$0.368 in cash for each Share held by Shareholders or on their behalf as at the Record Date, based on the total number of 46,800,000 Shares in existence
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company to be held on 14 October 2021 at 10.00 am by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS), notice of which is set on pages N-1 to N-4 of this Circular
“Effective Date”	:	The date on which the Proposed Capital Reduction becomes effective

DEFINITIONS AND INTERPRETATION

- “Entitled Shareholders”** : Persons registered in the Register of Members and Depositors whose Securities Accounts are credited with Shares as at the Record Date who will be considered for purposes of the Cash Distribution, on the basis of such number of Shares registered in their names or standing to the credit of their Securities Accounts as at the Record Date
- “Expected Payment Date”** : Means the payment date of the Cash Distribution to be announced in due course
- “Fortsmith Investments”** : Fortsmith Investments Limited (Company Registration No. 19321, a private company incorporated in Samoa and a Controlling Shareholder of the Company
- “FY”** : Financial year ended or ending 31 March, prior to the change of the Company’s financial year end to 30 June, as announced on 28 January 2021
- “Group”** : Collectively, the Company and its subsidiaries
- “IFA”** : Provenance Capital Pte. Ltd., the independent financial adviser to the Recommending Directors in relation to the Proposed Disposal
- “IFA Letter”** : The letter dated 22 September 2021 from the IFA to the Recommending Directors in relation to the Proposed Disposal as set out in Appendix D to this Circular
- “Independent Directors”** : Mr Wee Phui Gam and Professor Jiang Rongguang, the independent Directors of the Company
- “Independent Shareholders”** : Shareholders who are considered independent for the purposes of the Whitewash Resolution
- “Independent Valuer”** : AVA Associates Limited, a competent, independent valuer appointed by the Company pursuant to Rule 1014(5) of the Listing Rules
- “Insolvency Event”** : Means any of the following;
- (a) a company resolving that it would be wound up or an individual filing for bankruptcy;
 - (b) application for or the appointment of a liquidator, provisional liquidator, judicial manager and/or provisional judicial manager of a company;
 - (c) the making of an order by a court of competent jurisdiction for the winding up of a company or the bankruptcy of an individual;
 - (d) any company or person entering into any arrangement or general assignment or composition for the benefit of its creditors generally;
 - (e) the appointment of an administrator, assignee, receiver, trustee or a receiver and manager, in relation to the undertakings, properties or assets of a company or person;
 - (f) any company or person being deemed by law or a court of competent jurisdiction to be insolvent, or
 - (g) any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s).

DEFINITIONS AND INTERPRETATION

“Interested Person”	:	Interested person as defined under Chapter 9 of the Listing Rules
“IPT”	:	Interested person transaction as defined under Chapter 9 of the Listing Rules
“LPD”	:	15 September 2021, being the latest practicable date prior to the issuance of this Circular
“Listing Rules”	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
“Loan”	:	The interest-free shareholder’s loan of up to S\$1.0 million at any time, granted to the Company by Triple Vision pursuant to terms and conditions of the Loan Agreement
“Loan Agreement”	:	The shareholder’s loan agreement dated 23 February 2021 entered into between the Company and Triple Vision for the Loan
“Long-Stop Date”	:	30 November 2021 or such other date as may be agreed between the Company and Triple Vision
“LURs”	:	Land use rights
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“MAS”	:	Monetary Authority of Singapore
“Moratorium Undertakings”	:	The contractual undertakings given by any of the Directors and chief executive officer of the Company holding Shares, and other Controlling Shareholders of the Company, to observe a moratorium on the transfer or disposal of their interests, direct and indirect, in the securities or shares of the Company from the date of the EGM up to and including the completion date of the acquisition by the Company of a businesses which is able to satisfy SGX-ST’s requirement for a new listing pursuant to Rule 1018(1)(c) and (d) of the Listing Rules
“NAV”	:	Net asset value
“Net Disposal Proceeds”	:	The Disposal Consideration, less any amount(s) owing by the Company to Triple Vision pursuant to the Loan under the Loan Agreement
“Notice of Compliance”	:	The Notice of Compliance dated 2 June 2021 issued to the Company by SGX RegCo for the Company to appoint another valuer of international standing and repute, acceptable to and subject to the approval of SGX-ST, to report on the valuation of the Proposed Disposal
“Notice of EGM”	:	The notice of EGM as set out on pages N-1 to N-4 of this Circular
“NTA”	:	Net tangible assets
“Official List”	:	The official list of the SGX-ST comprising companies admitted to (and not removed) from the SGX Mainboard and the SGX Catalist
“Ordinary Resolution 1”	:	The ordinary resolution to approve the Proposed Disposal as set out in the Notice of EGM

DEFINITIONS AND INTERPRETATION

“Parties”	: The Company and Triple Vision collectively, and “Party” shall mean any one of them
“PRC” or “China”	: The People’s Republic of China
“Proposed Acquisition”	: The acquisition by the Company of all the shares representing the entire issued and fully paid-up capital of Lincotrade & Associates Pte Ltd
“Proposed Disposal”	: The disposal of the Sale Shares by the Company to Triple Vision, in exchange for the Disposal Consideration
“Proposed Capital Reduction”	The capital reduction exercise pursuant to Section 78A read with 78C of the Act to be undertaken by the Company, subsequent to the Proposed Disposal, for the purpose of the Cash Distribution
“Proposed Transactions”	: The Proposed Disposal and Proposed Capital Reduction
“Proposed Transfer to Catalist”	: The proposed transfer of the listing and quotation of the Shares from the Mainboard to Catalist, in connection with the Proposed Acquisition
“Proxy Form”	: The proxy form in respect of the EGM as set out in this Circular
“Recommending Directors”	: Directors who are considered independent for the purposes of the Proposed Disposal, namely Mr Wee Phui Gam, Professor Jiang Rongguang, Mr Sun Bowen and Mr Bao Hongwei
“Real Estate Assets”	: LURs, industrial properties and commercial properties of Yinguang Technology
“Record Date”	: The record date after the EGM to be determined by the Directors, in their sole and absolute discretion, for the purpose of determining the entitlement of Shareholders to the cash distribution pursuant to the Proposed Capital Reduction
“Register of Members”	: The register of members of the Company
“Resolutions”	: The Ordinary Resolution 1 and the Special Resolution 2 collectively
“RMB”	: Renminbi, the lawful currency of the PRC
“RNAV”	: Revalued net asset value
“RTO EGM”	: The extraordinary general meeting to be convened in due course to seek the approval of the Shareholders for, <i>inter alia</i> , the Proposed Acquisition and allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Whitewash Resolution, Proposed Transfer to Catalist and all other transactions in connection therewith, and a separate circular to Shareholders will be issued to Shareholders at the relevant time
“Sale Shares”	: The aggregate RMB156.0 million (approximately S\$32.5 million based on the exchange rate of RMB4.8023 : S\$1.00 as at 30 June 2021) registered capital of Yinguang Technology, representing 100% of the entire fully-paid registered capital of Yinguang Technology

DEFINITIONS AND INTERPRETATION

“Securities Account”	: A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“SFA”	: Securities and Futures Act (Cap 289) of Singapore
“SFRS(I)”	: Singapore Financial Reporting Standards (International)
“SGX RegCo”	: Singapore Exchange Regulation Pte. Ltd.
“SGXNET”	: Singapore Exchange Network, a system network used by listed companies in sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shares”	: Ordinary shares in the capital of the Company
“Shareholders”	: Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, means persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“SIC”	: Securities Industry Council of Singapore
“Solvency Statement”	: The solvency statements to be given by the Directors as required under Section 78C of the Act for the purpose of the Proposed Capital Reduction
“SPA”	: The sale and purchase agreement dated 19 March 2021 entered into between the Company and Triple Vision in relation to the Proposed Disposal
“Special Resolution 2”	: The special resolution to approve the Proposed Capital Reduction at the EGM, of which not less than 21 days’ notice of the EGM shall have been given
“Sponsor”	: The Catalyst full sponsor to be appointed in relation to the Proposed Acquisition and reverse takeover pursuant to Rules 410(2) and 1015(1)(a) of the Catalyst Rules
“Sponsor Shares”	: The allotment and issuance of up to 454,545 new Shares, credited as fully paid-up, at S\$0.22 per new Share, to the Sponsor, in part-payment for the Sponsor’s professional fees
“Summarised AVA Valuation Report”	: The summary of the valuation in the AVA Valuation Report
“Summarised D&P Valuation Report”	: The summary of the valuation in the D&P Valuation Report
“Sun Bowen”	: Mr Sun Bowen, a Chinese citizen, who is a Director and the sole shareholder of Fortsmith Investments
“S\$” and “cents”	: Singapore dollars and cents, respectively, the lawful currency of Singapore

DEFINITIONS AND INTERPRETATION

“Triple Vision”	:	Triple Vision Pte. Ltd. (Company Registration No. 201812334H), a private company limited by shares incorporated in the Republic of Singapore, and a Controlling Shareholder of the Company
“Valuation Date”	:	31 March 2021
“Wee Henry”	:	Mr Wee Henry, a Singapore citizen and the sole shareholder and director of Triple Vision
“Whitewash Resolution”	:	The waiver by the majority of the Independent Shareholders by ordinary resolution on a poll taken at the RTO EGM, of their right to receive a general offer from the Acquisition Vendors and parties acting in concert with them for all other Shares in existence, arising from the allotment and issuance of the Consideration Shares to the Acquisition Vendors, pursuant to Rule 14 of the Code
“Whitewash Waiver”	:	The waiver by the SIC of the obligation of the Acquisition Vendors and parties acting in concert with them to make a mandatory take-over offer for all other Shares in existence arising from the allotment and issuance of the Consideration Shares, pursuant to Rule 14 of the Code
“Yinguang Technology”	:	Shandong Yinguang Technology Co. Ltd. (山东银光科技有限公司) (Unified Social Credit Code: 9137130076870702XE), a company incorporated in the PRC, with its registered office at No. 1 Huagong Road, Fei County, Linyi City, Shandong Province, PRC
“%” or “per cent.”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA or any statutory modification thereof, as the case may be.

The terms “**subsidiary**” and “**related corporations**” shall have the meaning ascribed to them in the Act.

The terms “**entity at risk**”, “**interested person**”, “**interested person transaction**” and “**transaction**” shall have the meaning ascribed to it in Rule 904 of the Listing Rules.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing one gender shall, where applicable, include all other and neuter genders. References to natural persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, the SFA, Listing Rules or any statutory modification thereof and used in this Circular shall, where applicable, have the meanings ascribed to it under the Act, the SFA, Listing Rules or any modification thereof, as the case may be, unless otherwise provided.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding and, accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures which precede them.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the current expectations, beliefs, hopes, intentions or strategies of the Party making the statements regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and potential investors of the Company should not place undue reliance on such forward-looking statements and neither the Company nor Triple Vision undertakes any obligation to update publicly or revise any forward-looking statements.

LETTER TO SHAREHOLDERS

FABCHEM CHINA LIMITED
(Company Registration No. 200413128G)
(Incorporated in the Republic of Singapore)

Directors:

Bao Hongwei (Managing Director)
Wee Phui Gam (Acting Chairman and Lead Independent Director)
Sun Bowen (Non-Executive and Non-Independent Director)
Professor Jiang Rongguang (Independent Director)

Registered Office:

8 Robinson Road
#03-00 ASO Building
Singapore 048544

22 September 2021

To: The Shareholders of Fabchem China Limited

Dear Shareholder

- I. **PROPOSED DISPOSAL OF THE COMPANY'S PRINCIPAL SUBSIDIARY, SHANDONG YINGUANG TECHNOLOGY CO. LTD., TO TRIPLE VISION PTE. LTD. FOR S\$18.0 MILLION, BEING AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION UNDER THE LISTING RULES OF THE SGX-ST, AND**
- II. **PROPOSED CASH DISTRIBUTION OF S\$17,222,400, PRO-RATA, TO ALL SHAREHOLDERS OF THE COMPANY, AT S\$0.368 FOR EACH ORDINARY SHARE IN THE COMPANY HELD BY SHAREHOLDERS AT THE RECORD DATE, BY WAY OF CAPITAL REDUCTION PURSUANT TO AND SUBJECT TO SECTIONS 78A READ WITH 78C OF THE COMPANIES ACT (CAP 50) OF SINGAPORE**

1. BACKGROUND

- 1.1 On 19 March 2021, the Company announced that it had, on 19 March 2021, entered into a sale and purchase agreement ("**SPA**") with its Controlling Shareholder, Triple Vision, pursuant to which the Company has agreed to dispose, in exchange for payment of S\$18.0 million in cash by Triple Vision ("**Disposal Consideration**"), of the Company's ownership of the aggregate RMB156.0 million (approximately S\$32.5 million based on the exchange rate of RMB4.8023 : S\$1.00 as at 30 June 2021) registered capital of Yinguang Technology, representing 100% of the entire fully-paid registered capital of Yinguang Technology ("**Sale Shares**"), to Triple Vision ("**Proposed Disposal**").
- 1.2 On 12 August 2021, the Company announced that it had, in agreement with Triple Vision, extended the Long-Stop Date for completion of the Proposed Disposal from 31 August 2021 to 30 November 2021.
- 1.3 Subsequent to the Proposed Disposal, the Company intends to undertake a capital reduction exercise pursuant to Sections 78A read with 78C of the Act ("**Proposed Capital Reduction**"), for a cash distribution of S\$17,222,400, *pro-rata*, to all Shareholders at S\$0.368 for each Share held by Shareholders as at the Record Date ("**Cash Distribution**").
- 1.4 The Proposed Disposal is deemed an "interested person transaction" ("**IPT**") and a "major transaction" under Chapters 9 and 10 of the Listing Rules respectively and also constitutes a disposal of the whole or substantially the whole of the Company's undertaking or property under Section 160 of the Act, and will therefore be subject to approval of the Shareholders at the EGM. More information on the Proposed Disposal as an IPT is set out in section 6 of this Circular and more information on the Proposed Disposal as a major transaction is set out in section 4 of this Circular. The financial effects of the Proposed Disposal and Proposed Capital Reduction are set out in section 11 of this Circular.

LETTER TO SHAREHOLDERS

- 1.5 As announced by the Company on 19 March 2021, upon completion of the Proposed Disposal, Yinguang Technology will cease to be a subsidiary of the Company, and the Company will cease to have any operating business and will be deemed by the SGX-ST as a cash company under Rule 1018 of the Listing Rules. More information on the Company's compliance with Rule 1018 of the Listing Rules is set out in section 7 of this Circular.

2. INFORMATION ON TRIPLE VISION AND YINGUANG TECHNOLOGY

- 2.1 **Triple Vision.** Triple Vision is a private company limited by shares, incorporated on 12 April 2018 with an issued and paid-up capital of S\$10.00 comprising 10 ordinary shares. Triple Vision is registered with ACRA as a management consultancy services company and is the special purpose vehicle of Wee Henry, who is the sole shareholder and sole director of Triple Vision. Apart from holding investments in the Company, Triple Vision has not undertaken any business activities since its incorporation. Wee Henry's associate, Fivestar Limited¹ was a substantial shareholder of the Company since its initial public offering until the acquisition of Fivestar Limited's Shares by Triple Vision on 29 April 2019 during the mandatory conditional cash offer by Triple Vision in 2019. Triple Vision has been a Controlling Shareholder of the Company since 15 March 2019. As at the LPD, (i) Triple Vision is a Controlling Shareholder of the Company, directly interested in 52.16% of the entire issued and paid-up share capital of Company, and (ii) together with its sole shareholder, Wee Henry (held through Nomura Singapore Limited as nominee), Triple Vision has an aggregate direct and deemed interest in 24,515,699 Shares, representing 52.38% of the entire issued and paid-up share capital of the Company.
- 2.2 **Yinguang Technology.** Yinguang Technology is a company incorporated in the PRC on 23 November 2004, and the sole operating and principal subsidiary of the Company. It is a pioneer and market leader in the production of explosive devices (boosters) in the PRC, which are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors.

As at the LPD, Yinguang Technology has an aggregate RMB156.0 million registered capital, representing 100% of its entire fully-paid registered capital. Shareholders should note that there is no open market for the Sale Shares as they are not publicly traded.

- 2.3 Based on the latest announced unaudited consolidated financial statements of the Group for the 15-month financial year ended 30 June 2021 (which is after the Company effected the change of its financial year-end from 31 March to 30 June), the Company's cost of investment in Yinguang Technology was S\$18.0 million (translated to RMB86.4 million based on the exchange rate of RMB4.8023 : S\$1.00 as at 30 June 2021).

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to measure assets classified as held for sale at the lower of the carrying amount or fair value of the assets less costs to sell. The Company had, based on the Disposal Consideration of S\$18.0 million, made an impairment allowance of S\$4.5 million (equivalent to RMB21.8 million based on an exchange rate of RMB4.8023 as at 30 June 2021) on the carrying value of the Company's cost of investment in Yinguang Technology and an impairment allowance of RMB51.9 million (S\$10.8 million) on the carrying value of the Yinguang Technology's property, plant and equipment as at 30 June 2021.

Based on the Disposal Consideration of S\$18.0 million and the impairment loss recognised as at 30 June 2021 of S\$4.5 million (RMB21.8 million), there will be no loss to the Company on the disposal of Yinguang Technology.

After the impairment allowance on Yinguang Technology's property, plant and equipment of RMB51.9 million (S\$10.8 million), the book value and NTA of Yinguang Technology was RMB86.4 million (S\$18.0 million) as at 30 June 2021 which is the same as the Disposal Consideration.

¹ Mdm Tan Geok Bee, the spouse of Wee Henry, was deemed interested in the Shares held by Fivestar Limited by virtue of Section 7 of the Act.

LETTER TO SHAREHOLDERS

No loans or advances have ever been made by the Company to Yinguang Technology and Yinguang Technology's subsidiaries and associated companies since the initial public offering of the Company.

To-date, the Company has invested in Yinguang Technology an aggregate of S\$22.5 million (RMB108.3 million based on RMB4.8023 : S\$1.00 as at 30 June 2021).

3. PRINCIPAL TERMS OF THE SPA

- 3.1 Pursuant to the terms and subject to the conditions of the SPA, the Company shall sell to Triple Vision and Triple Vision shall purchase from the Company all the Sale Shares free from all encumbrances and together with all rights, benefits and entitlements attaching or accruing thereto, in exchange for the Disposal Consideration, less any amount(s) owing by the Company to Triple Vision pursuant to the Loan under the Loan Agreement ("**Net Disposal Proceeds**"). As at LPD, the Loan amount outstanding is S\$300,000. The purpose of the Loan is to fund the Company's payment of professional fees and expenses incurred for the Company's corporate actions such as the Proposed Disposal and Proposed Acquisition. More information on the Loan, Loan Agreement and repayment terms is set out in the Company's announcement of 23 February 2021, a copy of which is reproduced in its entirety in **Appendix A** to this Circular.
- 3.2 The Disposal Consideration was arrived at by mutual agreement between the Company and Triple Vision after arm's length negotiations, on a "willing-buyer, willing-seller" basis, and on the basis, *inter alia*, that a valuation of 100% equity interest of Yinguang Technology and all its properties, assets, receivables, businesses, undertakings, operations, goodwill, stock-in-trade, rights and entitlements (whether under contract, trusts or otherwise) and relationships with customers, suppliers, employees, agents and others having relationships with any of them ("**Appraised Value**") conducted by AVA Associates Limited, a competent, independent valuer, in accordance with the International Valuation Standards published by the International Valuation Standards Council and appointed by the Company pursuant to Rule 1014(5) of the Listing Rules ("**Independent Valuer**"), as set out in a valuation report issued and delivered by the Independent Valuer ("**AVA Valuation Report**"), is not more than S\$18.0 million. A copy of the summary of the valuation in the Valuation Report ("**Summarised AVA Valuation Report**") is reproduced in its entirety at **Appendix B** to this Circular and Shareholders are advised to read the Summarised AVA Valuation Report in its entirety carefully.

An excerpt of page B-9 of the Summarised AVA Valuation Report setting out the Appraised Value of Yinguang Technology is extracted and set out in *italics* as follows and capitalised terms used within these reproduced statements bear the meanings defined for them in the Summarised AVA Valuation Report:

"Based on the information provided, our analyses and conclusions of the various proposed scenarios, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the 100% Equity Interest in the Target Group is reasonably stated in the amount that range from RMB37.9 million to RMB47.3 million (S\$ equivalent being S\$7.8 million to S\$9.7 million), with a concluded value of RMB42.0 million (S\$ equivalent is S\$8.6 million based on an exchange rate of S\$1 : RMB4.8727)."

Please refer to pages B-5 to B-9 of the Summarised AVA Valuation Report for the methodologies and material assumptions of the Independent Valuer in arriving at the Appraised Value.

The valuation of the LURs and commercial properties of Yinguang Technology is based on the market approach. As such, there is no additional adjustment for economic obsolescence as the observed market prices would have encapsulated the relevant obsolescence. As for the industrial properties of Yinguang Technology, it is based on a cost approach where the current cost to replace the asset is adjusted for conditions, remaining useful life and obsolescence.

LETTER TO SHAREHOLDERS

Yinguang Technology's products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes, and (c) industrial detonators such as non-electric detonators (including piston non-electric detonators).

The Group performed a cash generating unit ("CGU") valuation on Yinguang Technology's main product, boosters, in conjunction with the audit of the Group's financial statements for FY2020. The Independent Valuer valued the boosters' CGU at RMB82.88 million, or approximately S\$16.6 million (based on exchange rate of RMB4.9790 : S\$1.00 as at 31 March 2020). In line with SFRS(I), the valuation in FY2020 only considered the expected cashflows from Yinguang Technology's two existing booster production lines, while the present Appraised Value considered the entire business of Yinguang Technology. The difference between the boosters' CGU and the Appraised Value can largely be attributed to (a) CGU is measured on a value-in-use basis, measuring the value of expected cashflows to equity and debt owners, while the Appraised Value is based on expected cashflows to equity owners, (b) RMB16 million of additional capital expenditure required to construct Yinguang Technology's 3rd booster production facility expected to commence operations during FY2023, (c) the expected discontinuation of manufacture and sale of non-electric detonators at the end of FY2022 leading to a loss in revenue and profit contribution for the remaining forecast period, and (d) capital expenditure required for the existing product lines. It should also be noted that the CGU valuation was performed as at 31 March 2020 and the Appraised Value was performed as at 31 March 2021.

Yinguang Technology's current two automated boosters product lines are the major revenue contributor, accounting for 45.0% of Yinguang Technology FY2020's revenue. Boosters are Yinguang Technology's main export product, which Yinguang Technology exports to countries including Australia and South Africa. Yinguang Technology started constructing the 3rd automated boosters production line to replace the four manual boosters production lines that Yinguang Technology had to cease production over the years, in order to continue to service and maintain the relationship with its existing customers. The construction of the third automated boosters production facility will increase boosters production capacity by approximately 1,500 tons to approximately 4,500 tons. The discontinuation of manufacturing and sale of non-electric detonators by the end of FY2022 is based on adherence to regulatory requirements. Non-electric detonators contributed 38.6% of Yinguang Technology's FY2020 revenue with a gross profit margin of approximately 22.5% for FY2020. Capital expenditure required for the existing product lines is estimated to be approximately RMB6.2 million to RMB7.6 million for existing facilities from FY2022 to FY2026. Ongoing capital expenditure for existing production facilities is necessary to maintain production standards and keep the production facilities safe for production due to the nature of the business.

The Independent Valuer, based in Hong Kong and Singapore, has been providing independent valuation services to their clients in Asia since 2008. They provide transaction-based advisory services, primarily focusing on independent valuation services to assist their clients to comply with internal and external requirements. Their team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation. Thomas Chua, the Director of Valuation Services, is a Chartered Valuer and Appraiser with 17 years of experience in the field, while Jack Li is a Chartered Financial Analyst and member of Royal Institute of Chartered Surveyors with more than 10 years of similar experience.

Whilst the Independent Valuer is not accredited by the China Appraisal Society, which is a domestic organisation operating based on China's valuation standards, the Independent Valuer bases their work on internationally recognised standards, as their valuers are members of the Royal Institute Of Chartered Surveyors, a United Kingdom based globally recognized professional body that traces its roots to 1792, and which enforces the highest professional standards in the development and management of land, real estate, construction and infrastructure valuations.

LETTER TO SHAREHOLDERS

The Independent Valuer reports to the Board on their engagement for the purposes of issuing the AVA Valuation Report and was appointed by the Board in consultation with the Audit Committee. Neither Triple Vision nor Wee Henry has any representation on the Board. The Independent Valuer is well suited for this engagement as they have previously been engaged by the Company for its corporate actions as set out in the following table.

Date of Circular to Shareholders	Description of Transaction
18 April 2019	The mandatory conditional cash offer by Triple Vision for all the Shares other than those already owned, controlled, or agreed to be acquired by Triple Vision ² .
14 July 2017	The proposed acquisition of the 13 th to 15 th storeys of Yinguang Fuyuan Plaza and 39 carpark lots, being a Grade A commercial and office building located in Fei County, Linyi, Shandong Province, PRC by Yinguang Technology, being a major transaction and an IPT.
16 August 2016	The proposed disposal by Yinguang Technology of its entire equity interest in Hebei Yinguang Chemical Co. Ltd, a company principally engaged in the business of manufacturing and selling ammonium nitrate in the PRC.

3.3 **Notice of Compliance and Another Valuation.** On 2 July 2021, SGX RegCo issued a notice of compliance on SGXNET for the Company to appoint another valuer, acceptable to and subject to the approval of SGX-ST, to report on the valuation of the Proposed Disposal and such valuer should be of international standing and repute (“**Notice of Compliance**”). In the Notice of Compliance, SGX RegCo expressed, *inter alia*, the following views (at paragraphs 7 to 11 of the Notice of Compliance) on the valuation report and summarised valuation report by the Independent Valuer, at that time based on the valuation date of 31 December 2020, that were submitted to SGX RegCo by the Company:

- (a) The valuation of \$8 million represents a significant discount of 74.3% to the NAV of Yinguang Technology of RMB155.3 million (S\$31.2 million) as at 30 September 2020 respectively.
- (b) In the summarised valuation report prepared by the Independent Valuer, among other things, the Independent Valuer had noted that the land use rights (“**LURs**”), industrial properties and commercial properties of Yinguang Technology (collectively the “**Real Estate Assets**”) had a market value of RMB300.9 million (S\$60.5 million) based on direct comparison approach. The unaudited book value of the Real Estate Assets was RMB 141.8 million (S\$28.5 million) as at 31 March 2020. The Independent Valuer had explained that this increase in value of RMB159.1 million (S\$32 million) would arise from a sale of the LURs, industrial properties and commercial properties.
- (c) Based on the cost approach, the Independent Valuer also provided that the Revalued Net Asset Value (“**RNAV**”) of Yinguang Technology’s assets has an indicative value of RMB271.7 million (S\$54.6 million). However, the Independent Valuer dismissed this value and opined that the RNAV did not best represent the market value of Yinguang Technology.
- (d) In view of the significant variances of the valuation to the value of the Real Estate Assets and RNAV noted above by the Independent Valuer and the substantial discount of the valuation to the NAV of Yinguang Technology as at 30 September 2020, the substantial difference in values derived from the income and cost approach respectively raises a concern about whether the value of the IPT has been fairly valued noting that the Proposed Disposal relates to the Company’s sole operating business and is a transaction with an Interested Person.

² The Group’s fixed assets were valued at RMB348.6 million (S\$70.3 million based on RMB4.95894 : S\$1.00 as at 28 February 2019), based on a valuation conducted as at 28 February 2019.

LETTER TO SHAREHOLDERS

On 4 June 2021, the Company announced the Board's basis for appointing AVA Associates Limited as the Independent Valuer and that the Board is of the view that the Independent Valuer is suitably qualified and was suitably appointed by the Company pursuant to Rule 1014(5) of the Listing Rules, which requires that a competent, independent valuer be appointed to value the assets to be disposed. Notwithstanding, the Company announced that it would comply with the Notice of Compliance by appointing another valuer of international standing and repute, as required under the Notice of Compliance, to report on the valuation of Proposed Disposal, subject to the approval of the SGX RegCo.

On 24 June 2021, the Company announced that it had, with the approval of SGX RegCo, appointed Duff & Phelps Singapore Pte Ltd. ("**Duff & Phelps**") to report on the valuation of the Proposed Disposal ("**D&P Valuation Report**") and that the Company had, accordingly, complied with the Notice of Compliance.

A copy of the summary of the valuation in the D&P Valuation Report is reproduced in its entirety at **Appendix C** to this Circular ("**Summarised D&P Valuation Report**"). An excerpt of page C-5 of the Summarised D&P Valuation Report, setting out the conclusion by Duff & Phelps on the valuation of Yinguang Technology ("**D&P Appraised Value**") is extracted and set out in italics as follows and capitalised terms used within these reproduced statements bear the meanings defined for them in the Summarised D&P Valuation Report:

"Based on the information provided by Management and our analysis, the equity value (100% basis) of the Target Company as at Valuation Date is estimated to range between RMB38.0 million (SGD7.8 million³) and RMB44.0 million (SGD9.0 million³), with a base equity value of RMB41.0 million (SGD8.4 million³). The range of equity value is based on a sensitivity analysis varying the discount rate of 13.5% and terminal year growth rate assumption of 2.0% by +/- 0.25%."

Please refer to pages C-2 to C-8 of the Summarised D&P Valuation Report for the methodologies and material assumptions of Duff & Phelps in arriving at the D&P Appraised Value.

The D&P Appraised Value of S\$8.4 million does not depart significantly from the Appraised Value of S\$8.6 million by the Independent Valuer and both valuations are well below the Disposal Consideration of S\$18.0 million that the Purchaser is paying the Company for Yinguang Technology under the terms of the SPA.

Both the Independent Valuer and Duff & Phelps had concluded the equity value of Yinguang Technology based on the income approach, and in the case of Yinguang Technology, such equity value is substantially below its NAV and RNAV. In brief, the key reasons for not according the equity value of Yinguang Technology based on or close to its NAV and/or RNAV are as follows:

- (a) the NAV/RNAV approach does not take into consideration the income-producing ability of the Yinguang Technology which is a critical element affecting value from a market participant perspective;
- (b) the equity value of Yinguang Technology based on the income approach is low compared to its NAV/RNAV as Yinguang Technology in its current state is loss making but Yinguang Technology is projecting positive cashflows in later years with additional capital expenditure to construct a third automated boosters production facility to supplement the existing 2 automated boosters production lines;
- (c) the operating assets (fixed assets and Real Estate Assets) of Yinguang Technology are collectively deployed in the business operations to generate its cash flows and hence, their individual respective fair values cannot be realized or sold on a piecemeal basis; and
- (d) the NAV/RNAV is a concept of a hypothetical ability to recreate an asset or portfolio of assets that can be employed to support the operation of an existing business. In the case of Yinguang Technology, the cashflows from its operations in its present state are unable to generate the expected returns on its NAV or RNAV.

³ Based on exchange rate RMB4.8723 : S\$1.00 as of 31 March 2021.

LETTER TO SHAREHOLDERS

- 3.4 **Conditions Precedent to the Proposed Disposal.** The sale and purchase of the Sale Shares and completion of the SPA shall be subject to and conditional upon the fulfilment and satisfaction of, *inter alia*, all the conditions set out below (“**Conditions Precedent**”):
- (a) the Company being, on Completion Date, (i.) the legal, beneficial and registered owner of the Sale Shares, free from all encumbrances, and not holding the same on trust for other beneficiaries, and (ii.) entitled to sell and transfer to Triple Vision the full legal title and beneficial ownership of the Sale Shares together with all the rights, benefits and entitlements attaching and accruing thereto (including without limitation, the rights to any dividends or other distributions declared or payable thereon) as at the Completion Date;
 - (b) the approval and such approval not having been qualified or withdrawn, of the Shareholders at the EGM for all transactions contemplated under the SPA and such other transactions in connection therewith and incidental thereto, including without limitation, the Proposed Disposal in accordance with Rules 906(1) and 1014(2) of the Listing Rules;
 - (c) the issuance and delivery of the Valuation Report and the Appraised Value being not more than S\$18.0 million;
 - (d) an unqualified opinion by the IFA that the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders;
 - (e) all licences, consents, permits, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant regulators, entitled third-parties, counterparties, financing or facility providers of the Parties and Yinguang Technology, as may be required for or in connection with the Proposed Disposal, all transactions contemplated in the SPA and such other transactions in connection therewith or incidental thereto having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being reasonably acceptable to the Parties and are fulfilled on or before the Completion Date, and all other actions having been taken by or on behalf of the Parties and Yinguang Technology to comply with all applicable legal and other requirements necessary to ensure that the transfer of the Sale Shares is in accordance with, and do not infringe any existing law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree, order, contract or agreement, including without limitation:
 - (i.) approval of the SGX-ST for the Proposed Disposal, being an IPT under Chapter 9 and a major transaction under Chapter 10 of the Listing Rules, and
 - (ii.) all relevant approvals, filings, submissions, notifications required in PRC for compliance with applicable PRC laws.
 - (f) there being no unpaid debts due from Yinguang Technology or any of its subsidiaries or associate companies to the Company as at the Completion Date;
 - (g) there being no outstanding guarantees, indemnities, performance bonds or other liabilities or obligations of the Company for the liabilities or obligations of Yinguang Technology or any of its subsidiaries or associate companies as at the Completion Date;
 - (h) no relevant regulator taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or made, proposed or enacted any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order or taken any steps and there not continuing to be in effect or outstanding any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order which would or might:
 - (i.) make the Proposed Disposal, all transactions contemplated under the SPA and such other transactions in connection therewith and incidental thereto, void, invalid, illegal, and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same, and/or

LETTER TO SHAREHOLDERS

- (ii.) render the Company unable to sell all or any of the Sale Shares in the manner set out in the SPA;
- (i) there being no unsatisfied award, judgment or court order outstanding against the Company nor any distress, execution or other process that has been levied against the businesses, undertakings, properties, assets or goodwill of the Company, and
- (j) no Insolvency Event happening to, threatened or started in relation to the Company, Triple Vision and/or Yinguang Technology.

Under the SPA, the Company and Triple Vision have agreed that they shall each use all reasonable endeavours to take all actions and do all things necessary for the purpose of enabling the aforesaid conditions precedent to be satisfied.

Unless compliance is otherwise expressly waived in writing, in whole or in part, by the respective entitled Party, if any of the Conditions Precedent are not fulfilled on or before the Long-Stop Date, the SPA shall, *ipso facto*, cease and determine and the Parties shall be released and discharged from their respective obligations and liabilities under the SPA, save in respect of (i.) any claim by a Party against any other for costs, damages, compensation or otherwise arising from any accrued liabilities, antecedent and/or existing breaches of the terms thereof, (ii.) the respective obligations, covenants or undertakings which, pursuant to the terms of the SPA, are expressed to survive such termination, which shall continue in full force and effect to bind the Parties in the manner so expressed, and (iii.) for costs and expenses as expressly agreed upon and provided for in the SPA.

- 3.5 **Moratorium Undertakings.** Triple Vision acknowledges that upon completion of the Proposed Disposal, the Company may become a cash company pursuant to Rule 1018 of the Listing Rules and Triple Vision has undertaken to execute and deliver to the Company and procure the execution and delivery by any of the Directors and chief executive officer of the Company holding Shares, and other Controlling Shareholders of the Company, of such contractual undertakings to observe a moratorium on the transfer or disposal of their interests, direct and indirect, in the securities or shares of the Company from the date of the EGM up to and including the completion date of the acquisition by the Company of a businesses which is able to satisfy SGX-ST's requirement for a new listing pursuant to Rule 1018(1)(c) and (d) of the Listing Rules ("**Moratorium Undertakings**"). As at LPD, Triple Vision, Wee Henry, Sun Bowen, and Fortsmith Investments have each furnished the Moratorium Undertakings. The Company's Managing Director, Bao Hongwei, is not required to furnish a Moratorium Undertaking as he does not have any interest, direct or indirect, in the securities or shares of the Company.
- 3.6 **Proposed Capital Reduction.** The Parties agree that upon completion of the Proposed Disposal, the Company will make the Cash Distribution of an aggregate S\$17,222,400, *pro-rata*, to all Shareholders at S\$0.368 for each Share held by Shareholders as at the Record Date based on the total number of 46,800,000 Shares in existence ("**Distributable Amount**") by way of the Proposed Capital Reduction, to distribute the Net Disposal Proceeds, after setting aside sufficient funds, estimated at S\$777,600, for the Company's expenses for the Proposed Disposal and Proposed Capital Reduction, the Company's working capital requirements for the next 12 months and to satisfy the requirements of the Solvency Statement described in section 10.7(b) below, that Company will be able to pay its debts as they fall due during the period of 12 months immediately following the date of the Solvency Statement. The Distributable Amount represents 95.3% of the Company's existing cash balance as at LPD including the Disposal Consideration to be received from Triple Vision. More information on the Distributable Amount and Proposed Capital Reduction are set out in sections 7.2 and 10 of this Circular.
- 3.7 **Representations and Warranties.** Pursuant to the SPA, the Parties have furnished representations and warranties typical for transactions such as the Proposed Disposal.
- 3.8 **No Service Agreements.** No additional or new Director will be appointed to the Board pursuant to the Proposed Disposal.

LETTER TO SHAREHOLDERS

4. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION – RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES

The relative figures computed on the bases set out in Rule 1006 of the Listing Rules in respect of the Proposed Disposal and based on the latest announced unaudited financial statements of the Group for the 15-month period ended 30 June 2021 (“15M2021”) are as follows:

(a)	Net asset value of the asset to be disposed of, compared with the Group’s net asset value	102.6% ⁽¹⁾
(b)	Net loss attributable to the asset to be disposed of, compared with the Group’s net loss	89.2% ⁽²⁾
(c)	Aggregate value of the Disposal Consideration, compared to the Company’s market capitalisation as at 18 March 2021, being the last market day preceding the date of the SPA	205.7% ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to disposal of assets
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group’s proven and probable reserves	Not applicable to the Group’s industry

Notes:

- (1) The net asset value attributable to Yinguang Technology and the Group as at 30 June 2021 was RMB86.4 million and RMB84.3 million respectively.
- (2) The net loss attributable to Yinguang Technology for 15M2021 was approximately RMB63.1 million, and the Group’s net loss for 15M2021 was approximately RMB70.8 million.
- (3) Based on the issued share capital of the Company of 46,800,000 Shares as at 30 September 2020 and the volume weighted average price of S\$0.187 on 5 March 2021, being the last full market day on which the Shares were traded on the Main Board of the SGX-ST preceding the date of the SPA.

As the relative figures computed on the basis set out in Rule 1006 of the Listing Rules exceed 20%, the Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Rules and the Company will be seeking Shareholders’ approval for the Proposed Disposal pursuant to Rule 1014(2) of the Listing Rules at the EGM. The resolution to seek Shareholders’ approval for the major transaction is set out in Ordinary Resolution 1 in the Notice of EGM.

5. RATIONALE FOR THE PROPOSED DISPOSAL

- 5.1 **Declining financial performance and to reposition to capture new opportunities.** Operating in a highly regulated industry, the Company’s sole operating subsidiary, Yinguang Technology has been affected by new government regulations restricting the production and sales of its commercial explosive products over the past few years, particularly in the product segment of detonating cords and detonators. In addition, the temporary shortage of explosives raw materials has also affected Yinguang Technology’s production schedule and production capacity for the past quarters. As a result, the operating environment for Yinguang Technology has been very challenging and this has affected the Group’s overall business performance.

(RMB’000)	FY2020 (audited)	FY2019 (audited)	FY2018 (audited)
Revenue	114,926	154,416	191,260
Net loss after tax	(37,323)	(150,373) ⁽¹⁾	(19,828)

LETTER TO SHAREHOLDERS

Note:

- (1) The net loss after tax of approximately RMB150.4 million for FY2019 was mainly due to impairment allowance on property, plant and equipment of RMB119.0 million and allowance for impairment on trade and other receivables of RMB4.6 million. The management undertook an impairment assessment on each of its production lines as a cash-generating unit and made an impairment allowance on property, plant and equipment of approximately RMB119.0 million during FY2019 to ensure that the Group's balance sheet reflected the recoverable value of the assets. Allowance for impairment on trade receivables for FY2019 was based on a forward-looking expected credit loss model in accordance with the new SFRS(I) 9 which came into effect from 1 April 2018 and was also based on the management's assessment on the Group's individual trade receivables as at the end of FY2019, in accordance with the SFRS(I).

As shown above, the Group has declining revenue and has been incurring losses over the last three (3) financial years ended 31 March 2018 to 31 March 2020.

In line with the above and having regard to the terms and timing of the Proposed Disposal, the Board is of the view that the Company would benefit from the Proposed Disposal as it is an opportune and appropriate time for the Company to dispose of its existing business for a satisfactory consideration and re-position itself to identify and acquire new operating businesses with proven track records and/or are well-positioned to leverage on current shifts in global economies and to capture future growth opportunities. Such acquisition(s) of new businesses and/or assets, which must be able to satisfy SGX-ST's requirements for a new listing, could potentially enable the Company to increase its market capitalisation and widen the investor base for its Shares, thereby leading to an overall increase in investor interest and improve trading liquidity, ultimately enhancing Shareholders' value moving ahead.

The Disposal Consideration of S\$18 million to be paid by Triple Vision for the Sale Shares is substantially higher than both (a) the Appraised Value of RMB42.0 million (S\$8.6 million) (based on an exchange rate of RMB4.8727 : S\$1.00 as at 31 March 2021) and (b) the D&P Appraised Value of S\$8.4 million and the Directors confirm that no other offer for the acquisition of Yinguang Technology has been received by the Company. The Directors also confirm that none of the Company, Wee Henry, the Directors or any key management personnel of the Company are aware of any other buyer who is willing to pay a higher price than the Disposal Consideration to acquire Yinguang Technology from Triple Vision or Wee Henry.

- 5.2 **Triple Vision's rationale for entering into the Proposed Disposal.** The Proposed Disposal represents an opportunity for Triple Vision to have direct and full control over the business development of Yinguang Technology, and to facilitate greater management flexibility and operational efficiencies in implementing business restructuring and internal re-organisation initiatives, as required.

6. INTERESTED PERSON TRANSACTION

As at the LPD, Triple Vision, together with its sole shareholder, Wee Henry, holds a direct and deemed interest in the Company representing an aggregate of 52.38% of the issued and paid-up share capital of the Company and is therefore a Controlling Shareholder of the Company. As such, Triple Vision and Wee Henry are each defined as interested person under Chapter 9 of the Listing Rules ("**Interested Person**").

Accordingly, the Proposed Disposal would constitute an IPT under Chapter 9 of the Listing Rules.

As the Disposal Consideration is 57.8% (ie. greater than 5%) of the Group's latest audited NTA of RMB154.9 million as at 31 March 2020, the Company will be seeking Shareholders' approval for the Proposed Disposal pursuant to Rule 906(1) of the Listing Rules at the EGM. The resolution to seek Shareholders' approval for the above IPT is set out in Ordinary Resolution 1 in the Notice of EGM.

LETTER TO SHAREHOLDERS

Save for the Proposed Disposal, the Loan and Loan Agreement, his role as an advisor to the Group for which he is compensated S\$3,000 per month from the Company, and as disclosed in section 6 of this Circular, there is no other relationship or dealings between each of Triple Vision, Wee Henry and the Company, and there are no other transactions between Triple Vision and/or Wee Henry, and the Company for 15M2021 and for the current financial year commencing from 1 July 2021 up to the LPD. Rule 906(1) of the Listing Rules does not apply to payment of the advisory fee to Wee Henry as such amount is less than S\$100,000 per annum.

Pursuant to Rule 919 of the Listing Rules, an interested person and its associates shall abstain from voting on the resolution approving IPT involving themselves and their associates. Such interested person and their associates shall also not act as proxies in relation to such resolutions unless specific voting instructions have been given by shareholders.

Accordingly, Triple Vision and Wee Henry have disclosed their interests and will each abstain from deliberating and voting on Ordinary Resolution 1 in relation to the Proposed Disposal at the EGM. Pursuant to the SPA, Triple Vision has undertaken that it and Wee Henry will not accept appointments as proxies for Ordinary Resolution 1 in relation to the Proposed Disposal at the EGM.

7. CASH COMPANY – COMPLIANCE WITH RULE 1018(1) OF THE LISTING RULES

7.1 **Cash Company.** The Company will cease to have any operating business upon completion of the Proposed Disposal and is likely to be deemed a cash company under Rule 1018(1) of the Listing Rules. Shareholders are to note that under Rule 1018(1), in addition to the compliance requirements stated therein, if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the SGX-ST's requirements for a new listing, and all relevant information has been announced. In view of the Moratorium Undertakings furnished by each of Triple Vision, Wee Henry, Sun Bowen and Fortsmith Investments as described in section 3.5 above, the Company has, subject to approval of the Proposed Transactions by Shareholders at the EGM, applied to the SGX-ST for its consent for the continued trading of the Shares following the completion of the Proposed Transactions. Shareholders should note that the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company, subject to any extension as may be approved by the SGX-ST. Separately, the Company has been on the SGX-ST's watch-list due to the pursuant to Rule 1311 of the Listing Rules since 5 December 2018, as first announced by the Company on 4 December 2018. Under Rule 1315 of the Listing Rules, the Company must take active steps to meet the requirement of Rule 1314 of the Listing Rules within 36 months from 5 December 2018, ie. by 4 December 2021, failing which SGX-ST may either remove Company from the Official List, or suspend trading of the Shares with a view to removing the Company from the Official List.

7.2 **Escrow Account.** Rule 1018(1)(a) of the Listing Rules requires that 90% of the Company's cash and short-dated securities (including existing cash balance and the Disposal Consideration) be placed in an account opened with and operated by an escrow agent which is part of any financial institution licenced by the MAS, and which cannot be drawn down until the completion of the acquisition of a business which is able to satisfy SGX-ST's requirements for a new listing, except for payment of expenses incurred in a reverse take-over approved by Shareholders and *pro-rata* distributions to Shareholders. The Distributable Amount represents 95.3% of the Company's existing cash balance as at LPD including the Disposal Consideration to be received from Triple Vision and accordingly, complies with the 90% threshold set out in Rule 1018(1)(a). In view of this compliance with Rule 1018(1)(a), the Company is not required to place the remaining estimated cash balance of S\$777,600 from the Disposal Consideration in an escrow account. As the Cash Distribution pursuant to the Proposed Capital Reduction will be a *pro-rata* distribution to Shareholders, the Company has made an application to the SGX-ST for confirmation that the Distributable Amount to be distributed to Shareholders under the Proposed Capital Reduction will not be escrowed pursuant to Rule 1018(1)(a).

LETTER TO SHAREHOLDERS

The remaining estimated cash balance of S\$777,600 from the Disposal Consideration, will be set aside for the Company's expenses for the Proposed Disposal and Proposed Capital Reduction, the Company's working capital requirements for the next 12 months and to satisfy the requirements of the Solvency Statement described in section 10.7(b) below, that the Company will be able to pay its debts as they fall due during the period of 12 months immediately following the date of the Solvency Statement.

Both Independent Directors, Mr Wee Phui Gam and Professor Jiang Rongguang, will jointly exercise oversight and responsibility on any amounts remaining in the Company's bank account, and only Mr Wee Phui Gam and Mr Kwek Wei Lee, the finance manager of the Company shall be authorised to disburse any amounts, solely to pay for the Company's expenses for the Proposed Disposal, the Proposed Capital Reduction and for the Company's working capital requirements.

7.3 **Monthly Valuation and Quarterly Updates.** Pursuant to Rule 1018(1)(b) of the Listing Rules, the Company will be required to provide monthly valuation of its assets and utilisation of cash, and quarterly updates of milestone in obtaining a new business to the market via SGXNET.

7.4 **Future Plans.** As announced by the Company on 22 April 2021, the Company has entered into a sale and purchase agreement ("**Acquisition Agreement**") with Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo (collectively, "**Acquisition Vendors**") for the acquisition by the Company of all the shares representing the entire issued and fully paid-up capital of Lincotrade & Associates Pte Ltd ("**Proposed Acquisition**"), in consideration for the allotment and issuance of an aggregate 113,636,363 new ordinary shares in the issued share capital of the Company, credited as fully paid-up, to the Acquisition Vendors ("**Consideration Shares**"), at an issue price of S\$0.22 per Consideration Share. Pursuant to the terms and subject to the conditions of the Acquisition Agreement, the Proposed Acquisition if completed, will result in (i.) a transfer of controlling interest in the Company, and (ii.) a reverse takeover of the Company, pursuant to Rules 803 and 1015(1) of the Listing Rules respectively.

Lincotrade & Associates Pte Ltd is a private company limited by shares, incorporated on 14 November 1991 in Singapore, with an issued and fully paid-up capital of S\$1.5 million comprising 1,500,000 ordinary shares. Its business activities are based in Singapore and involves primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders' carpentry and joinery ("**Business**").

In connection with the Proposed Acquisition, the Company will also seek to transfer the listing and quotation of its Shares from the Mainboard of the SGX-ST to the Catalist board of the SGX-ST ("**Catalist**") pursuant to Rule 410 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), subject to receipt of the required approvals ("**Proposed Transfer to Catalist**"). In view of the foregoing, *inter alia*, the Proposed Acquisition and the Proposed Transfer to Catalist will be subject to the approval in principle of the SGX-ST for the listing and quotation of the Consideration Shares, Arranger Shares and Sponsor Shares on Catalist and specific approval of the Shareholders to be obtained at a separate extraordinary general meeting of the Company to be convened in due course, in accordance with Rules 803 and 1015(1)(b) of the Listing Rules and Rule 410(4) of the Catalist Rules.

As the Acquisition Vendors will collectively acquire more than 30% of the enlarged voting rights of Company upon completion of the Proposed Acquisition as a result of the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Proposed Acquisition and allotment and issuance of the Consideration Shares is also subject to the Whitewash Waiver being obtained by the Acquisition Vendors from SIC and the Whitewash Resolution being approved by the Independent Shareholders.

The Company will convene a separate extraordinary general meeting in due course to seek the approval of the Shareholders for, *inter alia*, the Proposed Acquisition and allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Whitewash Resolution, Proposed Transfer to Catalist and all other transactions in connection therewith ("**RTO EGM**"), and a separate circular to Shareholders will be issued to the Shareholders at the relevant time.

LETTER TO SHAREHOLDERS

Shareholders should note that, although the Acquisition Agreement has been entered into, completion of the Proposed Acquisition is subject to the Acquisition Conditions Precedent which include the results of legal, financial and other due diligence to be conducted by the Company being satisfactory to the Company (and its professional advisers). Shareholders and potential investors are advised to exercise caution when dealing in the Shares, as there is no certainty or assurance, as at the date of this Circular, as to whether (i.) the terms and conditions of the Proposed Acquisition may be varied by agreement of the Parties in writing from those set out in the Acquisition Agreement, or (ii.) the Proposed Acquisition and Proposed Transfer to Catalist will proceed to completion at all. Shareholders and potential investors of the Company should consult their stockbrokers, solicitors or other professional advisers if they have any doubts about the actions they should take.

Shareholders are advised to read the Company's announcement of 22 April 2021 in its entirety carefully for further details of the Proposed Acquisition, Proposed Transfer to Catalist and all other transactions in connection therewith. The Company will make further announcements on the Proposed Acquisition, Proposed Transfer to Catalist and all other transactions in connection therewith as appropriate or when there are further developments.

8. IFA OPINION

8.1 Pursuant to Rule 921(4)(a) of the Listing Rules, the Company has appointed the IFA to advise the Recommending Directors, on whether the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

8.2 The IFA's opinion is extracted from paragraph 7 of the IFA Letter and set out in *italics* as follows and capitalised terms used within these reproduced statements bear the meanings defined for them in the IFA Letter:

"In arriving at our opinion in respect of the Proposed Disposal as an IPT, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

(a) rationale for the Proposed Disposal;

(b) assessment of the financial terms of the Proposed Disposal taking into consideration:

(i) independent valuation of the 100% Equity Interest of the Yinguang Technology Group as assessed by the Valuers;

(ii) financial information of the Yinguang Technology Group;

(iii) estimated RNAV of the Yinguang Technology Group;

(iv) liquidation value of the Yinguang Technology Group;

(v) historical share price performance and trading liquidity of the Shares; and

(vi) implied market capitalisation of the Company pursuant to the mandatory offer for the Shares in March 2019; and

(c) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Disposal as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders."

8.3 The IFA Letter is reproduced and appended in its entirety as **Appendix D** to this Circular and Shareholders are advised to read the IFA Letter in its entirety carefully.

LETTER TO SHAREHOLDERS

9. STATEMENT FROM THE AUDIT COMMITTEE

9.1 The members of the Audit Committee of the Company are:

- (a) Wee Phui Gam, resident in Singapore;
- (b) Professor Jiang Rongguang, and
- (c) Sun Bowen.

Having considered, *inter alia*, the terms of the SPA, financial effects and rationale of the Proposed Disposal, the AVA Valuation Report, the D&P Valuation Report, as well as the advice of the IFA in the IFA Letter, the Audit Committee is of the view that the Proposed Disposal, as an IPT, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee further recommends any individual Shareholder who may require specific advice to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser and strongly advises Shareholders to read this Circular in its entirety carefully.

10. PROPOSED CAPITAL REDUCTION

10.1 **Existing Share Capital.** The Company has an issued and paid-up share capital of S\$23,458,984.97 comprising 46,800,000 Shares. The Company has no treasury shares.

10.2 **Amount to be Distributed under the Proposed Capital Reduction.** Subject to completion of the Proposed Disposal and approval of the Shareholders at the EGM, the Company is proposing to return the Distributable Amount of S\$17,222,400 in aggregate, *pro-rata*, to all the Shareholders, amounting to S\$0.368 in cash for each Share held by Shareholders or on their behalf as at the Record Date, based on the total number of 46,800,000 Shares in existence, computed as follows:

Disposal Consideration	S\$18,000,000
<i>Less Loan amount outstanding under the Loan Agreement⁽¹⁾ and anticipated 12-month working capital requirements of the Company⁽²⁾</i>	(S\$777,600)
Distributable Amount	S\$17,222,400
<i>Divided by 46,800,000 total Shares in existence</i>	S\$0.368 per Share

Notes:

- (1) To the extent the Loan drawn down is outstanding as at the Completion Date, the Net Disposal Proceeds will be reduced by such Loan outstanding. As at the LPD, the Loan amount outstanding is S\$300,000.
- (2) Working capital requirements of the Company include, *inter alia*, fees and expenses for professional advisers and other service providers, salaries, general overheads, rental, printing and other ancillary costs associated with holding general meetings and listing fees as well as professional expenses for the Proposed Transactions.

The actual amount per Share to be received by each Shareholder pursuant to the Proposed Capital Reduction will be based on the total number of Shares in existence as at the Record Date. The aggregate amount of cash to be paid to each Shareholder pursuant to the Proposed Capital Reduction will be adjusted by rounding down any fraction of a cent to the nearest cent, where applicable.

LETTER TO SHAREHOLDERS

- 10.3 **Illustration.** The following illustrates the position of a Shareholder who holds 1, 10, 100, 1000 Shares as at the Record Date:

Number of Shares held	Amount paid to Shareholder
1	S\$0.36 (rounding down to nearest cent)
10	S\$3.68
100	S\$36.80
1,000	S\$368.00

- 10.4 **No Cancellation of Shares or Change in Shareholdings.** The Proposed Capital Reduction will not result in (i.) a cancellation of Shares, (ii.) a change in the number of Shares held by any Shareholder, or (iii.) a change in the proportion of Shares held by the Shareholders, immediately after the Proposed Capital Reduction. Accordingly, assuming the Shareholders have not dealt in the Shares, each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.
- 10.5 **Rationale and Funds for the Proposed Capital Reduction.** The Company intends to distribute the Net Disposal Proceeds from the Proposed Disposal after setting aside sufficient funds for the Company's working capital requirements (ie. Distributable Amount), *pro-rata*, to all Shareholders as at the Record Date. As the Company does not have sufficient retained earnings to make the Cash Distribution entirely to its Shareholders by way of a declaration of special dividend, such distribution has to be undertaken by way of the Proposed Capital Reduction. The Proposed Disposal will enable the Company to dispose of its loss-making businesses for the Disposal Consideration in cash, and to return most of it to Shareholders via the Proposed Capital Reduction. The Proposed Capital Reduction will also allow Shareholders to realise their investment in the Company in cash upon completion of the Proposed Disposal, while retaining their Shares.
- 10.6 **Financial Effects of the Proposed Capital Reduction.** The financial effects of the Proposed Capital Reduction are set out in section 11 of this Circular.
- 10.7 **Solvency Statement.** In determining the Cash Distribution to Shareholders, the Directors have ensured that the Company will have sufficient funds for its working capital requirements and pay its debts, if any. Pursuant to this and in compliance with Section 78C of the Act, the Directors will each make a solvency statement ("**Solvency Statement**") confirming that:
- as regards the Company's situation at the date of the Solvency Statement, there is no ground on which the Company could be found to be unable to pay its debts;
 - the Company will be able to pay its debts as they fall due during the period of 12 months immediately following the date of the Solvency Statement, and
 - the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the Proposed Capital Reduction become less than the value of its liabilities (including contingent liabilities).

Copies of the Solvency Statement will be made available for inspection at the EGM, as well as at the registered office of the Company for a period of 6 weeks beginning with the date of the EGM.

- 10.8 **Approval and Conditions.** The Proposed Capital Reduction is subject to, *inter alia*, the following:
- completion of the Proposed Disposal and receipt of the Net Disposal Proceeds from Triple Vision;
 - approval of the SGX-ST for the issue of this Circular;
 - approval of Special Resolution 2 by the Shareholders at the EGM;

LETTER TO SHAREHOLDERS

- (d) the Directors complying with the relevant solvency requirements set out in the Act, including making the Solvency Statement as set out in section 10.7 above not before 30 days of the EGM;
- (e) the lodgement with ACRA of copies of the Solvency Statement made by the Directors and Special Resolution 2, within 15 days beginning with the date of the EGM;
- (f) the Company complying with the relevant publicity requirements as prescribed in the Act, including but not limited to, lodging the reduction information (containing amongst others, the amount of the Company's share capital that is thereby reduced) with ACRA within 8 days beginning with the date of the EGM;
- (g) no application having been made for the cancellation of Special Resolution 2 by any creditor of the Company during the period of 6 weeks beginning with the date of the EGM, and, if such application was made, the withdrawal of such application or dismissal thereof by the High Court of Singapore;
- (h) the Company, after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the EGM, lodging the following documents with ACRA:
 - (i.) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) of the Act and the solvency requirements under Section 78C(3) of the Act have been complied with, and that no application for cancellation of Special Resolution 2 has been made, and
 - (ii.) a notice containing information in relation to the Proposed Capital Reduction as specified under the Act; and
- (i) all other relevant approvals and consents being obtained.

10.9 **Administrative Procedures for the Cash Distribution.** The following sections set out the administrative procedures for the Proposed Capital Reduction and Cash Distribution:

Record Date

- (a) Persons registered in the Register of Members and Depositors whose Securities Accounts are credited with Shares as at the Record Date will be considered for purposes of the Cash Distribution, on the basis of such number of Shares registered in their names or standing to the credit of their Securities Accounts as at the Record Date ("**Entitled Shareholders**"). On the Expected Payment Date, the Entitled Shareholders will receive a sum of approximately S\$0.368 for each Share held by them as at the Record Date.
- (b) Subject to the satisfaction of the conditions set out in section 10.8, the Company will make further announcements in due course as soon as reasonably practicable to notify Shareholders of:
 - (i.) the Record Date;
 - (ii.) the Effective Date, and
 - (ii.) the Expected Payment Date.

Deposit of Scrip Shares with CDP

Entitled Shareholders who hold Shares registered in their own names in the Register of Members and who wish to deposit their Shares with CDP prior to the Record Date must deliver the existing share certificates in respect of their Shares, together with the duly executed instruments of transfer in favour of CDP, at least 12 Market Days prior to the Record Date, in order for their Securities Accounts to be credited with the relevant Shares by the Record Date.

LETTER TO SHAREHOLDERS

Payment pursuant to the Cash Distribution

- (a) **Entitled Shareholders holding Scrip Shares.** Shareholders whose Shares are registered in the Register of Members as at the Record Date will have the cheques for payment of their entitlements under the Cash Distribution despatched to them by ordinary post at their own risk addressed to their respective addresses in the Register of Members on the payment date to be announced in due course ("**Expected Payment Date**"). The Company shall not be liable for any loss in transmission.
- (b) **Entitled Shareholders who are Depositors.** Shareholders who are Depositors and who have Shares standing to the credit of their Securities Accounts as at the Record Date will have the cheques for payment of their entitlements under the Cash Distribution despatched to them by CDP by ordinary post at their own risk on the Expected Payment Date. Alternatively, such Depositors will have payment of their entitlements under the Cash Distribution made in such other manner as they may have agreed with CDP for the payment of dividends or other distributions on the Expected Payment Date. Neither the Company nor CDP shall be responsible or liable for any loss in transmission.

10.9 Taxation

Shareholders should note that the following statements are not to be regarded as advice on the tax position of any Shareholder or any tax implication arising from the Proposed Capital Reduction and Cash Distribution. Shareholders who are in doubt as to their respective tax positions or such tax implications or who may be subject to tax in a jurisdiction outside Singapore should consult their own tax advisers or other professional advisers.

For Singapore income tax purposes, payments made by a Singapore resident company to shareholders pursuant to share capital reductions are generally classified as either a return of capital (which is a capital gain not subject to tax) or a receipt of dividends (which is tax-empty under the one-tier corporate tax system). As such, for Singapore income tax purposes, any gains from such transactions are generally not taxable unless the proceeds constitute taxable revenue gains or profits from a trade or business carried on by the shareholders.

In relation to the Cash Distribution to be made to Shareholders pursuant to the Proposed Capital Reduction, as the amount to be paid to Shareholders pursuant to the Cash Distribution will be paid out of the reduction of the existing issued and paid-up share capital of the Company, the Cash Distribution should generally be regarded as a return of capital, and is therefore not taxable in Singapore for Shareholders, unless the proceeds constitute taxable revenue gains or profits from a trade or business carried on by Shareholders.

11. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND THE PROPOSED CAPITAL REDUCTION

- 11.1 **Bases and Assumptions.** The proforma financial effects of the Proposed Disposal and the Proposed Capital Reduction on the share capital, earnings, NTA, NAV and gearing of the Group have been prepared based on the latest audited consolidated financial results of the Group for FY2020 and the latest audited financial information of Yinguang Technology for FY2020.

The proforma financial effects of the Proposed Disposal and Proposed Capital Reduction are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Disposal and the Proposed Capital Reduction.

For the purposes of illustrating the financial effects of the Proposed Disposal and the Proposed Capital Reduction, the following key assumptions have been adopted:

- (a) the financial effects on the Group's earnings and earnings per Share are computed assuming that the Proposed Disposal and Proposed Capital Reduction was completed on 1 April 2019;

LETTER TO SHAREHOLDERS

- (b) the financial effects on the Group's NTA, NAV, share capital and gearing are computed assuming that the Proposed Disposal and the Proposed Disposal was completed on 31 March 2020;
- (c) the analysis takes into account a loss on disposal of Yinguang Technology of RMB22.6 million (based on S\$4.5 million at the exchange rate of RMB4.9790 : S\$1.00 as at 31 March 2020) had the Proposed Disposal been completed on 31 March 2020;
- (d) the NTA per Share and NAV per Share are computed based on the 46,800,000 Shares in issue, as at 31 March 2020. There is no change in the number of issued Shares since 31 March 2020 to the date of this Circular;
- (e) expenses incurred by the Company in relation to the Proposed Disposal and the Proposed Capital Reduction are estimated to be approximately S\$230,000;
- (f) the Proposed Capital Reduction is based on S\$0.368 per Share, and
- (g) the exchange rate of RMB4.9790 : S\$1.00 as at 31 March 2020.

11.2 NTA / NAV of the Group

(RMB'000)	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction
NTA/NAV	154,900	154,900	154,900
Less: Effects of Proposed Disposal	-	(67,064) ⁽¹⁾	(67,064)
Less: Effect of Proposed Capital Reduction	-	-	(85,750) ⁽²⁾
Resultant NTA/NAV	154,900	87,836	2,086
NTA/NAV per Share (RMB)	3.31	1.88	0.04

Notes:

- (1) The NTA/NAV of the Group will decrease by RMB67.1 million due mainly to the Disposal Consideration being less than the NAV of Yinguang Technology, and estimated expenses in relation to the Proposed Disposal and Proposed Capital Reduction.
- (2) The NTA/NAV of the Group will be reduced further by the Proposed Capital Reduction.

11.3 Losses of the Group

(RMB'000)	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction
Loss attributable to Shareholders	(37,323)	(37,323)	(37,323)

LETTER TO SHAREHOLDERS

Less: Effects of Proposed Disposal	-	5,410 ⁽³⁾	5,410
Less: Effect of Proposed Capital Reduction	-	-	-(4)
Resultant profit attributable to Shareholders	(37,323)	(31,913)	(31,913)
Loss per Share (RMB)	(0.80)	(0.68)	(0.68)

Notes:

(3) The Group will record a loss on disposal of Yinguang Technology of RMB22.6 million and related estimated expenses of RMB1.1 million.

(4) There is no material impact on earnings/losses arising from the Proposed Capital Reduction.

11.4 Gearing of the Group

(RMB'000)	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction
Total borrowings	58,000	-	-
Total assets	311,509	91,404 ⁽⁶⁾	5,654 ⁽⁷⁾
Gearing (times)⁽⁵⁾	0.19	-	-

Notes:

(5) Gearing is determined based on total bank borrowings divided by total assets. Total bank borrowings are in relation to bank loans extended to Yinguang Technology. After the Proposed Disposal, the Group will have no bank borrowing.

(6) Total assets excludes assets of Yinguang Technology but include Disposal Consideration following the Proposed Disposal.

(7) Total assets are further reduced following the Proposed Capital Reduction.

11.5 Share Capital of the Company

(RMB'000)	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction
Paid up share capital	116,849	116,849	31,099 ⁽⁸⁾
Number of issued Shares	46,800,000	46,800,000	46,800,000

Note:

(8) Paid-up share capital will be reduced by the Proposed Capital Reduction, and there is no change in the number of issued Shares arising from the Proposed Transactions.

LETTER TO SHAREHOLDERS

12. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

12.1 As at the LPD, the interests of the Directors in the issued and paid-up share capital in the Company as recorded in the Register of Directors' Shareholdings maintained pursuant to Section 164 of the Act and the interests of the substantial shareholders in the issued and paid-up share capital of the Company as recorded in the Register of Substantial Shareholder(s) maintained pursuant to Section 88 of the Act are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors						
Wee Phui Gam	-	-	-	-	-	-
Bao Hongwei	-	-	-	-	-	-
Sun Bowen ⁽¹⁾	-	-	15,140,000	32.35	15,140,000	32.35
Professor Jiang Rongguang	-	-	-	-	-	-
Substantial Shareholders						
Triple Vision Pte. Ltd.	24,411,499	52.16	-	-	24,411,499	52.16
Forthsmith Investments Limited	15,140,000	32.35	-	-	15,140,000	32.35
Wee Henry ⁽²⁾	-	-	24,515,699	52.38	24,515,699	52.38

Notes:

- (1) Sun Bowen is deemed to be interested in the Shares held by Forthsmith Investment Limited by virtue of Section 7 of the Act and as such is deemed a substantial shareholder of the Company.
- (2) Wee Henry is deemed to be interested in the Shares held by Triple Vision Pte. Ltd. by virtue of Section 7 of the Act. Wee Henry is also deemed to be interested in the Shares held by a nominee, Nomura Singapore Limited.

12.2 Save as disclosed in this Circular, none of the Directors or Controlling Shareholders have any interest, direct or indirect, in the Proposed Transactions other than through their respective shareholdings in the Company (as the case may be).

13. DIRECTORS' RECOMMENDATIONS

13.1 The Recommending Directors are of the opinion that, having considered and reviewed, *inter alia*, the rationale for the Proposed Disposal and the Proposed Capital Reduction, the terms of the SPA, the financial effects of the Proposed Disposal and Proposed Capital Reduction, the AVA Valuation Report, the D&P Valuation Report, as well as the advice of the IFA in the IFA Letter and the views of the Audit Committee as set out in Section 9 of this Circular, that the Proposed Transactions are in the best interests of the Company and the Shareholders. Accordingly, the Recommending Directors recommend that Shareholders vote in favour of Ordinary Resolution 1 and Special Resolution 2 set out in the Notice of EGM.

13.2 **Inter-conditionality of Resolutions.** Shareholders should note that the passing of Ordinary Resolution 1 and Special Resolution 2 set out in the Notice of EGM are inter-conditional. As such, if any one of Resolutions 1 or 2 is not passed, the remaining Resolution will not be carried.

LETTER TO SHAREHOLDERS

14. EXTRAORDINARY GENERAL MEETING

- 14.1 Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching the EGM proceedings via live webcast or listening to the EGM proceedings via live audio feed, (b) submitting questions in advance of the EGM, and (c) voting by proxy at the EGM.
- 14.2 Accordingly, the EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held by way of electronic means (via LIVE WEBCAST ie. to contemporaneously observe the proceedings of the EGM by audio and video means and AUDIO ONLY MEANS ie. contemporaneous observation of the EGM proceedings by audio only means such as by telephone), on 14 October at 10.00 am for the purpose of considering and, if thought fit, passing, with or without modifications, the Resolutions set out in the Notice of EGM.
- 14.3 As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and any prevailing guidelines issued by the government authorities. Accordingly, the Company may be required to take further measures as appropriate, at short notice, up to the date of the EGM, in relation to the convening of the EGM. Conversely, the Company needs to prepare for the EGM logistics based on circumstances prevailing as at the latest practicable time before the issue of the Notice of EGM and Shareholders will not be able to attend a physical meeting in person even if the situation improves by the date of the EGM. The Company thanks Shareholders for their patience, understanding and co-operation, in this regard. **Shareholders should check the Company's announcements on SGXNET for any updates in relation to the EGM.**

15. ACTIONS TO BE TAKEN BY SHAREHOLDERS

- 15.1 Due to the current COVID-19 restriction orders in Singapore, Shareholders will NOT be allowed to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM through a "live" webcast or "live" audio feed as set out below:

- (a) **Watching the EGM proceedings via Webcast.** Shareholders must pre-register at the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2021egm> from now till 9 October 2021 at 10.00 am to enable the Company to verify their status as Shareholders.

Following the verification, authenticated Shareholders will receive an email by 10.00 am on 13 October 2021. The email will contain login credentials and instructions to access the live audio-visual webcast or audio-only of the EGM proceedings. Shareholders who do not receive an email by 10.00 am at 13 October 2021, but have registered by 10.00 am on 9 October 2021, should contact the Company at ir@fabchemchina.com.

- (b) **Submitting questions in advance of the EGM.** Shareholders will not be able to ask questions during the live audio-visual webcast of the EGM proceedings. Therefore, it is important for Shareholders to pre-register and submit their questions in advance of the EGM.

Shareholders can submit questions related to the Resolutions to be tabled for approval at the EGM to the Chairman of the EGM, in advance, via email to the Company at ir@fabchemchina.com and should include the Shareholder's identification details to allow the Company to verify Shareholder's status. All questions must be submitted by 10.00 am on 9 October 2021 and the Company will not be able to address questions received after the cut-off time and date. The Company shall address substantial and relevant questions (as may be determined by the Company in its sole discretion) received from the Shareholders relating to the Resolutions to be tabled prior to the EGM via SGXNet and the Company's website.

LETTER TO SHAREHOLDERS

The Company will publish the minutes as well as responses to the questions received for the EGM on the SGXNet and on the Company's corporate website within one month after the EGM.

- (c) **Voting by Proxy.** Shareholders holding Shares who wish to vote, should complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed therein as soon as possible and, must appoint the Chairman of the EGM as their proxy by completing and submitting the Proxy Form to the Company in the following manner:
- (i.) If submitted by post, be deposited at the registered office of the Company at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - (ii.) If submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.
- 15.2 In appointing the Chairman of the EGM as proxy, Shareholders (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting in the Proxy Form, failing which the appointment will be treated as invalid. If the appointor is a corporate, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.
- 15.3 **In view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**
- 15.4 The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly complete, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy (such as in the case the appointor submits more than one instrument of proxy).
- 15.5 A Depositor's name must appear on the Depository Register maintained by the CDP at least 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote on any or all of the resolution at the EGM by appointing the Chairman of the EGM as his/her proxy to do so on his/her behalf. In view of Section 81SJ(4) of the SFA, a Depositor shall not be regarded as a shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the EGM. Any Shareholder who is holding his/her shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the EGM will not be entitled to attend and vote at the EGM. Accordingly, even if such shareholder deposits his/her proxy form forty-eight (48) hours before the EGM, the Chairman of the EGM who is appointed as his/her proxy will not be entitled to vote on his/her behalf at the EGM.
- 16. DIRECTORS' RESPONSIBILITY STATEMENT**
- 16.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Group and Triple Vision, as set out herein, and the Directors are not aware of any facts the omission of which would make the statement in this Circular misleading.
- 16.2 Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

LETTER TO SHAREHOLDERS

17. CONSENTS

- 17.1 The IFA has given and has not withdrawn its written consent to the issue of this Circular and the inclusion herein of its name and the IFA Letter and all references thereto, in the form and in the context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 17.2 The Independent Valuer has given and has not withdrawn its consent to the issue of this Circular and the inclusion herein of its name and the Summarised AVA Valuation Report and all references thereto, in the form and in the context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 17.3 Duff & Phelps has given and has not withdrawn its consent to the issue of this Circular and the inclusion herein of its name and the D&P Valuation Report and all references thereto, in the form and in the context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 17.4 Altum Law Corporation has given and has not withdrawn its consent to the issue of this Circular and the inclusion herein of its and all references thereto, in the form and in the context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18. DOCUMENTS AVAILABLE FOR INSPECTION

- 18.1 Copies of the following documents may be inspected at the registered office of the Company at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours from the date of this Circular up to the date of the EGM:
- (a) the Constitution;
 - (b) the SPA;
 - (c) the Loan Agreement;
 - (d) the IFA Letter;
 - (e) the AVA Valuation Report;
 - (f) the D&P Valuation Report, and
 - (g) the consent letters of the IFA, the Independent Valuer, Duff & Phelps and Altum Law Corporation.
- 18.2 Shareholders who wish to inspect these documents at the registered office of the Company are required to send an email request to ir@fabchemchina.com to make an appointment in advance. The inspection of documents will be arranged with each Shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements are subject to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

Yours faithfully,
For and on behalf of the Board of Directors of
Fabchem China Limited

Wee Phui Gam
Acting Chairman and Lead Independent Director
22 September 2021

APPENDIX A – ANNOUNCEMENT OF 23 FEBRUARY 2021 ON LOAN AGREEMENT

FABCHEM CHINA LIMITED
(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

SHAREHOLDER’S LOAN AGREEMENT WITH TRIPLE VISION PTE. LTD.

1. INTRODUCTION

The board of directors (“**Board**” or “**Directors**”) of Fabchem China Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Triple Vision Pte Ltd (“**Lender**”), a controlling shareholder of the company, has agreed to grant a loan of up to S\$1.0 million at any time by way of a shareholder’s loan to the Company (“**Loan**”) and that the Company has on 23 February 2021, entered into a loan agreement (“**Loan Agreement**”) which sets out the terms and conditions of the Loan. While the Loan constitutes an interested person transaction under Chapter 9 of the Listing Rules, the value of the transaction i.e. the amount at risk to the Company (being the interest payable by the Company to the Lender on the Loan pursuant to Rule 909(3) of the Listing Rules) is less than 5% under Rule 906 and less than 3% under Rule 905 of the Group’s latest audited net tangible assets, as the Loan is interest-free and no interest shall accrue on default by the Company.

2. SALIENT TERMS OF THE LOAN AGREEMENT

The salient terms of the Loan Agreement are set out below.

Total Amount	Up to an aggregate amount of S\$1.0 million at any time, which shall constitute the direct, unconditional and unsecured obligation of the Company, ranking <i>pari passu</i> with all the Company’s other present and future unsecured and unsubordinated indebtedness (other than indebtedness preferred by operation of law).
Maturity Date	Up to four (4) months from first disbursement of the Loan or any other date as may be agreed upon in writing by the Lender and the Company.
Use of Proceeds	Payment of professional fees and expenses incurred for the Company’s corporate actions.
No Interest	The Loan shall bear no interest and no interest shall accrue on default by the Company.
Repayment	<p>Outstanding amounts drawn down by the Company under the Loan (“Outstanding Amount”) shall be fully repaid by the Company on the Maturity Date, subject to any fiscal, taxation or other laws and regulations applicable to the Company.</p> <p>In the event any Outstanding Amount remains outstanding, due and repayable to the Lender on Maturity Date and the Company is not in a position to repay the Lender in cash, the Company may, at the option of the Lender, repay the Outstanding Amount by the allotment and issuance to the Lender of such number of fully paid new shares in the capital of the Company (“Shares”), listed and quoted on the Mainboard of the SGX-ST (“Repayment Shares”), as is equivalent to the Outstanding Amount divided by an issue price per Share (“Issue Price”) to be agreed among the Company and the Lender (“Repayment Share Issue”), subject to, <i>inter alia</i>:</p> <p>(a) the Company and the Lender agreeing on the Issue Price, number of Repayment Shares and entering into a definitive agreement for the Repayment Share Issue;</p>

APPENDIX A – ANNOUNCEMENT OF 23 FEBRUARY 2021 ON LOAN AGREEMENT

	<p>(b) the Repayment Share Issue not causing the free float of the Shares held by the public to fall below the minimum 10% prescribed under Rule 723 of the Listing Rules;</p> <p>(c) the Repayment Share Issue being approved by the shareholders of the Company (“Shareholders”) (with the Lender and his associates abstaining) pursuant to Rule 812(2) of the Listing Rules at an extraordinary general meeting of the Company, and</p> <p>(d) approval of the SGX-ST for the listing and quotation of the Repayment Shares on the Mainboard of the SGX-ST.</p>
Listing Rules 704(31) and 704(32)	There are no terms which constitutes a “specified condition” pursuant to Rule 704(31) of the Listing Rules nor a term as described in Rule 704(32) of the Listing Rules.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the Paragraph 1 of this announcement and save for their respective shareholding interests in the Company, (i.) none of the Directors or substantial shareholders or their respective associates have any interest, direct or indirect, in the Loan, and (ii.) the Lender has no other relationships or dealings with the Company.

4. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares in the Company. Shareholders are advised to read this announcement and any further announcement by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisers if they have any doubts about the action they should take.

By Order of the Board
Fabchem China Limited

Wee Phui Gam
Acting Chairman and Lead Independent Director
23 February 2021

APPENDIX B – SUMMARISED AVA VALUATION REPORT

AVA Associates Limited

(Co. No. 1292515)
806 Empress Plaza
17-19 Chatham Road South
Tsim Sha Tsui, Hong Kong

22 September 2021

To
Board of Directors
Fabchem China Limited
2 Bukit Merah Central
#12-03
Singapore 159835

Dear Sirs,

AVA Associates Limited (“**AVA**”) has been engaged to perform a valuation of (1) the 100% equity interest (the “**Equity Interest**”) in Shandong Yinguang Technology Co., Ltd. (山东银光科技有限公司) and its subsidiaries (“**SYTC**” or the “**Target Group**”) and (2) real property belonging to SYTC as at 31 March (“**Valuation Date**”) in relation to a proposed disposal of the Equity Interest by Fabchem China Limited (“**Fabchem**” or the “**Company**”). AVA is agreeable to allow Fabchem to make reference to this valuation report in all the related announcements made on the Singapore Exchange (“**SGX**”) and the circular in relation to the proposed disposal (the “**Circular**”). In addition, AVA is also agreeable to the inclusion of this summary valuation report in the Circular. No other use, direct or indirect, of our analysis is intended or inferred or shall be relied upon by the Client other than explicitly specified in our engagement letter dated 13 November 2020.

Definition of Value

In estimating the value of the Equity Interest of SYTC as a going concern and its real property, our efforts were based on the following premise of value:

Market Value – *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market. Unless otherwise noted, in estimating the Market Value, we have assumed that the business and its assets will remain a going concern in accordance with the relevant literature.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Overview of the Target Group

Shandong Yinguang Technology Co., Ltd. (山东银光科技有限公司)

SYTC, a wholly-owned subsidiary of Fabchem, is the pioneer and one of the market leaders in the production of boosters in China. The company, located in Feixian County, Shandong Province, People's Republic of China ("PRC"), is one of China's largest companies in the production and sale of commercial explosives products.

Its four main products are Booster, Detonating Cord, Non-Electric Tube and Piston Non-Electric Detonator. These products are mainly used by the mining, hydroelectric and infrastructure construction industries, for activities such as coal mining, oil exploration, construction of hydroelectric dams, roads and railways, and large construction projects.

The company operates 3 production areas on its facility in Feixian County. Current annual production capacity of each of the products is as follows:

起爆具 Boosters	3,000 tons
导爆索 Detonating cords	60 million metres
导爆管 Non-Electric tubes	200 million metres
导爆管雷管 Piston Non-Electric Detonators	50 million pieces

Shandong Jiehua Wenlv Zhiye Co., Ltd. (山东杰化文旅置业有限公司)

Shandong Jiehua Wenlv Zhiye Co., Ltd. (山东杰化文旅置业有限公司) ("**SJWZ**") is a wholly-owned subsidiary of SYTC. The company was set up as an investment holding company to own the commercial office space on the 13/F, 14/F, 15/F and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC 山东省临沂市费县城区银光福源广场A座 13层、14层、15层及地下1层39个车位。

Shandong Yinguang Safety Advisory Co., Ltd. (山东银光安全咨询有限公司)

Shandong Yinguang Safety Advisory Co., Ltd. (山东银光安全咨询有限公司), a wholly-owned subsidiary of SYTC incorporated in PRC, is set up with the plans to provide safety advisory services to other corporations. The company is dormant and no capital has been injected as at Valuation Date. As such, it has not been considered in our valuation.

Shandong Longdao Baopo Qicai Gufen Co., Ltd. (山东省龙道爆破器材股份有限公司)

SYTC has an 11.65% equity stake in Shandong Longdao Baopo Qicai Gufen Co., Ltd. (山东省龙道爆破器材股份有限公司), a company that was incorporated on 12 January 2021. The company is set up with plans to provide sales of chemical products which include, but not limited to, commercial explosives products. It has not commenced operations and neither has its registered capital been paid-up as at Report Date. As such, this company has not been considered in our valuation.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Scope of Work

On 12 October 2020, Fabchem announced that it had entered into a non-binding term sheet to acquire a 71.26% interest in Renewable Power Management Pty Ltd. As part of that proposed acquisition, the Company was to consider the disposal of its entire interest in SYTC. Subsequently on 19 March 2021, Fabchem announced that it has entered into a sale and purchase agreement to dispose of its entire interest in SYTC for a consideration of S\$18 million. In relation to this proposed transaction, the Client engaged AVA on 13 November 2020 to assist in the determination of the Market Value of the Equity Interest in and real property belonging to the Target Group, to be carried out as at Valuation Date, for disclosure to the Company's shareholders.

Equity Interest in the Target Group

For this exercise, we estimated the Market Value of the Equity Interest of the Target Group on the premise of a going concern where the business will continue running normally using all of its assets to produce income. The value is derived primarily from a discounted cash flow (“DCF”) analysis of the Target Group's financial projections. It is derived based on the following formula:

$$\begin{aligned} & \text{Market Value of the Equity Interest} \\ & = \\ & \text{Enterprise Value} - \text{Debt} + \text{Excess Cash} + \text{Non-Operating Assets}/(\text{Liabilities}) \end{aligned}$$

Enterprise Value is a measure of a company's value or business to its stakeholders, namely debt holders and equity owners. It is generally defined with the following formula:

$$\text{Enterprise Value} = \text{Equity Value} + \text{Debt} - \text{Excess Cash} - \text{Non-Operating Assets}/(\text{Liabilities})$$

Our work above does not consider SYTC's interest in YG Safety and Shandong Longdao as both companies have yet to commence operation as at Valuation Date.

Real Property of the Target Group

As instructed, we performed a desktop valuation of the real property belonging to the Target Group that comprise of the following assets.

- Land use rights to an area measuring 605,780.06 square metres at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC, on which the Target Group houses its manufacturing facilities and operations (the “LURs”);
- Building, structures, and construction-in-progress at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC (the “**Industrial Properties**”); and
- 13/F, 14/F, 15/F of commercial office space and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC (the “**Commercial Properties**”) belonging to SJWZ.

Our valuation and report are prepared in accordance with the International Valuation Standards (2020 edition) as published by the International Valuation Standard Committee and relevant standards adopted by the Royal Institution of Chartered Surveyors. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;
- Discussion with the appropriate parties regarding the identified assets, proposed valuation methodologies, current/proposed operations and historical/forecast financials of the Target Group, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;
- Preparation of draft reports for discussion with the Client; and

APPENDIX B – SUMMARISED AVA VALUATION REPORT

- Submission of the final report for the purpose of this exercise.

Sources of Information

As part of our due diligence, we relied upon documents supplied by Fabchem, including, but not limited to, the following:

- Audited accounts of Yinguang Technology as at 31 March 2014, 31 March 2015, 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and unaudited management accounts as at 31 March 2021;
- Financial forecast of Yinguang Technology for the period from 1 April 2021 to 31 March 2026;
- Historical breakdown of revenue and cost;
- State-owned Land Use Rights Certificates, approvals of development 国有土地使用权证, 建设用地规划许可证, 建设工程规划许可证, 建筑工程施工许可证
- State-owned Land Use Rights Certificates, approvals of development 国有土地使用权证, 建设用地规划许可证, 建设工程规划许可证, 建筑工程施工许可证;
- Certificate of completion and delivery of construction 建设工程竣工规划验收合格证;
- Pre- sell License for Commodity House 商品房预售许可证;
- Sale and purchase agreement, dated 24 May 2017, for the property known as 5/F Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC;
- Real estate agents' information on prices of office buildings in Fei County and Grade A office buildings in downtown of Linyi City, Shandong Province, PRC; and
- Other relevant documentations.

We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our valuation, we held discussions with the management of Fabchem concerning the history and current conditions of the business, financial and general outlook of the Target Group. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us by the companies are true and accurate. We have, however, made reasonable enquiries and exercised our judgement on the reasonable use of such information and representations (as deemed necessary) provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the valuation procedures we employed provide a reasonable basis for our opinion.

Statement of Independence

We confirm that we have no present or contemplated interest in the Company and the Target Group which is the subject of this valuation and are acting independently of all parties.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Valuation Theory

Our approach in valuing the Equity Interest relied on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The Income Approach focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.
- The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.
- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Approach

Valuation of Equity Interest

We calculated the Market Value of the Equity Interest in the Target Group through the income approach. Financial information is available for the business and it allowed us to understand and analyze it and model a financial forecast based on its on-going operating model and structure. The financial projections are consolidated for each of the Target Group's product lines and a DCF calculation is performed to arrive at the value of the Target Group.

The value of the Equity Interest of in the Target Group is derived based on the following formula:

$$\text{Equity Value} = \text{Enterprise Value} - \text{Debt} + \text{Excess Cash} + \text{Non-Operating Assets}/(\text{Liabilities})$$

Our basis for selecting the income approach was due to the availability of relevant data, specifically the historical operating records, development plans and financial projections provided by Fabchem. Based on this information, we utilized a DCF methodology to estimate the cash that is available, either to invest in

APPENDIX B – SUMMARISED AVA VALUATION REPORT

new or existing businesses or to distribute, to equity and debt holders. This allowed us to estimate the Market Value of the 100% equity interest in the business under a set of reasonable and robust assumptions.

The market approach was not deemed appropriate due to the lack of comparable market transactions and prices. We performed a similar transaction search and found no similar disclosed recent transactions. However, we reviewed the valuation of selected comparable companies to provide a sanity check on the results of our DCF analysis. While some may not be directly comparable, they can be useful for comparative purposes. Please refer to the list below of comparable companies selected for this valuation that are operating in the same industry as the Target Group.

- Poly Union Chemical Holding Group Co., Ltd. 保利联合化工控股集团股份有限公司
- Hunan Nanling Industrial Explosive Materials Co.,Ltd. 湖南南岭民用爆破器材股份有限公司
- Sichuan Yahua Industrial Group Co.,Ltd. 四川雅化实业集团股份有限公司
- Tibet GaoZheng Explosive Co., Ltd. 西藏高征炸药有限公司
- Huaibei Mining Holdings Co., Ltd. 淮北矿业(集团)有限责任公司
- Xinjiang Xuefeng Sci-Tech (Group)Co., Ltd. 新疆雪峰科技(集团)股份有限公司
- Jiangxi Guotai Group Co., Ltd. 江西国泰集团股份有限公司
(together, the “CompCos”)

The cost approach was also deemed inappropriate, as some of the significant assets of this business are the Target Group’s assembled workforce, supplier and distribution network, and licenses, and these would not be properly reflected using a cost approach methodology.

Valuation of Real Property

The selected real property in this exercise comprises of the LURs, Industrial Properties and Commercial Properties. We have relied on the market and cost approaches to arrive at the value conclusion for each of the properties. The Direct Comparison Approach was adopted for the valuation of the LURs and Commercial Properties; and Cost Approach for the buildings/structures as categorized in the Industrial Properties.

Direct Comparison Approach is universally considered the most accepted valuation approach for valuing most forms of real estate. This involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analyzed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location within the city, size, configuration, access, and so on.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the buildings/structure, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Valuation of Equity Interest – Income Approach

Discounted Cash Flow Method

In line with our scope of work to derive the value of the Equity Interest in the Target Group, we chose the DCF methodology as it enables us to view the entire portfolio of assets as an operating entity, with the principal focus of the analysis on the operating entity’s ability to generate free cash flow in the future, based on assumptions provided by the company. Free cash flow to enterprise (“FCFE”) is defined as cash that is

APPENDIX B – SUMMARISED AVA VALUATION REPORT

available either to invest in new or existing businesses or to distribute to investors (equity and debt holders). Reasonable projections of revenues, expenses, and reinvestment requirements (i.e. working capital and capital expenditures) form the basis for estimating the future free cash flows that a company will likely generate from its existing business.

The FCFE for each year of the projection period was calculated by adding non-cash expenses, such as depreciation and amortization, interest, deferred rent, and stock option expense, to and deducting incremental investments in working capital, and capital expenditures (“**CAPEX**”) from the net profit.

The projected free cash flows were discounted to present value at an appropriate rate of return, or “discount rate” that reflects macroeconomic, industry, and firm-specific factors in determining the degree of perceived risk associated with the projected cash flow. The sum of the discounted stream of future free cash flow, together with the value of non-operating assets, reflects the market value of the subject enterprise or portfolio of assets.

In addition to calculating the FCFE throughout the projection period, it may be necessary to calculate the terminal value of the subject business which reflects the value of the total capital at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model, a mathematical simplification to capitalize an earnings stream that is expected to grow at a long-term sustainable rate “g” and discount rate “k” into perpetuity. The formula is as follows:

$$\text{Terminal Value} = \frac{\text{Normalized Free Cash to Equity \& Debt Holders} * (1 + \text{Constant Growth Rate})}{\text{Discount Rate} - \text{Growth Rate}}$$

The discount rate in this exercise is the weighted average cost of capital (“**WACC**”). It is comprised of a required rate of return on equity plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt in the capital structure of the target business and of comparable public companies whose business operations are similar to those of the target business.

Key Valuation Assumptions

We have assumed the following for the purpose of this exercise:

- The valuation of the Equity Interest in the Target Group is premised on the company as a going concern, continuing to operate normally using all of its assets, in its current state, to produce income;
- In the course of operating the business, it will compose of all necessary assets, both tangible and intangible, to continue operating as it has under its current owners;
- That there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the development and business of the Target Group; and
- There are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

Fabchem has provided us with guidance on historical revenue, expenses, and working capital requirements. We were also provided with a 5-year financial projection, accompanied by assumptions adopted by the Target Group for its forecasted operation. We discussed the risks of achieving these projections and the overall reasonableness of the parameters used. We considered the impact of each valuation-related parameter individually, and the related impact on our overall valuation conclusions.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Below is a discussion of the main assumptions employed in the preparation of the financial forecast of the Target Group.

Parameters	Assumptions
Forecast period	<ul style="list-style-type: none"> The forecast period selected is a 5-year period from Valuation Date to 31 March 2026 with the terminal year beginning on 1 April 2026.
Average unit selling prices and unit production costs	<ul style="list-style-type: none"> Unit selling prices and unit production costs are based on management's estimates. These amounts are based on recent years' selling prices and production costs from 2019 to Valuation Date. They reflect the new pricing structure in the market following the impact of the health pandemic in 2020.
Unit sold	<ul style="list-style-type: none"> <i>Booster</i>: Sales volume are based on management's forecast of continued improvement in demand for this product. The increases in volume sold are also tied to higher capacity utilization of the existing 2 production lines and commencement of the 3rd production line in FY2023. <i>Detonating cord</i>: Sales volume are based on management's forecast of stable demand for this product, with reference to demand in recent years. <i>Non-electric tube</i>: Sales volume are based on management's forecast of stable demand for this product, with reference to demand in recent years. <i>Piston Non-Electric Detonator</i>: Sales volume are based on management's forecast of stable demand for this product through FY2022. Production and sales will be ceased thereafter due to regulatory requirements that call for the use of digital electronic detonators.
Distribution costs	<ul style="list-style-type: none"> Distribution costs as a percentage of sales has increased steadily from FY2014 to FY2021. For the remaining forecast period from FY2022 to FY2026, we have applied the historical percentage of revenue from FY2019 to FY2021 as distribution costs.
General & administrative expenses	<ul style="list-style-type: none"> The forecast for FY2022 is based on the average amounts from FY2019 to FY2021, with an annual inflation of 1.0% for the remaining forecast period.
Income tax	<ul style="list-style-type: none"> The marginal income tax rate applied is 25%, based on the corporate tax rate in the PRC.
Working capital requirements	<ul style="list-style-type: none"> The turnover days for each working capital account is based on historical performance of the business, credit policies and management estimates.
CAPEX	<ul style="list-style-type: none"> The business is forecasted to invest an average of 4.0% of revenue as CAPEX for its existing and new machinery and equipment, beginning with RMB6.2 million in FY2022. This percentage is also based on our analysis of the historical capex-to-sales ratios of the CompCos. The on-going buildout of the 3rd booster line is expected to require an additional CAPEX of RMB13 million in FY2022 and FY2023.
WACC	<ul style="list-style-type: none"> The WACC comprises of a required rate of return on equity plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt in the capital structure of the target business and of the CompCos whose business operations are similar to those of the target business. The WACC has been calculated to be 12.7% for the Target Group.
Terminal growth rate	<ul style="list-style-type: none"> For this exercise, we have considered 1.0% as the terminal growth rate, based on the 5-year CAGR of producer price index for producer goods in China.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Although the information and assumptions used in the cash flow projections are a reasonable basis for valuation purposes, our analysis and use of them do not constitute an examination or compilation of prospective financial information in accordance with established standards.

AVA is unable to provide assurance on the achievability of the results forecasted by the Target Group as events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of the management of the Target Group. Except as disclosed in this report, neither AVA nor Fabchem is aware of other liabilities, including any contingent liabilities or unusual contractual obligations or substantial commitments, which would have a material effect on the value of the Target Group.

Indicative Valuation of the Target Group – Income Approach

A DCF analysis was conducted on the financial forecast to derive an EV of the Target Group. To arrive at the Market Value of the Equity Interest, balance sheet items as at Valuation Date, namely, interest-bearing borrowings, cash and other payables, were then considered in the following formula.

$$\text{Equity Value} = \text{Enterprise Value} - \text{Debt} + \text{Excess Cash} + \text{Non-Operating Assets}/(\text{Liabilities})$$

For illustrative purposes, the table below highlights the value of the Equity Interest in the Target Group under different WACCs, terminal growth rates and operating margins.

	WACC		
	12.2%	12.7%	13.2%
Value of Equity Interest (RMB '000)	45,464	42,038	39,253
Change	8.2%		-6.6%

	Terminal Growth Rate		
	0.0%	1.0%	2.0%
Value of Equity Interest (RMB '000)	37,938	42,038	47,274
Change	-9.8%		12.5%

Based on an assumption that the Target Group is able to (1) expand its Booster production with the commencement of the 3rd production line, (2) exploit its competitive advantages in the next 5 years, (3) continue to grow stably between (0.0% to 2.0% annually for period beyond FY2026, and (4) provide an expected return that ranges from 12.2% to 13.2%, the value of the Equity Interest can range from RMB37.9 million to RMB47.3 million.

Conclusion of Value – Equity Interest in the Target Group

Based on the information provided, our analyses and conclusions of the various proposed scenarios, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the 100% Equity Interest in the Target Group is reasonably stated in the amount that range from RMB37.9 million to RMB47.3 million (S\$ equivalent being S\$7.8 million to S\$9.7 million), with a concluded value of RMB42.0 million (S\$ equivalent is S\$8.6 million based on an exchange rate of S\$1 : RMB4.8727).

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Valuation of Real Property

Description of Real Property - LURs

The subject properties are the land use rights to an area used as the manufacturing facilities of SYTC, located at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC.

The subject parcels of land are with a total area of approximately 605,780 square metres. Details of the land use rights are presented in the table below.

No.	Land Address	Land Name	Land Area (M ²)	Usage of Land	Land Nature	Certificate of Land	Land Owner	Land Acquisition Date	Land Expiration Date
	Total		605,780.06						
1	107 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	49,511.00	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001536	Shandong Yinguang Technology Co., Ltd.	17-03-10	16-03-60
2	1102 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	40,822.00	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001538	Shandong Yinguang Technology Co., Ltd.	17-12-09	16-12-59
3	1005 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	6,022.69	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001548	Shandong Yinguang Technology Co., Ltd.	20-11-98	19-11-48
4	704 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	23,957.00	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001537	Shandong Yinguang Technology Co., Ltd.	20-12-00	19-12-30
5	603 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	26,358.15	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001535	Shandong Yinguang Technology Co., Ltd.	17-03-98	16-03-48
6	1308 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	30,933.16	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001534	Shandong Yinguang Technology Co., Ltd.	16-12-00	15-12-30
7	1401 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	13,261.90	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001539	Shandong Yinguang Technology Co., Ltd.	26-01-05	25-01-55
8	802 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	41,624.16	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001533	Shandong Yinguang Technology Co., Ltd.	08-11-98	07-11-48
9	405 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	79,136.00	Industrial land	Collective	Lu(2017) Fei County Real Estate Rights No. 0001544	Shandong Yinguang Technology Co., Ltd.	26-02-07	25-02-37
10	201 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	58,508.00	Industrial land	Collective	Lu(2017) Fei County Real Estate Rights No. 0001542	Shandong Yinguang Technology Co., Ltd.	26-02-07	25-02-37
11	511 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	74,034.00	Industrial land	Collective	Lu(2017) Fei County Real Estate Rights No. 0001543	Shandong Yinguang Technology Co., Ltd.	26-02-07	25-02-37
12	304 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	70,220.00	Industrial land	Collective	Lu(2017) Fei County Real Estate Rights No. 0001545	Shandong Yinguang Technology Co., Ltd.	26-02-07	25-02-37
13	1203 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	14,981.00	Industrial land	Collective	Lu(2017) Fei County Real Estate Rights No. 0001546	Shandong Yinguang Technology Co., Ltd.	26-02-07	25-02-37
14	902 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	10,844.00	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001540	Shandong Yinguang Technology Co., Ltd.	09-05-14	08-05-64
15	1502 North side of Feizhu Road, Feicheng Street Office, Fei County	Changshengzhuang, Coke Zhuang, Tulonggou Village, Taoyuan Village, Xixin'an Village	27,306.00	Industrial land	Granted	Lu(2017) Fei County Real Estate Rights No. 0001541	Shandong Yinguang Technology Co., Ltd.	09-05-14	08-05-64
16	Dazhai Village Mazhuang Town, Hetouwan Village and Beitaijingwan Village, Fei County	Mazhuang Warehouse Land Use Rights -2	19,966.00	Storage land	Granted	Lu(2017) Fei County Real Estate Rights No. 0003641	Shandong Yinguang Technology Co., Ltd.	10-10-17	09-10-67
17	Dazhai Village Mazhuang Town and Hetouwan Village, Fei County	Mazhuang warehouse land use rights -1	18,295.00	Storage land	Granted	Lu(2017) Fei County Real Estate Rights No. 0003642	Shandong Yinguang Technology Co., Ltd.	10-10-17	09-10-67

Granted land and collective land make up 308,901 square metres and 296,879 square metres respectively.

Description of Real Property – Industrial Properties

The subject properties are the manufacturing facilities of SYTC, located at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC, with details as listed in the fixed asset register provided to us for this valuation exercise.

Buildings: 130 items (Office/Industry/Warehouse/Other) with gross floor area of 42,884.77 square metres.

Structures: 134 items

Construction-in-progress: On-going construction of warehouse/workshop.

The properties were completed between 1998 and 2020.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Description of Real Property – Commercial Properties

The subject of valuation are the commercial office space on the 13/F, 14/F, 15/F and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC 山东省临沂市费县城区银光福源广场 A 座 13 层、14 层、15 层及地下 1 层 39 个车位.

<i>Address:</i>	Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC.
<i>Type:</i>	A 18-storey office building with 1-Storey basement carpark.
<i>Legal Description:</i>	Pre-sell License for Commodity House: Fei Fang Shou Zi 商品房预售许可证 No. 000301.
<i>Tenure:</i>	The use rights of the property have been granted for a term expiring on 5 June 2052.
<i>Land Description:</i>	The subject plot is rectangular in shape with an area of approximately 26,557 square metres
<i>Gross Floor Area:</i>	41,670.86 square metres
<i>No. of Parking Stalls:</i>	143
<i>Occupancy Status:</i>	Office
<i>Date of Completion:</i>	31 December 2015
<i>Neighbourhood:</i>	The immediate neighbourhood is predominantly high-end residences, supermarket and campus.
<i>City Services:</i>	Available within the vicinity.
<i>Public Transport:</i>	Available along Jianshe Road and G327. The subject property is within close proximity from the Fei County Railway Station.
<i>Overall Comment:</i>	At the heart of the future centre business district of Fei County.
<i>Office:</i>	13th Storey Lift lobby / partitioned office room / storage areas / toilets 14th Storey Lift lobby / partitioned office room / storage areas / toilets 15th Storey Lift lobby / partitioned office room / storage areas / toilets
<i>Basement Storey</i>	Car parking lots
<i>Gross Floor Area:</i>	3,499.83 square metres (excluding car parking lots)
<i>Finishes:</i>	Floors - Homogeneous tiles / cement screed

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Walls - Emulsion paint / homogeneous tiles / partitioned boards / glass panels /decorative timber panels

Ceilings - Emulsion paint

Other Improvements: 3 passenger lifts, etc.

Services / Facilities: All main public utilities and telecommunication services are connected.

Overall Comment: As at the date of inspection, the subject property was in a good state of internal and external repairs and maintenance.

General Assumptions

No allowance has been made in our report for any charges, mortgages or amounts neither owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

As the property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of the land use rights.

We have assumed the design and construction of the subject development are in compliance with the local planning regulations and have been approved by the relevant authorities.

Inspections

As this exercise is a desktop valuation, we did not conduct site surveys or site investigations, as these do not form part of our terms of reference and therefore we cannot report that the subject property is free from rot, infestation or any other structural defects. We did not carry out a building or land survey, and we assume that the subject property is in a fair state of repair and condition. No tests have been carried out to any of the building services. Our last visit to the site was in 2019 when we were engaged to estimate the value of these assets as at 28 February 2019. However, our current valuation has been supplemented with tele-discussions with the relevant personnel, as part of our due diligence and work process, in order to obtain satisfactory understanding of the current conditions of the business and assets. We did not find any reason to doubt the integrity of the assets for our valuation as at 31 March 2021.

Sources of Information

We have relied to a considerable extent on the information provided by the instructing party and site staff in particular, but not limited to, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas, identification of the property and all other relevant matters.

We have been provided with copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and floor plans relating to the subject properties by the instructing party, and have made relevant enquiries. However, we have not searched the original documents nor have we verified the existence of any lease amendments, which do not appear on the documents available to us. All documents have been used for reference only.

For the purposes of this engagement, we did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the appraised assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the appraisal, and adequate net working capital.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Valuation Methodologies

We have adopted the Direct Comparison Approach for the valuation of the LURs and the Commercial Properties.

'Direct Comparison Approach'

The Direct Comparison Approach is universally considered the most accepted valuation approach for valuing most forms of real estate. This involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analyzed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location within the city, size, configuration, access, and so on. There is no additional adjustment for economic obsolescence as the observed market prices would have encapsulated the relevant obsolescence.

Land Use Rights

The Target Group's portfolio of land use rights is made up of 17 parcels, with different sizes and expiry dates. Each parcel is valued based on its size and remaining duration. The unit rate is derived from a study and adjustment of recent comparable sales transactions in 2020 and 2021 for parcels of land with comparable characteristics. The selected transactions are as follows:

	Comparable 1	Comparable 2	Comparable 3
Location	Mingyizhuang Village, Shangye Town, Fei County	Yanyu Village, Huyang Town, Fei County	Shangyeyi Village, Shangye Town, Fei County
Transaction Type	Listing	Listing	Listing
Plot Ratio	Lower than 1	More than 0.8	More than 1
Site Area	7,814.00	6,601.00	11,238.00
Usage	Industrial	Industrial	Industrial
Land Use Term	50 years	50 years	50 years
Transaction Date	16 June 2021	24 August 2020	5 August 2020
Transaction Price	RMB1,863,700	RMB1,653,600	RMB3,068,000
Transaction Unit Price	RMB259 per square metre	RMB251 per square metre	RMB273 per square metre

Commercial Properties

The Target Group's portfolio is made up of space on the 13/F, 14/F, 15/F and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province. Each unit is valued based on its size and remaining duration. The unit rate is derived from a study and adjustment of comparable quotes of RMB6,102 and RMB6,667 per square metre in 2020 for units in the same building.

The Market Value of the Industrial Properties, made up of the buildings, structures and construction in progress, are valued on the basis of its "Depreciated Replacement Cost".

'Depreciated Replacement Cost'

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the buildings/structures, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Industrial Properties

The valuation of the buildings/structures is performed through the use of the depreciated replacement cost method, which looks at the current gross replacement (reproduction) costs of the buildings/structures, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. Each building/structure is valued based on its age and specifications. Based on current cost to replace the asset, the resulting value is determined after adjusting for conditions, remaining useful life and other factors. These adjustments range from a discount of 1% to 72% off the replacement cost.

Conclusion of Value – Real Property

Subject to the assumptions and limiting conditions of this report, we are of the opinion that the Market Value of the Real Property, comprising of the LURs, Industrial Properties and Commercial Properties, in its existing state as of Valuation Date and assuming that they are free from any are reasonably stated in the following table:

Item	Original Cost (RMB '000)	Net Book Value (RMB '000)	Market Value (RMB '000)
LURs			
- <i>Granted</i> 出让	45,466	35,894	68,980
- <i>Collective</i> 集体	34,234	21,538	47,510 ¹
- Land use rights (出让 and 集体)	79,700	57,432	116,490
Industrial Properties			
- <i>Buildings & Structures</i>	224,233	40,174	161,247
- <i>Construction-in-progress</i>	15,743	15,743	15,678
- Total	239,976	55,917	176,925
Commercial Properties			
- Office space and parking stalls	28,153	25,477	24,510

¹ Value estimated for collective land is based on assumption that they are freely transferable and is to be used for illustrative purposes in this exercise only.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Estimation of the Revalued Net Asset Value of the Target Group

Cost Approach – Revalued Net Asset Value

The cost approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

For illustrative purposes, we conducted a limited scope review of the Target Group's net asset value ("NAV"), by adjusting the NAV for the Market Value of its real property and the tax liabilities arising from a hypothetical sale of the real property. This is to assist the Board to derive a Revalued Net Asset Value ("RNAV") for them to assess the adjusted book value of its assets. The objective is to provide a best estimate of their fair values based on the information gathered, revaluation of the real property as conducted by AVA and a hypothetical disposal of the real property. The hypothetical tax liabilities total of RMB44.8 million is calculated based on an assumed 25% tax applicable to the total value uplift of RMB179.2 million that would arise from a sale of the LURs, Industrial Properties and Commercial Properties.

Conclusion – Cost Approach

The RNAV, based on unaudited balance sheet as at Valuation Date, provides an indicative value of RMB272.9 million (S\$ equivalent is S\$56.0 million based on an exchange rate of S\$1 : RMB4.8727) as the total value of each of the balance sheet items. While this provide an indication of value, we are of the opinion that the RNAV does not best represent the Market Value of the Target Group for the following reasons:

- The RNAV is a concept of the hypothetical ability to recreate an asset or portfolio of assets that can be employed to support the operation of an existing business. In this instance, an investor will require RMB272.9 million to recreate the tangible assets and facilities at the Target Group. He is unlikely to invest RMB272.9 million to recreate a business, in its current state, that can be expected to generate financial cashflows valued at RMB42.0 million only, an indication of a negative return on capital employed. The business is currently reliant on its Booster product business as the other 3 product lines have seen significant decline in demand since 2015. Furthermore, its Piston Non-Electric Detonator product business is expected to cease production in 2022 due to regulatory requirements.
- The bulk of the assets of the Target Group is made up of fixed assets that allowed the Target Group to generate annual revenue of RMB312 million in FY2015. Revenue for FY2020 was only RMB115 million due to significant decline in production. Units produced and sold fell by up to 78% between FY2015 and FY2020, largely because of market and regulatory factors. Unless the business can utilize the excess production capacity of the current assemblage of assets more efficiently, the investment in those fixed assets will continue to yield returns below market benchmarks, as highlighted in our comparative analysis of the fixed asset utilization and valuation of the Target Group and the CompCos in our full report.
- Any attempt to realize the RNAV of RMB272.9 million through an orderly sale of the assets of the Target Group is likely to require an extended timeline and/or yield a proceed lower than the RNAV as the fixed assets, which make up bulk of the assets, are specialized assets for use in the production of products for the explosives industry only. Our view is premised on the general observation that (1) the facilities may be ideal for a competitor from the same industry, but there are limited number of such manufacturers in China, thus it is likely to prolong the marketing/sale process and decrease the probability of realizing the RNAV (2) the facilities or part thereof have been designed to conform to the strict requirements of the explosives industry and the relevant government authorities, which may not be completely suitable for the next manufacturing activity, thus likely leading to a lower bid price for the entire portfolio of assets.

Discussion – Hypothetical Liquidation Value

The above scenario, where an investment of RMB272.9 million to create a business will only yield future cashflows worth RMB42.0 million, introduces a consideration of the liquidation value of the assets and/or entity. Liquidation value is defined as “the amount that would be realised when an asset or group of assets are sold on a piecemeal basis”. This value can be determined under two different premises of value: (a) an orderly transaction with a typical marketing period, or (b) a forced transaction with a shortened marketing period. For the purpose of this discussion, we will focus on an illustration of a hypothetical liquidation value of the entity under the premise of an orderly transaction, as the other premise of a forced transaction will yield a lower value and prove to be significantly more subjective to evaluate.

There are a multitude of factors in deriving a hypothetical liquidation value, particularly for an entity operating in a Tier-3 city in the PRC. Circumstances and conditions of any such sale can change favorably or otherwise during a process with no fixed timetable. However, for the purpose of this discussion to highlight a hypothetical liquidation value, we have adopted the following key assumptions, in the event the Target Group undergoes an orderly disposal of its assets and settle its liabilities.

- All current assets, presented in the balance sheet, can be realized at their book values.
- The value of the granted land of the LURs can be realized with a 30% discount, an estimate based on a reasonable range of 20% to 40%.
- The value of the collective land of the LURs cannot be realized as any transaction will require the approvals from the relevant government authorities.
- The value of the Commercial Properties can be realized with no discount.
- The value of the Industrial Properties cannot be realized as these fixed assets are purpose-built on the LURs.
- The value of the machinery and equipment cannot be realized as these fixed assets are also purpose-built for the products manufactured by the Target Group.
- All liabilities, presented in the balance sheet, will be settled at their book values.
- There is no intangible assets that can be monetized for sale.
- There is no other contingent assets or liabilities arising from the cessation of business.
- No additional taxes or charges are payable from the liquidation process.
- A reasonable time frame is provided to realize each sale.

We understand some of these assumptions are subjective in nature but they are meant to illustrate a single scenario to highlight the challenges in estimating any form of liquidation value reliably.

We have assumed a 2% transaction cost for disposing of the LURs and Commercial Properties. Consideration also must be given to the cost of winding up the business. While there are many of such costs, we have chosen to focus on retrenchment costs. Management has provided an indicative estimate of RMB42.8 million payable, based on their own internal calculations and interpretation of the relevant labor laws.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

<i>(RMB '000)</i>	Unaudited 31-Mar-2021	Value Adjustment	Revalued 31-Mar-2021	Value Adjustment	Liquidation 31-Mar-2021
ASSETS					
Current assets:					
Trade receivables	17,719	-	17,719	-	17,719
Bills receivables	-	-	-	-	-
Other receivables and prepayments	23,242	-	23,242	-	23,242
Inventories	29,667	-	29,667	-	29,667
Cash and bank balances	85,546	-	85,546	-	85,546
Total current assets	156,174	-	156,174	-	156,174
Non-current assets:					
Land use rights	57,432	59,058	116,490	(68,204)	48,286
Industrial Properties	40,174	121,072	161,247	(161,247)	-
Commercial Properties	25,477	(967)	24,510	-	24,510
Machinery and equipment	18,500	-	18,500	(18,500)	-
Biological assets	743	-	743	(743)	-
Construction-in-progress	15,743	(65)	15,678	(15,678)	-
Total non-current assets	158,069	179,099	337,170	(264,373)	72,797
Total assets	314,243	179,099	493,343	(264,373)	228,970
LIABILITIES					
Current Liabilities:					
Trade payables and accruals	61,301	-	61,301	-	61,301
Other payables	12,581	-	12,581	-	12,581
Other payables - Related party Loan	-	-	-	-	-
Short term bank borrowings	57,500	-	57,500	-	57,500
Other liabilities	19,046	-	19,046	-	19,046
Provision for safety expenses	-	-	-	-	-
Total current liabilities	150,428	-	150,428	-	150,428
Non-current liabilities					
Deferred tax liabilities	3,025	-	3,025	-	3,025
Other payables - Related party Loan	22,189	-	22,189	-	22,189
Total non-current liabilities	25,214	-	25,214	-	25,214
Net Asset	138,602		317,701		53,328
Less: Hypothetical Tax Liabilities			44,791		-
Less: Liquidation Costs					44,256
Net Value		RNAV	272,910	Liquidation	9,072

The table above illustrates the calculation in arriving at a hypothetical liquidation value of RMB9.1 million (S\$ equivalent is S\$1.9 million based on an exchange rate of S\$1 : RMB4.8727), as compared to the RNAV of RMB273.0 million (S\$ equivalent is S\$56.0 million). It is worth noting that the liquidation value will increase with any value recovery of the Industrial Properties or lower liquidation costs, among other things. For example, if a bidder is willing to offer 50% of the value of the Industrial Properties and the Target Group can manage to decrease its retrenchment costs by 50%, the liquidation value can be RMB111.0 million (S\$ equivalent is S\$22.8 million). This high variability of the results, given the multitude of possible mitigating

APPENDIX B – SUMMARISED AVA VALUATION REPORT

and aggravating factors, does lessen the reliability of any effort to reliably ascribe a liquidation value. As such, our estimates thus far are on a hypothetical basis.

Conclusion of Value

Hence, AVA has chosen to base our opinion of the value of the Equity Interest in the Target Group on the income approach, measuring the economic benefits of the business operation in its existing state and conditions, with the Market Value of the 100% Equity Interest in the Target Group reasonably stated in the amount that range from RMB37.9 million to RMB47.3 million (S\$ equivalent being S\$7.8 million to S\$9.7 million), with a concluded value of RMB42.0 million (S\$ equivalent is S\$8.6 million based on an exchange rate of S\$1 : RMB4.8727).

The conclusion of value for the Equity Interest and selected real property of the Target Group are based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of AVA and the Target Group.

Users of this valuation report should be mindful that value is time dependent. In estimating the value, AVA has taken into consideration the available information, all known factors and market environment of the subject of valuation as at Valuation Date. The Valuation Date is the specific point in time as of which our opinion of value applies. This fundamental principle forbids the application of hindsight and removes any use of retrospective evidence such as data or information in forming the assessment of value, unless these facts would reasonably have been known or knowable as at Valuation Date. Our valuation is strictly guided by this principle.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued based on the understanding that management of the Target Group have drawn our attention to all material matters which may have an impact on our report up to the date of this report. We are not required to update our report or any other information provided to you for events and circumstances arising after the issue of our final report.

Respectfully submitted,
AVA Associates Limited

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Statement of General Assumption and Limiting Conditions

1. This analysis is subject to the following general assumptions and limiting conditions:
2. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, and other encumbrances unless otherwise stated.
3. Information furnished by others, upon which all or portions of this valuation is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.
4. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of AVA or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company and its financial accounting firm, by any means without the prior written consent and approval of AVA.
5. This appraisal has been made in conformance with the International Valuation Standards issued by the International Valuation Standards Council.
6. Neither AVA nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
7. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
8. The date of value to which the estimate expressed in this report applies is set forth in the beginning of this report. This valuation is valid only for the valuation date indicated. Our analysis is based on the purchasing power of the Singapore Dollar as of that date.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimate provided in this report is based.
10. Full compliance with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
11. Responsible ownership and competent management are assumed.
12. The value estimate is predicated on the financial structure prevailing as of the date of this analysis.
13. This report may not be included or referred to in any statutory filing or other public document.
14. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.

APPENDIX B – SUMMARISED AVA VALUATION REPORT

Valuer's Professional Declaration

The following valuers certify, to the best of their knowledge and belief, that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the International Valuation Standards published by the International Valuation Standards Committee.

Thomas Chua
Director, Valuation
MBA, CVA 100233

Jack Li
Reviewer, Valuation
CFA, MRICS 6519016

Selected Recent Valuation Experience - SGX-listed Companies

<u>Client</u>	<u>Type</u>	<u>Project Description – 2018 to 2020</u>
China Jishan Ltd	Asset & Business Valuation	• Valuation of properties in China for privatization exercise and public disclosure purposes.
Kitchen Culture Holdings Ltd	Business Valuation	• Valuation of fintech business in China for a proposed acquisition and public disclosure.
Teckwah Industrial Corp Ltd	Asset Valuation	• Valuation of in Singapore, Malaysia, Indonesia and China for a privatization exercise.
Imperium Crown Ltd	Asset Valuation	• Valuation of property development right to a tourism asset in China for acquisition purposes.
Star Pharmaceuticals Ltd	Asset Valuation	• Valuation of assets employed in China pharmaceuticals business for a privatization exercise and public disclosure purposes.
China Hongxing Sports Ltd	Asset & Business Valuation	• Valuation of business and assets of sportswear companies in China for disposal and public disclosure purposes.

APPENDIX C – SUMMARISED D&P VALUATION REPORT

DUFF & PHELPS SINGAPORE PTE LTD
(Company Registration Number: 201218118N)
(Incorporated in the Republic of Singapore)
10 Collyer Quay #05-04/05 Ocean Financial Centre
Singapore 049315

22 September 2021

To
Board of Directors
Fabchem China Limited
2 Bukit Merah Central
#12-03
Singapore 159835

Dear Sirs,

Pursuant to our engagement letter dated 24 June 2021 between Fabchem China Limited (the “Client”, “Fabchem” or the “Company”) and Duff & Phelps Singapore Pte Ltd (“Duff & Phelps”), we have performed an analysis on the Market Value of Shandong Yinguang Technology Co. Ltd. (the “Target Company” or “Yinguang Technology”) and 100% of the issued ordinary shares of the Target Company as at 31 March 2021 (“Valuation Date”).

1. BACKGROUND AND INTRODUCTION

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 2006, Fabchem China Limited’s (the “Company” or “Fabchem”) principal business activity is in the production and sale of commercial explosives products, comprising explosive devices, initiators and detonators. Headquartered in Singapore, the Company’s manufacturing and operations are undertaken through a 100% owned subsidiary, Shandong Yinguang Technology Co. Ltd. (“Yinguang Technology” or “Target Company”) which is based in Fei County, Shandong Province, the People’s Republic of China (“PRC”).

Yinguang Technology is one of China’s largest producers of commercial explosive products, which include explosive devices (e.g. boosters), industrial fuse and initiating explosive devices (e.g. detonating cords and non-electric tubes), as well as industrial detonators (e.g. non-electric detonators and piston non-electric detonators). Yinguang Technology’s products are mainly used by the mining, hydroelectric and infrastructure construction industries for activities such as coal mining, oil exploration, construction of hydroelectric dams, roads and railways, and large construction projects.

On 19 March 2021, Fabchem announced that it had entered into a sale and purchase agreement (“SPA”) with its controlling shareholder, Triple Vision Pte. Ltd. (“Triple Vision”), for the disposal of the Company’s 100% equity stake in the Target Company to Triple Vision (“Proposed Disposal”) for a purchase consideration of SGD18 million (“Disposal Consideration”), in cash.

The Proposed Disposal constitutes both an interested party transaction (“IPT”) under Chapter 9, and a major transaction under Chapter 10 of the Listing Rules (“Listing Rules”) of the SGX-ST.

APPENDIX C – SUMMARISED D&P VALUATION REPORT

Accordingly, the Company requires an independent valuation of the Target Company for the purposes of the Proposed Disposal as mentioned. The Proposed Disposal is subject to the approval of the Company's shareholders at an extraordinary general meeting ("EGM") and a circular will be issued to Shareholders for the purpose of seeking shareholders approval for the Proposed Disposal (the "Circular").

In connection with the Proposed Disposal, Duff & Phelps Singapore Pte Ltd ("Duff & Phelps") was appointed by the Company's management ("Management") to perform an independent valuation of the Target Company as at 31 March 2021 ("Valuation Date") to comply with the Listing Rules. The Target Company's information for the purposes of this valuation has been provided to Duff & Phelps by Management on behalf of the Target Company's management.

This valuation summary letter has been prepared for the purpose of incorporation in the Circular to be issued in relation to the Proposed Disposal, and is a summary of the information contained in our final report titled "Valuation of Shandong Yinguang Technology Co. Ltd. as at 31 March 2021" dated 17 August 2021 (the "Final Valuation Report").

Unless otherwise stated, words and expressions defined in the Circular for the purpose of obtaining Shareholders' approval for the Proposed Disposal will have the same meaning in this letter.

2. BASIS AND DEFINITIONS

Basis of Valuation

The basis of valuation used in our analysis is Market Value, which is defined by the International Valuation Standards ("IVS") as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*"

Definition of Business Enterprise and Equity Value

Business enterprise value is the total invested capital, that is equivalent to the combination of all interest-bearing debts, shareholders' loans and shareholders' equity, minus any cash or cash equivalents available to meet those liabilities.

Equity value is equivalent to business enterprise value less interest-bearing debts, plus available cash or cash equivalents. Equity value represents the value of a business to its equity shareholders.

3. VALUATION METHODOLOGIES

Our valuation conclusion relies on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us. We have considered the following valuation approaches in estimating the Market Value of the Target Company and its equity value (100% basis):

APPENDIX C – SUMMARISED D&P VALUATION REPORT

A. Income Approach

The income approach explicitly recognizes that the current value of the business is premised on the expected receipt of future economic benefits to be generated over its remaining life. These benefits can be in the form of earnings, net income, cash flow, or other measures of profitability and should include the proceeds from final disposition as well as cost savings and tax deductions. Value indications are developed by discounting expected benefits to their present value at the required rate of return that incorporates the time value of money and risks associated with the particular asset. The discount rate selected is generally based on expected rates of return available from alternative investments of similar type, quality, and risk as of the Valuation Date.

B. Market Approach

The market (sales comparison) approach is a technique used to estimate value from an analysis of actual transactions or offerings for economically comparable business available as of the Valuation Date. The process is essentially that of comparison and correlation between the subject business and similar business which have recently been sold or are offered for sale in the market. The transaction or offering prices of the comparable business are adjusted for dissimilarities in characteristics including status/stage, location, time of sale, growth and size, and among others. The adjusted prices of the comparable business provide an indication of value for the subject business.

C. Cost Approach or Net Assets Approach

The cost approach is a technique that uses the reproduction or replacement cost as basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

The net assets approach indicates an estimate of business value by adjusting the asset and liability balances on the subject company's balance sheet as of valuation date to reflect their Market Value equivalents. The underlying assets approach is based on the summation of the individual piecemeal values of the underlying assets. The value of the business is then indicated by the sum of the value of the assets less the sum of the value of the liabilities.

4. VALUATION SUMMARY AND CONCLUSION

As part of our scope of services, we have considered the following valuation approaches in estimating the Market Value of the Target Company and its equity value (100% basis) as at the Valuation Date –

- We performed a discounted cash flow (“DCF”) analysis (under Income Approach) of the Target Company, utilizing the Target Company's financial projections as provided by Management, and discounted the annual after-tax free cash flows with an appropriate discount rate to arrive at the Enterprise Value of the Target Company. The equity value (100% basis) of the Target

APPENDIX C – SUMMARISED D&P VALUATION REPORT

Company was estimated by adding excess cash and deducting interest-bearing debts held by the Target Company to the Enterprise Value arrived at, as at the Valuation Date.

- We performed an analysis of the guideline publicly-traded comparable method (“GCM”) (under Market Approach), which considered publicly available information on relative valuation metrics for comparable businesses operating under the same industry segment as the Target Company. The relative valuation metrics were then applied to the Target Company’s key financials to estimate the Enterprise Value of the Target Company and adjusted for excess cash and interest-bearing debts to arrive at the Target Company’s equity value (100% basis).
- We performed the net assets approach to determine the revalued net asset value (“RNAV”) of the Target Company, which required a separate appraisal of the underlying operating assets held by the Target Company, namely its fixed assets (i.e. machinery & equipment) and real estate assets (i.e. commercial property and land use rights etc.). The net assets approach indicates an estimate of business value by adjusting the asset and liability balances on the Target Company’s balance sheet as of valuation date to reflect their Market Value equivalents.

Our valuation conclusion relies on the approaches judged to be the most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of data available to us. We have considered the following in arriving at our concluded value of the Target Company’s Enterprise Value and equity value (100% basis).

- Under the going concern assumption, the value of the Target Company’s enterprise and operating assets is primarily derived from the future cash flows generated by its business operations and hence its income-producing ability is the critical element affecting value from a market participant perspective. Accordingly, we have utilized the DCF method (under Income Approach) as our primary basis of conclusion for the Target Company’s Enterprise Value and equity value (100% basis).
- We performed a separate appraisal of the Target Company’s underlying operating assets (i.e. fixed assets and real estate assets), under two different premises of value to arrive at the RNAV of the Target Company, namely the following:
 1. Premise of continued use (i.e. existing use): this premise reflects the condition where the buyer and seller contemplate retention of the business and related assets as part of current or forecast operations; however it does not represent the amount that might be realized from piecemeal disposal/divestment of the real estate and fixed assets.
 2. Premise of orderly liquidation (i.e. orderly sale): this premise reflects the value of a group of assets that could be realised in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis.

APPENDIX C – SUMMARISED D&P VALUATION REPORT

- RNAV is a cost-based approach to valuation. According to International Valuation Standards¹ (“IVS”), cost approach cannot normally be applied in the valuation of businesses and business interests, with certain exceptions. One of the exceptions is when the business does not represent a going concern and / or the value of its assets in a liquidation may exceed the business’ value as a going concern. Although the Target Company’s business is a going concern, we have estimated the RNAV to perform this cross-check, considering the business has been incurring losses for a few years.
- Based on the above, while we have estimated the RNAV of the Target Company based on a premise of continued use, this is only shown for reference purposes as such value does not represent realizable value as a going concern. Under the going concern assumption, the RNAV (under premise of continued use) does not represent the realizable value of the Target Company, given that these operating assets (i.e. fixed assets and real estate assets) are collectively deployed in the Target Company’s business operations to generate its cash flows, and their individual respective fair values cannot be realized on a piecemeal basis.
- We have considered the premise of orderly liquidation for estimating the value of the Target Company’s operating assets for the RNAV (under Net Assets Approach) of the Target Company, given that it represents the amount that would be realized when the operating assets (i.e. fixed assets and real estate assets) are sold on a piecemeal basis, without consideration of benefits associated with a going-concern business. However, we did not conclude on the equity value of the Target Company based on the RNAV (under Net Assets Approach) under orderly liquidation premise, as we understand from Management that the business operations of the Target Company is expected to continue as a going concern and such liquidation value does not exceed the going concern value. Hence, we have only used this as a cross-check to our DCF method.
- We have considered the GCM method (under Market Approach) based on the Target Company’s historical earnings. However, such historical earnings are not expected to be the sustainable earnings of the business, as it does not capture the expected turnaround in the Target Company’s financial performance going forward. In addition, the guideline comparable publicly-traded companies are at significantly higher margins than the Target Company. The lack of market data available for the forward market multiples of the guideline comparable publicly-traded companies makes it challenging to use any forward looking earnings. Hence, we have only utilized the GCM method (under Market Approach) as a further cross-check for the Target Company’s Enterprise Value and equity value (100% basis).

Based on the information provided by Management and our analysis, the equity value (100% basis) of the Target Company as at Valuation Date is estimated to range between **RMB38.0 million (SGD7.8 million) and RMB44.0 million (SGD9.0 million), with a base equity value of RMB41.0 million (SGD8.4 million)**. The range of equity value is based on a sensitivity analysis by varying the discount rate of 13.5% and terminal year growth rate assumption of 2.0% by +/-0.25%.

¹ IVS 200 Businesses and Business Interests – Para 70.1 ©

APPENDIX C – SUMMARISED D&P VALUATION REPORT

A. Summary of Results based on Income Approach

Using the Discounted Cash Flow method (“DCF”), a form of the Income Approach, Duff & Phelps has arrived at a valuation range between **RMB38.0 million (SGD7.8 million²) and RMB44.0 million (SGD9.0 million²)**, with a base equity value of **RMB41.0 million (SGD8.4 million²)**. In arriving at our conclusion, we have relied on cash flow projections provided by Management from FY2022 to FY2026, and adopted the following key assumptions and inputs:

- As of the Valuation Date, the Target Company’s 2 booster production lines have a total capacity of 3,000 tons. With the stabilization of raw materials procurement (for boosters), sales volumes for boosters reached 1,606 tons in FY2021. With the progressive resumption of supply for raw materials, Management has projected sales volume for boosters to grow from 2,000 tons in FY2022 to 3,700 tons by FY2025, with on-going plans for the 3rd booster production line expected to contribute an additional capacity of 1,500 tons during the corresponding period;
- We understand from Management that customer demand for detonating cords has been steadily declining as a result of tighter safety regulations for commercial explosives manufacturers and the usage of detonating cords. This has resulted in customers switching to other products which impacted detonating cord sales. Notwithstanding the decline in revenue, Management has been targeting new customers to off-set the loss of revenue for detonating cords. Accordingly, Management is targeting to maintain sales volumes of detonating cords at approx. 13 million metres (per annum) during the forecast period between FY2022 and FY2026;
- An industry directive (issued in 2018) on detonators requiring the use of digital electronic detonators is expected to impact non-electronic detonators and hence Management has taken a decision to cease its production by FY2022. As such, Management has not projected any further product sales for non-electronic detonators starting from FY2023;
- We have assessed a weighted average cost of capital (“WACC”) of 13.5% to discount the projected cash flows;
- Terminal value beyond FY2026 has been assessed based on the Gordon Growth Model assuming a terminal year growth rate (“TYGR”) of 2.0% p.a. based on the long-term wholesale price index³ (“WPI”) of China; and
- Our range of value is arrived at based on a sensitivity analysis on the enterprise value based on a +/-0.25% variation to the base WACC of 13.5% and TYGR of 2.0%.

B. Cross Check based on Market Approach

We have focused our comparable company search mainly on publicly-listed companies who are actively involved in similar business activities as the Target Company. We identified at total of 12 comparable companies, of these 7 are domestic comparable companies based in China, while the

² Based on exchange rate RMB4.8723 : S\$1.00 as of 31 March 2021.

³ Source: IHS Markit. We have assumed a 2.0% TYGR per annum based on the long-term wholesale price index (“WPI”) of China, given the Target Company’s dependence on distributors (i.e. wholesale market) for its product sales.

APPENDIX C – SUMMARISED D&P VALUATION REPORT

remaining 5 comparable companies are mostly based in the Asia Pacific region. The comparable companies are selected based on their key business segments which are actively involved in the production of commercial explosives, and hence deemed it relevant for our consideration.

The market multiples of the publicly traded comparable companies were selected based on 1st and 3rd quartile of the market multiples range considering the Target Company's profitability and growth profile compared with the comparable companies. In addition, we note that the Target Company historically has incurred operating losses between FY2019 and FY2021 (i.e. due to the significant revenue decline and high operating costs), however the Target Company has recently achieved positive LTM EBITDA margin of 0.8% as at the Valuation Date. Further, we note that the Target Company's next twelve month ("NTM") revenue is projected to improve by 16.8% and achieve EBITDA margin of 3.2%.

Based on the publicly traded comparable companies', the LTM EV/EBITDA market multiple range (i.e. between 1st and 3rd quartile) was 10.4x and 20.4x respectively. The range of indicative EV of the Target Company was arrived by the selected LTM EV/EBITDA multiples; and multiplying the resulting range of market multiples by the Target Company's relevant financial metrics. The range of indicative enterprise value of the Target Company was then added with excess cash and reduced by interest-bearing debt held by the Target Company to arrive at the range of equity value (100% basis). The resulting value indications for the Target Company's enterprise value and equity value range based on the GCM are shown below for further reference –

- Target Company's Enterprise Value based on LTM EV/EBITDA multiple: RMB11.0 million to RMB21.5 million.
- Target Company's Equity Value (100% basis) based on LTM EV/EBITDA multiple: RMB17.0 million to RMB27.0 million.

C. Cross Check based on Net Assets Approach

We have considered the premise of orderly liquidation for estimating the value of the Target Company's operating assets for the RNAV (under Net Assets Approach) of the Target Company, given that it represents the amount that would be realized when the operating assets (i.e. fixed assets and real estate assets) are sold on a piecemeal basis, without consideration of benefits associated with a going-concern business. However, we did not conclude on the equity value of the Target Company based on the RNAV (under Net Assets Approach) under orderly liquidation premise, as we understand from Management that the business operations of the Target Company is expected to continue as a going concern and such liquidation value does not exceed the going concern value. Hence, we have only used this as a cross-check to our DCF method.

To arrive at the RNAV of the Target Company (under premise of orderly liquidation), we updated the book value of the Target Company's PP&E as of Valuation Date with the appraised values of the Target Company's real estate and fixed assets, amounting to RMB105.0 million as of the Valuation Date (i.e. 31 March 2021).

We then added the book value of remaining current assets of RMB156.2 million to the updated carrying amount of PP&E (at RMB105.0 million) to arrive at the total assets of the Target Company amounting to RMB261.2 million. Total assets were then deducted by balance sheet liabilities

APPENDIX C – SUMMARISED D&P VALUATION REPORT

amounting to RMB175.6 million; as well as cost to sell (e.g. stamp duties, VAT etc.), and further reduced by contingent liabilities estimated at RMB42.8 million relating to staff severance costs⁴ under PRC statutory law.

Based on the analysis above, the total RNAV of the Target Company based on Liquidation Value amounted to RMB33.6 million (or SGD6.9 million) as of the Valuation Date.

5. TERMS OF REFERENCE AND LIMITING CONDITIONS TO OUR VALUATION

- i. Duff & Phelps' valuation summary letter and Final Valuation Report do not constitute an audit in accordance with Auditing Standards. Duff & Phelps has not independently investigated or verified the data provided by Management. We have, however, reviewed such data for its consistency and reasonableness, relied on explanations and information provided by Management and accepted such data to be true and accurate. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information, representation or assurance provided to us by and on behalf of the Target Company.
- ii. The Client has reviewed the information contained in the valuation summary letter and Final Valuation Report and has confirmed in writing to us, having made reasonable enquiries to establish that this is the case, that to the best of its knowledge and belief, the factual information contained therein is, in all material respects, complete and accurate and not misleading in the manner of its portrayal and therefore forms a reliable basis for our work. In particular, the Client is not aware of any further information which should be relevant to our analysis.
- iii. The responsibility for forecasts and the assumptions on which they are based is solely that of the Client and Management. Duff & Phelps do not provide assurance on the achievability of the results forecasted because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of the Client and Management. It must be emphasized that revenue and profit forecasts necessarily depend upon subjective judgment. They are to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed periods. In the event that the Target Company is not able to achieve the results of its projected financials, the value of the Target Company and its equity value can be adversely affected.
- iv. Our valuation conclusions are based upon prevailing market, economic, industry, monetary and other conditions and on the information made available to us as at the Valuation Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our valuation conclusion set out

⁴ Contingent liabilities refer to estimated staff severance payments (under orderly liquidation premise) required under PRC statutory requirements for the existing workforce. Computed based on existing workforce of 634 employees, with an average of 15 years (length of service), and average monthly salary of RMB4,500 per month. Source: Management.

APPENDIX C – SUMMARISED D&P VALUATION REPORT

in this valuation summary letter to reflect event or developments subsequent to the Valuation Date.

- v. The valuation results and underlying projections and assumptions may be materially affected by increased volatility in current and future economic, political, regulatory, financial, market or other circumstances as a result of COVID-19. As such, a higher degree of caution should be attached to our valuation than may normally be the case.
- vi. Duff & Phelps has relied on data from external sources. These sources are considered to be reliable and therefore, Duff & Phelps assumes no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where Duff & Phelps has relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure the accuracy of such data and that such data has been accurately and correctly extracted from those sources. Duff & Phelps has assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
- vii. The scope of work has been limited both in terms of the areas of the business and operations which have been reviewed. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- viii. We are not required to and have not conducted a comprehensive review of the business, operational or financial condition of the Target Company and accordingly, make no representation or warranty, expressed or implied, in this regard.
- ix. Our valuation of the Target Company and its equity value is not and should not be construed to be investment advice to the current and prospective investors in the Company and/or the Target Company. The scope of our engagement does not require us to express, and we do not express, a view on the future prospects of the Target Company. This letter and Final Valuation Report are not intended to form the sole basis of any decision regarding the ownership of stake in the Target Company and does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. The assessment of the commercial and investment merits of the Target Company is solely the responsibility of the Directors of the Company.
- x. Our valuation summary letter and Final Valuation Report is issued on the understanding that the Management has drawn our attention to all matters of which they are aware concerning the financial position of the businesses, which may have an impact on the valuation summary letter and Final Valuation Report up to the Valuation Date. Duff & Phelps has no responsibility to update the valuation summary letter and Final Valuation Report for events and circumstances occurring after the Valuation Date.
- xi. The use of our valuation summary letter and Final Valuation Report is restricted to the purpose indicated herein. Duff & Phelps authorizes the Client to include a copy of this valuation summary letter in the Circular. Such disclosure is authorised in consideration of the condition that Duff & Phelps shall have a reasonable opportunity to review and approve any references to Duff & Phelps, its work, this engagement, the valuation summary letter and Final Valuation Report prior to the disclosure to Singapore Exchange Securities Trading Limited (“SGX-ST”).

APPENDIX C – SUMMARISED D&P VALUATION REPORT

- xii. Duff & Phelps does not have any responsibility or liability to any third parties for their reliance on our reports. Duff & Phelps expressly disclaims all liability for any loss or damage of whatever kind which may arise from any person acting on any information and opinions contained in the valuation summary letter and Final Valuation Report for any purpose other than the stated purpose. Full terms and conditions of our work are included in our Agreement.
- xiii. Duff & Phelps has acted as an independent third party and, as such, shall not be considered an advocate should any dispute arise between concerned parties.
- xiv. Our terms of reference do not require us to provide advice on legal, regulatory, accounting, property and taxation matters and where specialist advice has been obtained by the Client and made available to us, we have considered and where appropriate relied upon such advice.
- xv. Duff & Phelps have no present or planned future interest in our Client or its affiliated/group companies and the fee for our services for the valuation summary letter and Final Valuation Report is not contingent upon the outcome of the transaction.

6. CONFIDENTIALITY AND DUTY OF CARE

This valuation summary letter and our Final Valuation Report are addressed strictly to our Client and are for the intended purpose as set out above and accordingly neither the valuation summary letter nor the Final Valuation Report may be used or relied upon in any other connection, and are not intended to confer any benefit on, any other person (including without limitations the respective shareholders of the Company). Any recommendation made by the Board of Directors (the "Board") of the Company in respect to this Proposed Disposal shall remain the responsibility of the Board.

In rendering our valuation conclusion, we have not had regard to the specific investment objectives, financial situation or individual circumstances of any shareholders. Our valuation conclusion should not be the sole basis for deciding whether or not to execute the Proposed Disposal. The responsibility of determining the final transaction price rests solely with the Client.

We understand that the Independent Financial Advisor ("IFA") may require this valuation summary letter and our Final Valuation Report for their internal reference. The IFA will perform their own separate analysis to satisfy their roles and responsibilities. Our role and report is not meant to substitute their own procedures to substantiate the opinion they are required to render.

While a copy of this letter may be reproduced in the Circular, neither the Client nor its Board may reproduce, disseminate or refer to this letter and the Final Valuation Report (or any part thereof) for any other purposes at any time and in any manner without the prior written consent of Duff & Phelps in each specific case. In any event, giving our consent to the inclusion of letter in such a circular, we do not accept any duty of care and deny any responsibilities or liability to any third party other than the party to whom our letter and report is addressed, unless otherwise provided by law.

Respectfully submitted by,

DUFF & PHELPS SINGAPORE PTE LTD

APPENDIX D – IFA LETTER

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

22 September 2021

To: The Recommending Directors of Fabchem China Limited
(who are deemed independent in relation to the Proposed Disposal)

Mr Bao Hongwei (Managing Director)
Mr Wee Phui Gam (Acting Chairman and Lead Independent Director)
Mr Sun Bowen (Non-Executive and Non-Independent Director)
Professor Jiang Rongguang (Independent Director)

Dear Sirs,

THE PROPOSED DISPOSAL BY FABCHEM CHINA LIMITED OF THE ENTIRE EQUITY INTEREST IN ITS PRINCIPAL SUBSIDIARY, SHANDONG YINGUANG TECHNOLOGY CO., LTD., AS AN INTERESTED PERSON TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms used in this letter (“**Letter**”) have the same meanings as defined in the Circular to shareholders of Fabchem China Limited (“**Shareholders**”) dated 22 September 2021 (“**Circular**”). For the purposes of this Letter, the Latest Practicable Date is 15 September 2021 as defined in the Circular.*

1. INTRODUCTION

1.1 Proposed Disposal in connection with a proposed RTO which has since lapsed

Fabchem China Limited (“**Company**”, and together with its subsidiaries, “**Group**”) is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company was placed on the watch-list of the SGX-ST due to the Financial Entry Criteria with effect from 5 December 2018.

On 12 October 2020, the Company announced that it had on that day entered into a non-binding term sheet with certain parties to acquire from them not less than 71.26% shareholding interest in Renewable Power Management Pty Ltd (“**RPM**”), a company incorporated in Australia (“**RPM Acquisition**”). RPM is in the business of power generation and sales of electricity and carbon emission certificates in Queensland, Australia. The RPM Acquisition, if undertaken and completed, was expected to result in a “reverse takeover” of the Company (“**RTO**”) under Chapter 10 of the listing manual (“**Listing Manual**”) of the SGX-ST.

In connection with the RPM Acquisition, the Company was to procure the disposal of its principal subsidiary, Shandong Yinguang Technology Co., Ltd. (山东银光科技咨询有限公司) (“**Yinguang Technology**”), for a cash consideration of between S\$15 million and S\$20 million (“**Proposed Disposal**”). Upon the completion of the Proposed Disposal and prior to the completion of the RTO, the Company would make a cash distribution to its shareholders (“**Shareholders**”) of all the proceeds from the Proposed Disposal less S\$1.0 million, by way of a capital reduction (“**Proposed Capital Reduction**”) under the Companies Act (Cap 50) of Singapore (“**Companies Act**”). The sum of S\$1.0 million was proposed to be set aside to meet the Company’s costs, expenses and professional fees for the RPM Acquisition and working capital requirements.

APPENDIX D – IFA LETTER

On 15 March 2021, the Company announced that as no definitive agreement was entered into by the expiry date of the exclusivity period, the RPM Acquisition was not proceeded with further.

1.2 Proposed Disposal to be carried out independently of any proposed RTO

Notwithstanding the above, the Company intends to proceed with the Proposed Disposal on its own, independently of any proposed RTO, and to carry out the Proposed Capital Reduction on terms to be agreed.

Accordingly, on 19 March 2021, the Company announced that it had, on that day, entered into a conditional sale and purchase agreement (“**SPA**”) with Triple Vision Pte. Ltd. (“**Purchaser**” or “**Triple Vision**”) to dispose of its entire 100% equity interest in Yinguang Technology to the Purchaser for a consideration of S\$18.0 million in cash (“**Consideration**”).

Mr Henry Wee, a Singapore businessman and investor, is the sole shareholder of the Purchaser which has a 52.16% direct shareholding interest in the Company. Together with the Purchaser, Mr Henry Wee has a direct and deemed interest of 52.38% shareholding interest in the Company. The Purchaser and Mr Henry Wee are deemed as interested persons (“**Interested Persons**”) under the Listing Manual. Although a controlling Shareholder, neither Mr Henry Wee, the Purchaser nor their nominees is represented on the board of directors of the Company (“**Board**”).

The parties to the SPA have agreed that upon the completion of the Proposed Disposal, the Company will carry out the Proposed Capital Reduction to distribute bulk of the disposal proceeds in cash (“**Cash Distribution**” or “**Distributable Amount**”) on a *pro rata* basis to its Shareholders, after setting aside sufficient funds for the Company’s working capital requirements, and the costs and expenses incurred and to be incurred in relation to, *inter alia*, the Proposed Disposal and Proposed Capital Reduction.

Upon the completion of the Proposed Disposal, the Company will become a “cash company”. Under Rule 1018 of the Listing Manual, if the assets of the Company consist wholly or substantially of cash or short-dated securities, the shares of the Company (“**Shares**”) will normally be suspended and will remain in force until the Company has a business which is able to satisfy the SGX-ST requirements for a new listing. However, the SGX-ST may allow continued trading in the Shares on a case-by-case basis subject to, *inter alia*, contractual undertakings (“**Moratorium Undertakings**”) from the Directors, controlling Shareholders, chief executive officer and their associates to observe a moratorium on the transfer or disposal of all their interests, direct or indirect, in the Shares from the EGM date up to and including the completion date of the acquisition by the Company of a business which is able to satisfy SGX-ST’s requirement for a new listing.

In this regard, the Purchaser, Mr Henry Wee, Mr Sun Bowen and Fortsmith Investments Limited (“**Fortsmith**”) have each furnished their respective Moratorium Undertakings which is to take effect upon the Shareholders’ approval of the Proposed Disposal at the Company’s extraordinary general meeting (“**EGM**”). Mr Sun Bowen is a Non-Executive and Non-Independent Director of the Company, and has a 32.35% indirect shareholding interest (held through Fortsmith) in the Company. The Moratorium Undertakings by the Purchaser, Mr Henry Wee, Mr Sun Bowen and Fortsmith represent an aggregate shareholding interest of 84.73% in the Company.

1.3 Proposed acquisition of Lincotrade & Associates Pte Ltd (“**LAPL**”)

On 22 April 2021, the Company announced that it had on that day entered into a sale and purchase agreement to acquire from the vendors the entire issued and fully paid-up capital of LAPL for a purchase consideration of S\$25.0 million (“**LAPL Acquisition**”) to be satisfied by the issuance of an aggregate of 113,636,363 new Shares to the vendors at an issue price of S\$0.22 per Share.

APPENDIX D – IFA LETTER

LAPL's business activities are based in Singapore and involve primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders' carpentry and joinery.

The LAPL Acquisition, if completed, would result in a RTO of the Company. In connection with the LAPL Acquisition, the Company will also seek to transfer the listing and quotation of its Shares from the Mainboard to the Catalist board of the SGX-ST. The LAPL Acquisition is subject to *inter alia* the approval of Shareholders at a separate EGM.

On 9 June 2021, the Company announced that due diligence and preparatory activities for the LAPL Acquisition is temporarily suspended until the Company has complied with the notice of compliance issued by the SGX-ST on 3 June 2021 ("**Notice of Compliance**") for the Company to appoint another valuer to report on the valuation for the Proposed Disposal. On 20 August 2021, the Company announced that due diligence and preparatory activities for the LAPL Acquisition has resumed. Please see further details in Section 1.4 below.

Shareholders should take note of further announcements to be released by the Company in relation to the LAPL Acquisition.

1.4 Shareholders' approval at an EGM, appointment of Valuers and IFA

The Proposed Disposal constitutes an interested person transaction ("**IPT**") under Rule 906 of the Listing Manual, a major transaction under Rule 1014(2) of the Listing Manual and disposal of the whole or substantially the whole of the Company's undertaking or property under Section 160 of the Companies Act (Chapter 50) of Singapore, which is subject to, *inter alia*, the approval of Shareholders at the EGM, by way of Ordinary Resolution 1.

The Cash Distribution by way of the Proposed Capital Reduction is also being put forth for Shareholders' approval at the EGM by way of Special Resolution 2. Both Resolution 1 and Resolution 2 are inter-conditional upon each other. Hence, if either of the resolutions is not approved, the other resolution will not be proceeded with.

As the value of the IPT exceeds 5% of the Group's latest audited NTA, Shareholders' approval for the Proposed Disposal is required. In addition to seeking Shareholders' approval for the Proposed Disposal as an IPT, as required under Rule 921(4)(a) of the Listing Manual, the Circular must include, *inter alia*, an opinion from an independent financial adviser ("**IFA**") on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The Purchaser, being an Interested Person, will abstain, and has also undertaken to ensure that its associates (as defined in the Listing Manual) will abstain, from voting on the ordinary resolution relating to the Proposed Disposal as an IPT at the EGM.

The Proposed Disposal of the Yinguang Technology represents the disposal of substantially the entire net asset value ("**NAV**") of the Group. Yinguang Technology has 2 wholly-owned subsidiaries, namely Shandong Jiehua Wenlv Zhiye Co., Ltd (山东银光安全咨询有限公司) ("**Shandong Jiehua**") and Shandong Yinguang Safety Advisory Co., Ltd (山东银光安全咨询有限公司) (currently dormant) ("**YG Safety**") (collectively the "**Yinguang Technology Group**"). The Yinguang Technology Group is the main principal operating subsidiary of the Group.

Under Rule 1014(5) of the Listing Manual, the Company must appoint a competent and independent valuer to value the Proposed Disposal as the NAV of the Yinguang Technology Group represents more than 75% of the NAV of the Group. In this regard, the Company had on 13 November 2020 commissioned AVA Associates Limited ("**AVA**") to carry out an

APPENDIX D – IFA LETTER

independent valuation of the 100% equity interest in the Yinguang Technology Group and the valuation of the properties held by the Yinguang Technology Group as at 31 December 2020.

On 3 June 2021, the SGX-ST issued the Notice of Compliance to the Company to appoint another valuer, acceptable to the SGX-ST, to report on the valuation for the Proposed Disposal. Details of the Notice of Compliance are set out in the Company's announcement dated 3 June 2021.

In brief, the Notice of Compliance was made in view of the significant variances arising from AVA's valuation of the 100% equity interest in the Yinguang Technology Group compared to the market value of the real estate assets and the derived revalued NAV of the Yinguang Technology Group, and the substantial discount of AVA's valuation of the 100% equity interest in the Yinguang Technology Group to the reported NAV of the Yinguang Technology Group as at 30 September 2020, the substantial difference in values derived from the income and cost approach respectively raises a concern about whether the value of the IPT has been fairly valued noting that the Proposed Disposal relates to the Group's sole operating business and is a transaction with an Interested Person.

On 24 June 2021, the Company announced that it had appointed Duff & Phelps Singapore Pte. Ltd. ("**D&P**") as the additional valuer for the purpose of and to comply with the Notice of Compliance.

D&P had separately carried out an independent valuation of the Proposed Disposal as at 31 March 2021 ("**Valuation Date**"). AVA had also revised and updated its valuation report to the Valuation Date. AVA and D&P are each referred to as "**Valuer**", and collectively as "**Valuers**".

Upon the completion of the above valuation, the Company had, on 20 August 2021, announced that it has resumed its due diligence and preparatory activities for the LAPL Acquisition.

- 1.5 Provenance Capital Pte. Ltd. ("**Provenance Capital**") has been appointed as the IFA in respect of the Proposed Disposal as an IPT as required under Rule 921(4)(a) of the Listing Manual as well as to advise the directors of the Company ("**Directors**") who are deemed independent of the Proposed Disposal on whether the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

We note that all the Directors namely, Mr Bao Hongwei, Mr Wee Phui Gam, Mr Sun Bowen and Professor Jiang Rongguang, are deemed independent of the Proposed Disposal ("**Recommending Directors**") for the purpose of the Proposed Disposal.

This Letter is addressed to the Recommending Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Disposal as an IPT. This Letter forms part of the Circular which provides, *inter alia*, the details of the Proposed Disposal and the recommendation of the Recommending Directors.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Recommending Directors in respect of the Proposed Disposal as an IPT. We are not and were not involved in or responsible for, in any aspect, the discussions in relation to the Proposed Disposal as an IPT, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Disposal as an IPT or to obtain the approval of the Shareholders for the Proposed Disposal, and we do not, by this Letter, warrant the merits of the Proposed Disposal as an IPT, other than to express an opinion on whether the Proposed Disposal as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. For the avoidance of doubt, the Proposed Capital Reduction is not part of our scope of work as it is

APPENDIX D – IFA LETTER

not an IPT which requires our opinion, although we may make relevant comments on the Proposed Capital Reduction as we may deem appropriate in the context of the Proposed Disposal.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Disposal as an IPT or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comments. Such evaluation or comments, if any, remains the responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors, the Management and/or their professional advisers (where applicable) and have examined and relied to a considerable extent on the information set out in the Circular, other publicly available information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Directors, the Management and/or the professional advisers (where applicable). Whilst care has been exercised in reviewing the information which we have relied upon, we have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Proposed Disposal as an IPT have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nevertheless have made reasonable enquiries and exercised judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Company and the Group which we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors and the Management and the professional advisers (where applicable). We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company or the Group at any time or as at the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Disposal. Such review or comments, if any, remain the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company and/or the Group, any projection of the future performance including financial performance of the Company and/or the Group, and we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the completion of the Proposed Disposal.

APPENDIX D – IFA LETTER

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment).

However, in connection with the Proposed Disposal, AVA and D&P, as the Valuers, had each separately carried out an independent valuation of Yinguang Technology Group as at the Valuation Date in respect of the 100% equity interest in the Yinguang Technology Group. In addition, AVA had carried out an independent valuation of the properties owned by the Yinguang Technology Group (“**Properties**”) comprising the industrial properties (“**Industrial Properties**”), land use rights (“**LURs**”) and commercial properties (“**Commercial Properties**”). The executive summaries of the full valuation reports by AVA and D&P (“**Valuation Reports**”) are attached as Appendix B and Appendix C to the Circular respectively, and copies of their full Valuation Reports are available as documents for inspection.

We are not experts in the evaluation or appraisal of the assets concerned and have placed sole reliance on the independent valuations by the Valuers for such appraisals and have not made any independent verification of the content thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation as contained in the Valuation Reports or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements.

Our opinion as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement, relevant to the Proposed Disposal, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As each Shareholder may have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no view, whether express or implied, on the contents of the Circular (other than this Letter and the extract of our opinion in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purposes of the Proposed Disposal and the EGM, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter as required under Rule 921(4)(a) of the Listing Manual as well as for the use of the Recommending Directors in connection with their advice to the minority Shareholders in relation to the Proposed Disposal as an IPT. The recommendation made by the Recommending Directors to the minority Shareholders in relation to the Proposed Disposal remains the responsibility of the Recommending Directors.

APPENDIX D – IFA LETTER

Our opinion in relation to the Proposed Disposal as an IPT should be considered in the context of the entirety of this Letter and the Circular.

Responsibility Statement by the Directors

The Directors have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations provided to us by the Company are accurate. They have also confirmed that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Disposal, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Disposal, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

3. THE PROPOSED DISPOSAL

The Proposed Disposal is in relation to the sale of the Company's 100% interest in the fully paid-up registered capital of Yinguang Technology ("**Sale Shares**") to the Purchaser pursuant to the terms and conditions of the SPA.

Details on the Proposed Disposal are set out in Section 3 of the Circular. The salient terms of the Proposed Disposal are set out below.

3.1 The Purchaser

The Purchaser (i.e. Triple Vision) was incorporated in Singapore on 12 April 2018 with a paid-up capital of S\$10.00 comprising 10 ordinary shares. Triple Vision is registered with ACRA as a management consultancy services company and is a special purpose vehicle of Mr Henry Wee, who is the sole shareholder and sole director of Triple Vision. Mr Henry Wee is a Singapore businessman and investor. Apart from holding investments in the Company, Triple Vision has not undertaken any business activities since its incorporation.

The Purchaser is the controlling Shareholder with a direct 52.16% shareholding interest in the Company. Together with the Purchaser, Mr Henry Wee has a direct and deemed interest of 52.38% shareholding interest in the Company. Although a controlling Shareholder, neither Mr Henry Wee, the Purchaser nor their nominees is represented on the Board.

The Purchaser has extended to the Company shareholder's loans pursuant to a loan agreement dated 23 February 2021 pursuant to which the Purchaser has agreed to grant shareholder's loans of up to S\$1.0 million at any time to the Company, for the payment of professional fees and expenses incurred for the Company's corporate actions. Such shareholder's loans are interest-free and unsecured. As at the Latest Practicable Date, the outstanding shareholder's loans amounted to S\$300,000. The outstanding shareholder's loans owing to the Purchaser will be set-off against the Consideration for the Proposed Disposal payable by the Purchaser at the completion date of the Proposed Disposal.

On 12 August 2021, the Company announced that the long-stop date for the completion of the Proposed Disposal has been extended from 31 August 2021 to 30 November 2021, and the maturity date of the shareholder's loan has been extended to the earlier of 30 November 2021 or the completion date of the Proposed Disposal.

3.2 Yinguang Technology Group

Yinguang Technology is a company incorporated in the People's Republic of China ("PRC") on 23 November 2004 and has a fully paid-up registered capital of RMB156 million (equivalent to approximately S\$32.0 million based on the foreign exchange rate of S\$1:RMB4.8727 as at 31 March 2021, and approximately S\$32.5 million based on the foreign exchange rate of S\$1:RMB4.8012 as at 30 June 2021*). Yinguang Technology is the principal subsidiary of the Group and is engaged in the production and sale of commercial explosive products. It owns the LURs and the Industrial Properties which house the manufacturing facilities.

* Source: Bloomberg L.P.

Yinguang Technology has 2 wholly-owned subsidiaries: (a) Shandong Jiehua, a company incorporated in the PRC, which is engaged in properties holding and management. It owns the Commercial Properties comprising 3 floors of commercial space and 39 parking stalls in the PRC; and (b) YG Safety, a company incorporated in the PRC, which is to provide safety advisory services to other corporations. YG Safety is currently dormant and no capital has been injected into YG Safety as at the Latest Practicable Date.

The disposal of the Yinguang Technology Group represents the disposal of the entire business of the Group and upon the completion of the Proposed Disposal, the Company will become a "cash company" as defined under Rule 1018 of the Listing Manual. Please refer to Section 1.3 of this Letter on the proposed LAPL Acquisition, which if proceeded with, may result in an RTO of the Company, as announced by the Company on 22 April 2021.

3.3 Consideration for the Proposed Disposal

The Consideration for the Proposed Disposal is **S\$18.0 million**, payable in cash and was arrived at by mutual agreement between the Purchaser and the Company after arm's length negotiations, on a "willing-buyer, willing-seller" basis, and on the basis, *inter alia*, that the independent valuation of the Yinguang Technology Group is not more than S\$18.0 million.

In this regard, the Company had on 13 November 2020 commissioned AVA as the Valuer to carry out an independent valuation of *inter alia* the 100% equity interest in the Yinguang Technology Group as at 31 December 2020. We note that AVA had ascribed an independent valuation of the Yinguang Technology Group which is not more than S\$18.0 million.

On 3 June 2021, the SGX-ST issued the Notice of Compliance to the Company to appoint another valuer, acceptable to the SGX-ST, to report on the valuation for the Proposed Disposal.

In brief, the Notice of Compliance was made in view of the significant variances arising from AVA's valuation of the 100% equity interest in the Yinguang Technology Group compared to the market value of the real estate assets and the derived revalued NAV of the Yinguang Technology Group, and the substantial discount of AVA's valuation of the 100% equity interest in the Yinguang Technology Group to the reported NAV of the Yinguang Technology Group as at 30 September 2020, the substantial difference in values derived from the income and cost approach respectively raises a concern about whether the value of the IPT has been fairly valued noting that the Proposed Disposal relates to the Group's sole operating business and is a transaction with an Interested Person.

On 24 June 2021, the Company announced that it had appointed D&P as the additional Valuer for the purpose of complying with the Notice of Compliance.

D&P had carried out an independent valuation of the 100% equity interest in the Yinguang Technology Group as at 31 March 2021. We note that D&P had also ascribed an independent valuation of the Yinguang Technology Group which is not more than S\$18.0 million.

APPENDIX D – IFA LETTER

Concurrently, AVA had also revised and updated its valuation report to 31 March 2021, which is not materially different from its earlier valuation report as at 31 December 2020.

Please see further details on the independent valuations of the Yinguang Technology Group by AVA and D&P in Section 5 of this Letter.

3.4 Proposed Capital Reduction

The parties to the SPA have agreed that upon the completion of the Proposed Disposal, the Company will carry out the Proposed Capital Reduction to make the Cash Distribution to Shareholders. The Cash Distribution represents substantially all of the Consideration after setting aside sufficient funds for the Company's working capital requirements, and the costs and expenses incurred and to be incurred in relation to, *inter alia*, the Proposed Disposal and Proposed Capital Reduction. For the purposes of the Proposed Capital Reduction, parties to the SPA also agreed to make the Cash Distribution to all Shareholders as at a books closure date ("**BCD**") falling after the EGM, to be determined by the Directors for the purpose of determining the entitlement of Shareholders to the Cash Distribution.

At the time of the announcement of the Proposed Disposal on 19 March 2021, the Company had estimated that based on the 46,800,000 outstanding Shares and after setting aside sufficient funds to provide for the necessary costs and expenses incurred and to be incurred for, *inter alia*, the Proposed Disposal and Proposed Capital Reduction, the proposed Cash Distribution would amount to **S\$0.368 per Share**, totalling **S\$17,222,400**.

Notwithstanding the extended time taken for the Proposed Disposal and the additional costs incurred or to be incurred for the Proposed Disposal, the Company proposes to maintain the Cash Distribution of **S\$0.368 per Share**, totalling **S\$17,222,400**.

3.5 Moratorium Undertakings

As set out in Section 3.2 above, upon the completion of the Proposed Disposal, the Company will become a "cash company" as the Company will cease to have any operating business and its assets will comprise mainly cash. Further, following the completion of the Proposed Capital Reduction, the Company will be left with less cash to fund its working capital needs. Accordingly, the Shares may be suspended from trading and such trading suspension may remain in force until such time the Company has a business which is able to satisfy the requirements of the SGX-ST for a new listing.

However, under Rules 1018(1)(c) and (d) of the Listing Manual, the SGX-ST may allow continued trading in the Shares on a case-by-case basis, subject to *inter alia* Moratorium Undertakings from the Directors, controlling Shareholders, chief executive officer and their associates to observe a moratorium on the transfer or disposal of all their interests, direct or indirect, in the Shares from the EGM date up to and including the completion date of the acquisition by the Company of a business which is able to satisfy the SGX-ST's requirements for a new listing.

In this regard, on 25 March 2021, the Purchaser, Mr Henry Wee, Mr Sun Bowen and Fortsmith have each furnished their respective Moratorium Undertakings which are to take effect upon the Shareholders' approval of the Proposed Disposal at the EGM, which is also conditional upon Shareholders' approval of the Proposed Capital Reduction.

Mr Henry Wee's and Mr Sun Bowen's total direct and indirect shareholding interests in the Company are 52.38% and 32.35% respectively. The Moratorium Undertakings by Mr Henry Wee and Mr Sun Bowen represent an aggregate of 84.73% shareholding interest in the Company.

APPENDIX D – IFA LETTER

As set out in Section 7.1 of the Circular, the Company had, subject to approval of the Proposed Disposal and the Proposed Capital Reduction, applied to the SGX-ST for its consent for the continued trading of the Shares following the completion of the Proposed Disposal and the Proposed Capital Reduction. As at the Latest Practicable Date, the Company has not received the consent from the SGX-ST. The Company will make further announcement with respect to any updates on the above matter and Shareholders should take note of these announcements after the Latest Practicable Date.

As set out in Section 1.3 of this Letter, the Company had on 22 April 2021 announced the LAPL Acquisition. The LAPL Acquisition, if completed, would result in a RTO of the Company and the transfer of its listing status from the Mainboard to the Catalist board of the SGX-ST. The Company will cease as a “cash company”. The LAPL Acquisition is subject to *inter alia* the approval of Shareholders at a separate EGM to be convened.

As further mentioned in Sections 1.3 and 1.4 of this Letter, the Company had, on 9 June 2021, announced that due diligence and preparatory activities for the LAPL Acquisition is temporarily suspended until the Company has complied with the Notice of Compliance issued by the SGX-ST on 3 June 2021. The Company had, on 20 August 2021, announced that it had resumed its due diligence and preparatory activities for the LAPL Acquisition, as the Company had complied with the Notice of Compliance.

Shareholders should also take note of any further announcements to be released by the Company in relation to the LAPL Acquisition.

3.6 Conditions Precedent

Completion of the Proposed Disposal is subject to and conditional upon the fulfilment and satisfaction of various conditions precedent as set out in Section 3.3 of the Circular, including Shareholders’ approval at the EGM for (a) the Proposed Disposal in accordance with Chapter 9 and Chapter 10 of the Listing Manual; and (b) the Proposed Capital Reduction.

The resolutions for the Proposed Disposal and the Proposed Capital Reduction are inter-conditional upon each other. Hence, if either of the resolutions is not approved, the other resolution will not be proceeded with.

4. KEY INFORMATION ON THE COMPANY AND THE GROUP

4.1 Overview

The Company was incorporated in Singapore with limited liability and listed on the Mainboard of the SGX-ST on 17 April 2006.

As a Singapore incorporated company, the Company’s paid-up share capital is in S\$ and amounted to S\$23,458,985 comprising 46,800,000 Shares as at the Latest Practicable Date, whilst the share capital of the Company in the Company’s and the Group’s financial statements are reported in RMB at RMB116,848,607 as at the Latest Practicable Date, as the Group’s functional reporting currency is in RMB. The Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Shares or securities which carry voting rights in the Company.

Based on the 46,800,000 outstanding Shares and the last traded Share price of S\$0.174 on 5 March 2021 prior to the announcement of the Proposed Disposal and the Proposed Capital Reduction on 19 March 2021, the market capitalisation of the Company was approximately S\$8.1 million. Following the above announcement, on the next trading day, the Shares had traded to a high of S\$0.385 and closed at S\$0.380 on 22 March 2021. The Shares were last transacted on 13 September 2021 prior to the Latest Practicable Date. Based on the last

APPENDIX D – IFA LETTER

transacted Share price of S\$0.330 on 13 September 2021, the market capitalisation of the Company is approximately S\$15.4 million.

The Company has 2 substantial Shareholders, namely Mr Henry Wee who has a direct and indirect interest of 52.38% in the share capital of the Company, and Mr Sun Bowen who has an indirect interest of 32.35% in the share capital of the Company.

The Board comprises:

- (a) Mr Bao Hongwei (Managing Director);
- (b) Mr Wee Phui Gam (Acting Chairman and Lead Independent Director);
- (c) Mr Sun Bowen (Non-Executive and Non-Independent Director); and
- (d) Professor Jiang Rongguang (Independent Director).

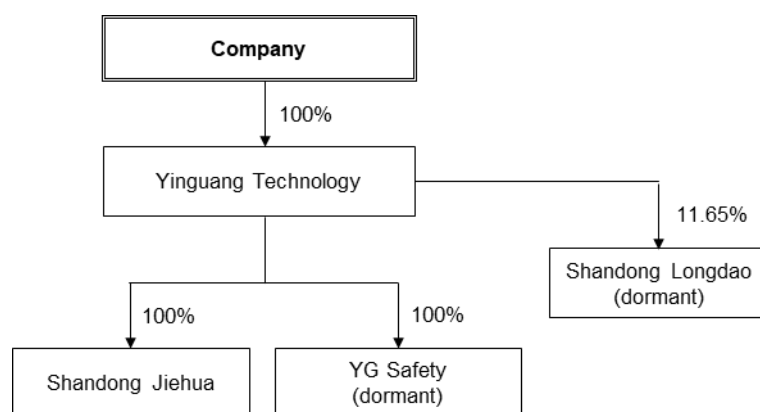
4.2 The Group and the Yinguang Technology Group

The Group comprises the Company, an investment holding company, which holds 100% of the Yinguang Technology Group.

The Yinguang Technology Group comprises Yinguang Technology, which in turn holds 100% of each of Shandong Jiehua and YG Safety (dormant). In addition, Yinguang Technology has a 11.65% equity interest in Shandong Longdao Baopo Qicai Gufen Co., Ltd. (山东省龙道爆破器材股份有限公司) (“**Shandong Longdao**”), currently dormant.

The disposal of the Yinguang Technology Group represents the disposal of the entire business of the Group and upon the completion of the Proposed Disposal, the Company will become a “cash company” as defined under Rule 1018 of the Listing Manual.

The Group structure is as shown below:



Yinguang Technology

Yinguang Technology is the Group’s principal subsidiary and is one of PRC’s leading manufacturers of initiation systems, and the largest boosters and detonating cords producer within a highly regulated industry. Its products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors.

Mr Sun Bowen and Mr Bao Hongwei, who are Directors of the Company, are also directors of Yinguang Technology. Mr Sun Bowen is the legal representative of Yinguang Technology. In addition, Mr Yang Xingdong, who is the Administrative Manager of the Group, is a director of Yinguang Technology.

APPENDIX D – IFA LETTER

Yinguang Technology owns the Industrial Properties comprising manufacturing facilities and on-going construction of warehouse/workshop, and the LURs located at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, PRC. The total land area of the manufacturing facilities is 605,780 square metres (“sq m”).

Shandong Jiehua

Shandong Jiehua is engaged in properties holding and management. It owns the Commercial Properties comprising 3 floors of commercial space and 39 parking stalls at Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC, which are used by the Yinguang Technology Group for its administrative and finance functions.

YG Safety

YG Safety's principal activity is to provide safety advisory services to other corporations. YG Safety is currently dormant and no capital has been injected into YG Safety as at the Latest Practicable Date.

Equity investment

Yinguang Technology also has a 11.65% equity interest in Shandong Longdao which was recently incorporated on 12 January 2021 to provide sales of chemical products which include, but not limited to, commercial explosives products. Shandong Longdao's registered capital has not been paid-up and has not commenced operations as at the Latest Practicable Date.

4.3 Rationale for the Proposed Disposal and Proposed Capital Reduction

Watch-list

The Company was placed on the watch-list of the SGX-ST due to the Financial Entry Criteria pursuant to Rule 1311 of the Listing Manual with effect from 5 December 2018 as the Group had recorded pre-tax losses for 3 consecutive financial years and its average daily market capitalisation was less than S\$40 million over the 6 months period prior to being placed on the watch-list.

Pursuant to Rule 1315 of the Listing Manual, the Company must take active steps to exit from the watch-list by achieving (i) pre-tax profit for the most recent financial year and (ii) having an average daily market capitalisation of S\$40 million or more over the last 6 months, within 36 months from the date it was placed on the watch-list. Otherwise, the SGX-ST may either remove the Company from the Official List or suspend trading of the Shares with a view to removing the Company from the Official List.

RPM Acquisition as announced on 12 October 2020 and which had lapsed on 15 March 2021

In an effort to remove the Company from the watch-list, the Company had, on 12 October 2020, announced the RPM Acquisition. As set out in Section 1.1 of this Letter, RPM Acquisition involved the acquisition of not less than 71.26% shareholding interest in RPM which would result in an RTO of the Company, which if completed, would enable the Company to get out of the watch-list. RPM is in the business of power generation and sales of electricity and carbon emission certificates in Queensland, Australia and the purchase consideration of the RPM Acquisition was expected to be S\$22.0 million for 71.26% interest of the Target (equivalent to S\$30.0 million for 100% interest of the Target).

In conjunction with the RPM Acquisition, the Company was to carry out the Proposed Disposal and the Proposed Capital Reduction.

APPENDIX D – IFA LETTER

The Company had explained that the parties were unable to arrive at an agreement on the substantive and definitive terms to proceed with the RPM Acquisition. Therefore, on 15 March 2021, the Company announced that as no definitive agreements have been entered into and no agreement has been made between the parties for a further extension of the exclusivity period, accordingly, the term sheet for the RPM Acquisition had lapsed, and the proposed RTO was not proceeded with further.

Rationale for the Proposed Disposal and Proposed Capital Reduction, and Notice of Compliance

Notwithstanding that the RPM Acquisition was not proceeded with as planned, the Company had decided to proceed with the Proposed Disposal on its own, independent of any proposed RTO, and to carry out the Proposed Capital Reduction as announced on 19 March 2021. The Company had appointed a valuer to report on the valuation of the Proposed Disposal.

On 22 April 2021, the Company announced that it was exploring another proposed RTO involving the LAPL Acquisition.

On 9 June 2021, the Company announced that the LAPL Acquisition was temporarily suspended following the Notice of Compliance issued by the SGX-ST on 3 June 2021 to appoint another valuer to report on the valuation of the Proposed Disposal.

On 24 June 2021, the Company appointed D&P as the additional Valuer to report on the valuation for the Proposed Disposal in compliance with the Notice of Compliance.

On 20 August 2021, the Company announced *inter alia* the completion of the independent valuation conducted by D&P and the resumption of the due diligence and preparatory activities for the LAPL Acquisition.

The Company's rationale for the Proposed Disposal and Proposed Capital Reduction are set out in Section 5.1 and Section 10.5 of the Circular respectively.

4.4 Salient financial information of the Group and the Yinguang Technology Group

As the Yinguang Technology Group is the core operating subsidiary of the Group, the financial performance and financial position of the Group, as published by the Company, are substantially reflective of those of the Yinguang Technology Group.

The Group had incurred pre-tax losses for the 3 financial years ended 31 March ("FY") from FY2016 to FY2018, which had resulted in the Company being put on the watch-list of the SGX-ST since 5 December 2018. The Group continued to incur pre-tax losses in the following 2 financial years from FY2019 to FY2020 before the change of the Company's financial year-end.

Change of financial year-end

On 28 January 2021, the Company announced the change of its financial year-end from 31 March to 30 June, mainly to align with the financial year-end of RPM in anticipation of the RPM Acquisition (as announced on 12 October 2020). Notwithstanding that the RPM Acquisition had lapsed, the Company had decided that it will stay with the change in the financial year-end from 31 March to 30 June.

Accordingly, the next set of audited financial statements of the Company covers the period of 15 months from 1 April 2020 to 30 June 2021 ("**15M2021**").

The Company had on 14 May 2021 released its unaudited results of the Group for the 12-month period ended 31 March 2021 ("**12M2021**").

APPENDIX D – IFA LETTER

On 27 August 2021, the Company announced the unaudited results of the Group for 15M2021.

The Group had continued to report losses for 12M2021 and 15M2021.

4.4.1 Key financial performance of the Group

FY2018 to 12M2021

Set out below is a summary of the key financial results of the Group for FY2018, FY2019, FY2020 and 12M2021:

RMB'million	Audited			Unaudited 12M2021
	FY2018	FY2019	FY2020	
Revenue	191.3	154.4	114.9	133.0
Other losses	(3.3)	(124.2)	(6.0)	(1.1)
Loss after tax	(19.8)	(150.4)	(37.3)	(16.6)

Source: Company's annual reports for FY2019 and FY2020, and results announcements for 12M2021

Revenue of the Group had declined from FY2018 to FY2020 due mainly to lower sales recorded across all product ranges, in particular, the sale of industrial fuse and initiating explosive devices due to various reasons including (a) additional safety measures implemented by the local PRC authorities since the second quarter of FY2018 which had restricted the use and hence the demand for detonating cords for mining activities, (b) periodic shortage of explosive raw materials which affected the Group's production schedule for explosive devices and (c) switch by the Group's customers to the use of digital electronic detonators as directed by the industry regulators in the PRC. Revenue for 12M2021 had increased compared to FY2020 due mainly to higher production and sales of boosters as the supply of explosives raw materials had gradually stabilised during the period.

Other losses as shown in the table above are in relation to *inter alia* impairment allowances on trade and other receivables, and on property, plant and equipment ("**PPE**"), and foreign exchange adjustment loss. These other losses were most significant in FY2019, when the Group undertook an impairment assessment of each of its production lines as a cash-generating unit, and provided an allowance for impairment on PPE of RMB119.0 million, which therefore exacerbated the loss after tax for the Group to RMB150.4 million for that year.

Overall, the Group had recorded loss after tax in each of the financial years from FY2018 to FY2020 due to the declining revenue and high operating costs. For 12M2021, the Group continued to incur loss after tax of RMB16.6 million, albeit a lower loss for 12M2021 compared to FY2020, as the higher revenue achieved was insufficient to cover its operating expenses.

15M2021

In preparation for the financial reporting of the Group's new financial year ended 30 June 2021, the assets and liabilities of the Yinguang Technology Group were classified as disposal group held-for-sale, and the results of operations of the Yinguang Technology Group were separately presented as loss/(gain) from discontinued operations. As the Yinguang Technology Group constitutes the entire business of the Group, the Group had reported NIL revenue from its continued operations arising from the above classification.

Set out below is a summary of the key financial results of the Group for 15M2021:

APPENDIX D – IFA LETTER

RMB'million	Unaudited 15M2021
Revenue	-
Loss from continuing operations, net of tax	(7.7)
Loss from discontinued operations, net of tax	(63.1)
Loss after tax	(70.8)

Source: Company's results announcement for 15M2021

The Group reported loss from continuing operations of RMB7.7 million as it continued to incur expenses mainly on administrative expenses for the Company's corporate office in Singapore including professional expenses for corporate actions.

Loss from discontinued operations of RMB63.1 million was due mainly to the continuing operating losses of RMB11.2 million incurred by the Yinguang Technology Group and the impairment allowance of RMB51.9 million on the carrying value of the disposal group's property, plant and equipment ("PPE"). The impairment allowance on the PPE was made in accordance with SFRS(I) 5 – Non-current Assets Held for Sale and Discontinued Operations, which requires an entity to measure disposal group classified as held for sale at lower of carrying amount and fair value less costs to sell. The Company had made the impairment allowance based on the Consideration of S\$18.0 million for the Yinguang Technology Group.

As a comparison, before the impairment allowance, the Group would have incurred loss of RMB18.9 million for 15M2021, compared to the loss of RMB16.6 million for 12M2021.

4.4.2 Key financial position of the Group

A summary of the statements of financial position of the Group as at 31 March 2021 and 30 June 2021 is set out below:

RMB'000	(Unaudited) Group as at 31 March 2021	(Unaudited) Group as at 30 June 2021
<u>Non-Current Assets</u>		
PPE	100,638	-
Right-of-use assets	57,666	181
	158,304	181
<u>Current assets</u>		
Inventories	29,667	-
Trade and other receivables	20,266	939
Other assets, current	20,888	120
Cash and cash equivalents	86,136	681
	156,957	1,740
Assets of disposal group classified as held-for-sale	N.A.	262,337
Total current assets	156,957	264,077
Total assets	315,261	264,258
<u>Non-current liabilities</u>		
Deferred tax liabilities	3,025	-
Lease liability	36	-
	3,061	-

APPENDIX D – IFA LETTER

RMB'000	(Unaudited) Group as at 31 March 2021	(Unaudited) Group as at 30 June 2021
<u>Current liabilities</u>		
Trade and other payables	96,041	2,464
Other financial liabilities, current	57,500	1,441
Loan from a shareholder	975	-
Lease liability	211	193
Other liabilities	19,046	-
	173,773	1,634
Liabilities directly associated with disposal group classified as held-for-sale	N.A.	175,895
	173,773	179,993
Total liabilities	176,834	179,993
Total equity	138,427	84,265

Source: Company's results announcement for 12M2021 and 15M2021

	As at 31 March 2021	As at 30 June 2021
NAV of the Group		
- in RMB	138,427,000	84,265,000
- in S\$ equivalent based on S\$1:RMB4.8727 as at 31 March 2021 and S\$1:RMB4.8012 as at 30 June 2021 (Source: Bloomberg L.P.)	28,408,685	17,550,821
Number of Shares	46,800,000	46,800,000
NAV per Share		
- in RMB	2.958	1.801
- in S\$ equivalent	0.607	0.375

As at 31 March 2021

Total equity or NAV of the Group of RMB138.4 million as at 31 March 2021 consists of total assets of RMB315.3 million less total liabilities of RMB176.8 million. As the Group does not have any intangible assets, the net tangible assets ("NTA") of the Group is the same as its NAV.

Total assets comprise mainly cash and cash equivalents of RMB86.1 million (27.3% of total assets), LURs (RMB57.4 million) and PPE (RMB100.6 million). LURs refer to the area on which the Yinguang Technology Group houses its manufacturing facilities and operations. PPE comprises Industrial Properties, Commercial Properties, and plant and equipment of the Yinguang Technology Group.

The Properties i.e. LURs, Industrial Properties and Commercial Properties with net book value ("NBV") totalling RMB141.9 million, represent 90% of total non-current assets of the Group.

The Properties have been subjected to independent valuation by AVA as at 31 March 2021 for the purpose of the Proposed Disposal. D&P have also considered the valuation of the Properties and plant and equipment in its valuation of the Yinguang Technology Group.

Please see details on the independent valuations of the above non-current assets in Section 5 of this Letter.

Total liabilities comprise mainly current trade and other payables of RMB96.0 million (54.3% of total liabilities) and secured short-term loans from financial institutions of RMB57.5 million (32.5% of total liabilities). The secured bank loans (which were extended by Industrial and

APPENDIX D – IFA LETTER

Commercial Bank of China, Fei County Branch, Linyi City, Shandong Province) are secured on Yinguang Technology's land and buildings with NBV of RMB63.9 million as at 31 March 2021. Included under current liabilities is the shareholder's loans from the Purchaser as disclosed in Section 3.1 of this Letter, which amounted to RMB975,000 as at 31 March 2021.

The NAV/NTA per Share is RMB2.958 (S\$0.607) as at 31 March 2021. There is no change in the number of outstanding issued Shares since 31 March 2021 to the Latest Practicable Date.

As at 30 June 2021

As explained in Section 4.4.1 above, the assets and liabilities of the Yinguang Technology Group have been classified as assets and liabilities of disposal group held-for-sale respectively, and accordingly, the PPE amount is reduced by the provision for impairment allowances. The assets less liabilities of the disposal group held-for-sale amounted to RMB86.4 million which is equivalent to S\$18.0 million i.e. the Consideration for the Proposed Disposal.

Accordingly, the NAV of the Group declined from RMB138.4 million as at 31 March 2021 to RMB84.3 million as at 30 June 2021.

4.4.3 Key financial information of the Yinguang Technology Group

As at 31 March 2021

In connection with the valuation exercise on the Yinguang Technology Group as at Valuation Date i.e. 31 March 2021, the Company has also provided the following unaudited statement of financial position of the Yinguang Technology Group as at 31 March 2021:

RMB'000	(Unaudited) Yinguang Technology Group as at 31 March 2021
<u>Non-Current Assets</u>	
PPE	100,638
LURs	57,432
	158,070
<u>Current assets</u>	
Inventories	29,667
Trade and other receivables	17,719
Other assets	20,700
Cash and bank balances	85,546
	156,174
Total assets	314,244
<u>Non-current liabilities</u>	
Deferred tax liabilities	3,025
<u>Current liabilities</u>	
Trade payables	61,301
Other payables	12,581
Other payables – related party loan	22,189
Bank loan	57,500
Other liabilities	19,046
	172,617
Total liabilities	175,642
Total equity	138,602

APPENDIX D – IFA LETTER

We note that as the Yinguang Technology Group is the principal subsidiary and constitute the entire business of the Group, the profile of the statement of financial position of the Yinguang Technology Group is similar to that of the Group.

The unaudited NAV of the Yinguang Technology Group was RMB138.6 million as at 31 March 2021 comprising (a) PPE (RMB100.6 million); (b) LURs (RMB57.4) million; and (c) current assets of RMB156.2 million less total liabilities of RMB175.6 million, resulting in net liabilities of RMB19.4 million, as summarised in the table below. As the Yinguang Technology Group does not have any intangible assets, the NTA of the Yinguang Technology Group is the same as its NAV.

Yinguang Technology Group	As at 31 March 2021 RMB'million
PPE	100.6
LURs	57.4
Net liabilities	(19.4)
NAV	138.6

As mentioned in Section 4.4.2 above, the Valuers have ascertained certain values to the LURs and PPEs as at the Valuation Date as further described in Section 5 of this Letter.

As at 30 June 2021

As an update, subsequent to the completion of the valuation of the Proposed Disposal as at 31 March 2021, the Company had released its financial results for 15M2021.

As set out in Section 4.4.2 above, the carrying value of the Yinguang Technology Group was re-measured to the Consideration amount. Accordingly, the NAV of the Yinguang Technology Group is RMB86.4 million (S\$18.0 million) as at 30 June 2021.

5. Independent valuations of the Yinguang Technology Group

In connection with the Proposed Disposal, AVA was appointed on 13 November 2020 as the Valuer to provide an independent valuation of (a) the 100% equity interest ("**Equity Interest**") of the Yinguang Technology Group and (b) the Properties belonging to the Yinguang Technology Group as at 31 December 2020.

On 24 June 2021, D&P was appointed as the additional Valuer in compliance with the Notice of Compliance issued by the SGX-ST. D&P had provided their independent valuation of the Equity Interest of the Yinguang Technology Group as at 31 March 2021, the Valuation Date. D&P have also considered the valuation of the Properties and plant and equipment in its valuation of the Yinguang Technology Group.

As such, AVA had revised and updated its valuation report on the Yinguang Technology Group to the Valuation Date.

The executive summaries of the respective Valuation Reports by AVA and D&P are attached as Appendix B and Appendix C to the Circular respectively, and their full Valuation Reports are available as documents for inspection as disclosed in Section 18 of the Circular.

The salient information of each of the valuations by AVA and D&P is summarised in Sections 5.1 and 5.2 below.

5.1 Salient information on the valuation by AVA

In estimating the value of the Equity Interest of the Yinguang Technology Group as a going concern and the value of the Properties, AVA had based its efforts on the following premise of value:

Market Value – *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

5.1.1 Market value of the Equity Interest of Yinguang Technology Group

AVA had estimated the market value of the Equity Interest of the Yinguang Technology Group on the premise of a going concern where the business will continue running normally using all of its assets to produce income. AVA’s valuation work does not include Yinguang Technology’s 100%-owned subsidiary, YG Safety, and Yinguang Technology’s 11.65% in Shandong Longdao, as they are currently dormant.

AVA had derived the market value of the Equity Interest of Yinguang Technology Group primarily from the Income Approach using a discounted cash flow (“DCF”) analysis of the Yinguang Technology Group’s financial projections.

The **Income Approach** focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions and proceeds from disposition.

AVA had also considered the Market Approach and Cost Approach in estimating the market value of the Equity Interest of the Yinguang Technology Group.

Market Approach – this measures the value of business or asset through an analysis of recent sales or offerings of comparable businesses or assets. There are 2 methodologies under this approach – the publicly-traded guideline company methodology and the recent transaction methodology.

However, AVA deemed the Market Approach in valuing the Equity Interest of Yinguang Technology Group as not appropriate due to the lack of comparable market transactions and prices. AVA had performed a similar transaction search and found no similar disclosed recent transactions. However, AVA had reviewed the valuation of selected comparable companies to provide a sanity check on the results of its DCF analysis.

Cost Approach – this measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility, and adjusted to reflect appropriate physical deterioration, functional and economic obsolescence.

The Cost Approach was also deemed inappropriate by AVA as some of the significant assets of the business are the Yinguang Technology Group’s assembled workforce, supplier and distribution network and licences, and these would not be properly reflected using a Cost Approach methodology.

For illustrative purposes, based on a sensitivity analysis on the value of the Equity Interest in the Yinguang Technology Group using different discount rates and terminal growth rates for the forecast period of 5 years from Valuation Date to 31 March 2026, and on certain assumptions, AVA had arrived at a range of value for the Equity Interest of the Yinguang Technology Group.

APPENDIX D – IFA LETTER

In conclusion, AVA was of the opinion that as at the Valuation Date, the market value of the 100% Equity Interest of the Yinguang Technology Group is reasonably stated in the range from **RMB37.9 million to RMB47.3 million (\$7.8 million to \$9.7 million), with a concluded value of RMB42.0 million (\$8.6 million)**, based on the foreign exchange rate of S\$1:RMB4.8727 on 31 March 2021.

AVA had arrived at the concluded market value of the Equity Interest for the Yinguang Technology Group based on various bases and assumptions as set out in the Valuation Report including the following:

- Weighted average cost of capital (“WACC”) of 12.7%; and
- Terminal growth rate of 1.0%.

5.1.2 Independent valuation of the Properties and the Revalued NAV (“RNAV”) of the Yinguang Technology Group

AVA had performed a desktop valuation of the Properties as at the Valuation Date. The Properties comprise the following:

- (a) LURs to an area totalling approximately 605,780 sq m at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, PRC, on which the Yinguang Technology Group houses its manufacturing facilities and operations;
- (b) Industrial Properties comprising buildings, structures and construction in-progress at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, PRC; and
- (c) Commercial Properties comprising the commercial office space on the 13/F, 14/F, 15/F and 39 parking stalls at Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC, belonging to Shandong Jiehua, a wholly-owned subsidiary of Yinguang Technology.

AVA had adopted the Direct Comparison Approach for the valuation of the LURs and the Commercial Properties, and the Depreciated Replacement Cost for the valuation of the Industrial Properties.

The **Direct Comparison Approach** is universally considered the most accepted valuation approach for valuing most forms of real estate, and involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation.

The **Depreciated Replacement Cost** is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the buildings/structures, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

The valuation of the Properties by AVA had resulted in the following net revaluation surplus as shown in the table below:

RMB'000	NBV as at 31 March 2021	Market Value as at 31 March 2021	Revaluation surplus/ (deficit)
<u>LURs⁽¹⁾</u>			
- Granted	35,894	68,980	33,086
- Collective	21,538	47,510	25,972
Sub-total	57,432	116,490	59,058
<u>Industrial Properties</u>			
- Buildings and structures	40,174	161,247	121,072 ⁽³⁾
- Construction in-progress	15,743	15,678	(65)

APPENDIX D – IFA LETTER

RMB'000	NBV as at 31 March 2021	Market Value as at 31 March 2021	Revaluation surplus/ (deficit)
Sub-total	55,917	176,925	121,007
<u>Commercial Properties</u>			
- Office space and parking stalls	25,477	24,510	(967)
Total	138,826	317,835	179,098
Less: Hypothetical tax liabilities⁽²⁾			(44,791)
Net revaluation surplus			134,307

Notes:

- (1) The LURs are made up of 17 parcels, with different sizes and expiry dates, and comprise granted land and collective land types with total land area of 308,901 sq m and 296,879 sq m respectively. AVA has estimated the market value of the collective land on the basis that they are freely transferable, just like the granted land. A change from collective land type to granted land type typically requires an application to and approval by the relevant government authorities, and may involve conditions and payment of premium that are determined by the relevant authorities;
- (2) Based on potential tax liability at the rate of 25%, being the corporate income tax rate in the PRC, assuming a hypothetical sale of the Properties. As these Properties are used for the operations of the Yinguang Technology Group, Management has expressed that the Properties are not intended for sale; and
- (3) Does not add up due to rounding.

5.1.3 RNAV of the Yinguang Technology Group

AVA had considered valuing the Yinguang Technology Group on a RNAV basis by taking into consideration the net revaluation surplus of the Properties arising from the independent valuation of the Properties, as shown in the table above, using the Cost Approach.

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Arising from the above, the computation of the RNAV of the Yinguang Technology Group as at 31 March 2021 would be as follows:

	RMB'000	S\$'000 ⁽¹⁾
Unaudited NAV of the Yinguang Technology Group as at 31 March 2021	138,602	28,445
Add: Net revaluation surplus arising from the valuation of the Properties	134,307	27,563
Estimated RNAV of the Yinguang Technology Group as at 31 March 2021	272,909	56,008

Note:

- (1) Based on the foreign exchange rate of S\$1:RMB4.8727 as at 31 March 2021 (Source: Bloomberg).

AVA had ascribed an estimated RNAV of the Yinguang Technology Group as at 31 March 2021 to be RMB272.9 million (S\$56.0 million). However, AVA is of the opinion that the RNAV does not best represent the market value of the Yinguang Technology Group for the following reasons:

APPENDIX D – IFA LETTER

- The RNAV is a concept of the hypothetical ability to recreate an asset or portfolio of assets that can be employed to support the operation of an existing business. In this instance, an investor will require RMB272.9 million to recreate the tangible assets and facilities at the Target Group. He is unlikely to invest RMB272.9 million to recreate a business, in its current state, that can be expected to generate financial cashflows valued at RMB42.0 million only, an indication of a negative return on capital employed. The business is currently reliant on its Booster product business as the other 3 product lines have seen significant decline in demand since 2015. Furthermore, its Piston Non-Electric Detonator product business is expected to cease production in 2022 due to regulatory requirements.
- The bulk of the assets of the Target Group is made up of fixed assets that allowed the Target Group to generate annual revenue of RMB312 million in FY2015. Revenue for FY2020 was only RMB115 million due to significant decline in production. Units produced and sold fell by up to 78% between FY2015 and FY2020, largely because of market and regulatory factors. Unless the business can utilize the excess production capacity of the current assemblage of assets more efficiently, the investment in those fixed assets will continue to yield returns below market benchmarks, as highlighted in our comparative analysis of the fixed asset utilization and valuation of the Target Group and the CompCos.
- Any attempt to realize the RNAV of RMB272.9 million through an orderly sale of the assets of the Target Group is likely to require an extended timeline and/or yield a proceed lower than the RNAV as the fixed assets, which make up bulk of the assets, are specialised assets for use in the production of products for the explosives industry only. Our view is premised on the general observation that (1) the facilities may be ideal for a competitor from the same industry, but there are limited number of such manufacturers in China, thus it is likely to prolong the marketing/sale process and decrease the probability of realizing the RNAV (2) the facilities or part thereof have been designed to conform to the strict requirements of the explosives industry and the relevant government authorities, which may not be completely suitable for the next manufacturing activity, thus likely leading to a lower bid price for the entire portfolio of assets.

5.1.4 Hypothetical liquidation value of the Yinguang Technology Group

Following from the above, AVA had pointed out that the valuation of the Yinguang Technology Group based on the RNAV, a hypothetical estimate of an amount to create the group based on a Cost Approach, creates a scenario where an investment of RMB272.9 million to create a business will only yield future cashflows worth RMB42.0 million, given the current state of the operation and expected performance of the Yinguang Technology Group. The valuation of the Yinguang Technology Group as a going concern using the income approach is RMB42.0 million.

AVA further presented a hypothetical liquidation value of the Yinguang Technology Group as at the Valuation Date under the premise of an orderly transaction, and subject to various assumptions including Management's indicative retrenchment costs of RMB42.8 million. AVA's estimated hypothetical liquidation value of the Yinguang Technology Group as at the Valuation Date is **RMB9.1 million (\$\$1.9 million)**. AVA highlighted that the liquidation value would increase with any value recovery of the Industrial Properties or lower liquidation costs, among other things e.g. if there is a bidder willing to offer 50% of the value of the Industrial Properties, and the retrenchment costs can be reduced by 50%, the hypothetical liquidation value of the Yinguang Technology Group could be RMB111.0 million.

AVA concluded that any estimate of liquidation value is highly variable given the multitude of factors to consider and the differing levels of uncertainty of each factor.

5.1.5 AVA's conclusion of valuation

Hence, AVA has chosen to base its opinion of the value of the Equity Interest of the Yinguang Technology Group on the Income Approach, measuring the economic benefits of the business operation in its existing state and conditions, of between **RMB37.9 million and RMB47.3**

million (S\$7.8 million to S\$9.7 million), with a concluded value of RMB42.0 million (S\$8.6 million).

5.2 Salient information on the valuation by D&P

D&P had performed an independent valuation of the Yinguang Technology Group based on the definition of Market Value as per the International Valuation Standards which is set out in Section 5.1 above. D&P had considered the following valuation approaches in estimating the Market Value of the Equity Interest of the Yinguang Technology Group:

- (a) **Income Approach** – D&P had performed a DCF analysis under the Income Approach of the Yinguang Technology Group by utilizing *inter alia* the 5-year projections as provided by Management from the Valuation Date to 31 March 2026.

Under the going concern assumption, D&P is of the view that the value of Yinguang Technology Group's enterprise and operating assets is primarily derived from the future cash flows generated by its business operations and hence its income-producing ability is the critical element affecting value from a market participant perspective. Accordingly, D&P have utilized the DCF method (under Income Approach) as their primary basis of conclusion for the Yinguang Technology Group's enterprise value and equity value (100% basis).

Based on the information provided by Management and their analysis, D&P had estimated the equity value of 100% interest of the Yinguang Technology Group as at the Valuation Date to be between **RMB38.0 million (S\$7.8 million) and RMB44.0 million (S\$9.0 million) with a base equity value of RMB41.0 million (S\$8.4 million)**.

D&P had arrived at the base equity value of the Yinguang Technology Group based on various bases and assumptions as set out in its valuation report including the following:

- Discount rate of 13.5%; and
- Terminal growth rate of 2.0%.

- (b) **Market Approach** – D&P had performed an analysis of the guideline publicly-traded comparable method ("**GCM**") under the Market Approach which considered publicly available information on the relative valuation metrics for comparable listed companies, and applying *inter alia* the relative valuation metrics on the key financials of the Yinguang Technology Group to estimate the enterprise value and equity value of the Yinguang Technology Group.

Based on publicly traded comparable companies and using EV/EBITDA market multiple ranges, D&P had estimated the equity value (100%) of the Yinguang Technology Group to be between RMB17.0 million (S\$3.5 million) and RMB27.0 million (S\$5.5 million).

D&P had considered the GCM method based on the historical earnings of the Yinguang Technology Group. However, the historical earnings are not expected to be the sustainable earnings of the business as they do not capture the expected turnaround in the financial performance of the Yinguang Technology Group going forward. In addition, the comparable listed companies are at significantly higher margins than the Yinguang Technology Group and the lack of available market data for forward market multiples of the comparable listed companies makes it challenging to use any forward-looking earnings. Hence, D&P had only utilized the GCM method (under Market Approach) as a cross-check for the valuation of the Yinguang Technology Group.

APPENDIX D – IFA LETTER

- (c) **Net Assets Approach** – D&P had performed the net assets approach to determine the RNAV of the Yinguang Technology Group which required a separate appraisal of the underlying operating assets held by the Yinguang Technology Group, namely its fixed assets (i.e. machinery & equipment) and real estate assets (i.e. Commercial Properties and LURs, etc) to estimate the Market Value equivalents.

D&P had performed the appraisal of the net assets of the Yinguang Technology Group under 2 different premises of value to arrive at the RNAV of the Yinguang Technology Group, namely:

- (i) premise of continued use (i.e. existing use): this premise reflects the condition where the buyer and seller contemplate retention of the business and related assets as part of current or forecast operations. However, it does not represent the amount that might be realised from piecemeal disposal/divestment of the real estate and fixed assets; and
- (ii) premise of orderly liquidation (i.e orderly sale): this premise reflects the value of a group of assets that could be realised in a liquidation sale, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an as-is, where-is basis.

Under the premise of continued use, D&P had estimated the RNAV (in continued use) of the Yinguang Technology Group to be RMB183.6 million (S\$37.7 million); and under the premise of orderly liquidation, D&P had determined the RNAV (in orderly liquidation) of the Yinguang Technology Group to be RMB33.6 million (S\$6.9 million).

A summary of RNAV (in continued use) and RNAV (in orderly liquidation) compared to the NAV of the Yinguang Technology Group as at the Valuation Date is shown in the table below:

RMB'000	NBV as at 31 March 2021	Fair Value (in continued use)	Fair Value (in orderly liquidation)
LURs	57,432	69,900	69,900
<u>PPE comprising:</u>	100,638	133,211	35,109
Industrial Properties			
- Buildings and structures	40,918	80,010	-
- Construction in-progress	15,743	8,234	639
Commercial Properties			
- Office space and parking stalls	25,477	28,400	28,400
Machinery & equipment	18,500	16,568	6,070
Less: Net liabilities	(19,468)	(19,468)	(19,468)
Less: Cost to sell			(9,191)
Contingent liabilities (severance payments)			(42,795)
NAV/RNAV (in RMB'000)	138,602	183,643	33,554
NAV/RNAV (in S\$'000 equivalent)	28,447	37,691	6,887

RNAV is a cost-based approach to valuation. According to International Valuation Standards, cost approach cannot normally be applied in the valuation of businesses and business interests, with certain exceptions. One of the exceptions is when the business does not represent a going concern and/or the value of its assets in a liquidation may

APPENDIX D – IFA LETTER

exceed the business' value as a going concern. Although Yinguang Technology Group's business is a going concern, D&P had estimated the RNAV to perform a cross-check, considering the business has been incurring losses for a few years.

D&P had estimated the RNAV of the Yinguang Technology Group under the 2 premises of value for reference purposes only and as a cross-check to the valuation derived using the DCF method. D&P had not concluded on the equity value of the Yinguang Technology Group based on the RNAV (under the Net Assets Approach) for the following reasons:

- the RNAV (in continued use) does not represent the realisable value as a going concern. Under the going concern assumption, the RNAV (under premise of continued use) does not represent the realizable value of the Yinguang Technology Group, given that these operating assets (i.e. fixed assets and real estate assets) are collectively deployed in the business operations to generate its cash flows, and their individual respective fair values cannot be realized on a piecemeal basis;
- the RNAV (in orderly liquidation) represent the amount that will be realized when the operating assets (i.e. fixed assets and real estate assets) are sold on a piecemeal basis, without consideration of benefits associated with a going-concern business. RNAV (in orderly liquidation) is therefore not representative of the market value of the Yinguang Technology Group as the Yinguang Technology Group is intended to be sold to the Purchaser as a going concern. In addition, the RNAV (in orderly liquidation) is below the lower end of the range of equity values of the Yinguang Technology Group under the Income Approach.

D&P had concluded that it had utilized the DCF method (under the Income Approach) as their primary basis of conclusion for the equity value (100% interest) of the Yinguang Technology Group as its income-producing ability is the critical element affecting value from a market participant perspective. Accordingly, based on the information provided by Management and their analysis, D&P had estimated the equity value of 100% interest of the Yinguang Technology Group as at the Valuation Date to be between **RMB38.0 million (S\$7.8 million) and RMB44.0 million (S\$9.0 million) with a base equity value of RMB41.0 million (S\$8.4 million)**.

6. EVALUATION OF THE PROPOSED DISPOSAL

In our evaluation of the Proposed Disposal as an IPT, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Proposed Disposal as set out in Section 6.1 below;
- (b) assessment of the financial terms of the Proposed Disposal as set out in Section 6.2 of this Letter; and
- (c) other relevant considerations as set out in Section 6.3 of this Letter.

6.1 Rationale for the Proposed Disposal

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Disposal or the prospects of the Group after the Proposed Disposal. Nevertheless, we have reviewed the rationale as set out in Section 5 of the Circular and Section 4.3 of this Letter.

APPENDIX D – IFA LETTER

We note the following salient points:

- (a) The Yinguang Technology Group is operating in a highly regulated industry in the PRC and has been making losses over several years since FY2016.
- (b) The Company is placed on the watch-list of the SGX since 5 December 2018 and pursuant to Rule 1315 of the Listing Manual, the Company is to take steps to exit from the watch-list within 36 months from the date it was placed on the watch-list, i.e. by 4 December 2021.
- (c) The Proposed Disposal will enable the Company to dispose of its loss-making businesses for the Consideration in cash, and to return to Shareholders substantially all of the Consideration after setting aside sufficient funds for the Company's working capital requirements, via the Proposed Capital Reduction.
- (d) Following the Proposed Disposal and the Proposed Capital Reduction, the Company will become a "cash" shell listed company as it does not have any operating business and its main asset is the cash balances for the Company's working capital requirements. This would facilitate the Company to focus on pursuing target acquisition and other RTO opportunities which is able to satisfy the requirements of the SGX-ST for a new listing.
- (e) Upon the completion of the Proposed Disposal and the Proposed Capital Reduction, the Shares may be suspended from trading until such time the Company has a business which is able to satisfy the requirements of the SGX-ST for a new listing. In this regard, on 25 March 2021, the Purchaser, Mr Henry Wee, Mr Sun Bowen and Fortsmith Investments Limited have each furnished their respective Moratorium Undertakings (which are to take effect upon the approval of the Proposed Disposal at the EGM), in order for the Shares to continue trading on the SGX-ST and not be subject to a trading suspension.

As at the Latest Practicable Date, the Company has not received the consent from the SGX-ST for the continued trading of the Shares following the completion of the Proposed Disposal and the Proposed Capital Reduction. Shareholders should take note of any further announcement that may be released by the Company in respect of the trading of the Shares on the SGX-ST.

As set out in Sections 1.3, 1.4 and 3.5 of this Letter, the Company had on 22 April 2021 announced the LAPL Acquisition. The LAPL Acquisition, if completed, would result in a RTO of the Company and the transfer of its listing status from the Mainboard to the Catalist board of the SGX-ST. The LAPL Acquisition is subject to *inter alia* the approval of Shareholders at a separate EGM to be convened. On 9 June 2021, the Company announced that the LAPL Acquisition is temporarily suspended in view of the Notice of Compliance by the SGX-ST. On 20 August 2021, the Company announced that it had resumed the due diligence and preparatory activities for the LAPL Acquisition as the Company had complied with the Notice of Compliance. Shareholders should take note of any further announcements to be released by the Company in relation to the LAPL Acquisition.

6.2 Assessment of the financial terms of the Proposed Disposal

Pursuant to the terms of the Proposed Disposal, the Yinguang Technology Group is to be sold to the Purchaser for the Consideration of S\$18.0 million in cash.

APPENDIX D – IFA LETTER

We have assessed the financial terms of the Proposed Disposal by taking into consideration the following:

- (i) independent valuation of the 100% Equity Interest of the Yinguang Technology Group as assessed by the Valuers;
- (ii) financial information of the Yinguang Technology Group;
- (iii) estimated RNAV of the Yinguang Technology Group;
- (iv) liquidation value of the Yinguang Technology Group;
- (v) historical share price performance and trading liquidity of the Shares; and
- (vi) implied market capitalisation of the Company pursuant to the mandatory offer for the Shares in March 2019.

6.2.1 Independent valuation of the 100% Equity Interest of the Yinguang Technology Group as assessed by the Valuers

As set out in Section 5 of this Letter, both the Valuers have ascribed the market value of the 100% Equity Interest of the Yinguang Technology Group to be not more than the Consideration of S\$18.0 million, being the basis for the determination of the Consideration. In this regard, the key term for the Proposed Disposal in respect of the Consideration has been fulfilled.

In particular:

- (a) AVA had determined the market value of the equity interest of Yinguang Technology to be between RMB37.9 million and RMB47.3 million, with a concluded value of RMB42.0 million. The S\$ equivalent of the market value is between S\$7.8 million and S\$9.7 million, with a concluded value of S\$8.6 million; and
- (b) D&P had determined the market value of the equity interest of Yinguang Technology to be between a low of RMB38.0 million and a high of RMB44.0 million, with a base value of RMB41.0 million. The S\$ equivalent of the market value is between S\$7.8 million and S\$9.0 million, with a base value of S\$8.4 million.

Compared to the Consideration of S\$18.0 million, the Proposed Disposal is on a financial term that is significantly favourable to the Company as the Consideration is between 109.3% and 114.3% above the concluded value and base value of the Equity Interest of the Yinguang Technology Group as ascribed by AVA and D&P respectively, as shown in the table below:

S\$ equivalent	Equity valuation range of the Yinguang Technology Group	Concluded value/ Base value	Premium of Consideration above concluded value/base value
AVA	S\$7.8 million to S\$9.7 million	S\$8.6 million	109.3%
D&P	S\$7.8 m to S\$9.0 million	S\$8.4 million	114.3%

6.2.2 Financial information of the Yinguang Technology Group

As analysed in Section 4.4.1 of this Letter, the Group (which is also a reflection of the Yinguang Technology Group) has been loss making for several years. An assessment of the value of the Yinguang Technology Group using an earnings approach is therefore not meaningful.

APPENDIX D – IFA LETTER

An alternative valuation approach is the NAV approach. The NAV based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

As at 31 March 2021, in S\$ equivalent, the NAV of the Yinguang Technology Group was S\$28.4 million. When compared to the Consideration of S\$18 million for the Proposed Disposal, the Consideration represents a discount of 36.6% to the NAV as at 31 March 2021.

As at 30 June 2021, upon the classification of the assets and liabilities of the Yinguang Technology Group as a disposal group held-for-sale under SFRS(I) 5, the carrying value of the NAV of the Yinguang Technology Group is based on the Consideration of S\$18.0 million. Hence, the Consideration is neither at a discount or premium to the NAV of the Yinguang Technology Group as at 30 June 2021.

6.2.3 Estimated RNAV of the Yinguang Technology Group

AVA has also considered, as summarised in Section 5.1.3 of this Letter, the RNAV of the Yinguang Technology Group as at 31 March 2021 to be RMB272.9 million (S\$56.0 million) and concluded that the RNAV approach in valuing the Equity Interest of the Yinguang Technology Group does not best represent the market value of the Yinguang Technology Group for reasons as stated therein. AVA highlighted that its estimated hypothetical liquidation value of the Yinguang Technology Group of RMB9.1 million (S\$1.9 million) is highly variable and subject to a multitude of factors and uncertainties.

D&P has evaluated the RNAV (in continued use) of RMB183.6 million (S\$37.7 million) and RNAV (in orderly liquidation) of RMB33.6 million (S\$6.9 million) as at 31 March 2021 and is of the view that RNAV (in continued use) is only for reference purposes only, and RNAV (in orderly liquidation) is used as a cross-check to its DCF method.

We have also made the following observations in comparison with the Consideration of S\$18.0 million:

- (a) The Yinguang Technology Group has been loss-making for several years and therefore is not generating any return on the net assets of the Yinguang Technology Group. Accordingly, the NAV of the Yinguang Technology Group of RMB138.4 million (S\$28.4 million) as at 31 March 2021 could not be used to measure the value of the Yinguang Technology Group as a going concern, as no investor would be expected to pay for the net assets of the Yinguang Technology Group based on its NBV since it is not expected to generate any meaningful profits based on its historical losses.

Uplifting the NAV of the Yinguang Technology Group with the net revaluation surplus arising from the valuation of the Properties and/or fixed assets to arrive at the estimated RNAV of the Yinguang Technology Group would magnify the issue further, that the net assets of the Yinguang Technology Group, which do not currently generate any returns on these assets, are worth more in market value. AVA had estimated the RNAV of the Yinguang Technology Group to be RMB272.9 million (S\$56.0 million) as at 31 March 2021 and D&P had estimated the RNAV (in continued use) to be RMB183.6 million (S\$37.7 million).

As ascribed by the Valuers, the business valuation of the Yinguang Technology Group as a going concern is estimated by AVA at the concluded value of RMB42.0 million (S\$8.6 million) and by D&P at the base value of RMB41.0 million (S\$8.4 million). In S\$ equivalent, this is substantially below the NAV of the Yinguang Technology Group of

APPENDIX D – IFA LETTER

S\$28.4 million as at 31 March 2021. The business valuation of the Yinguang Technology Group represents approximately 30% of the NAV of the Yinguang Technology Group as at 31 March 2021.

- (b) The main assets of the Yinguang Technology Group are its LURs and fixed assets with NBV totalling RMB158.1 million (S\$32.4 million) as at 31 March 2021. The remaining assets less liabilities of the Yinguang Technology Group therefore amount to net liabilities of RMB19.4 million (S\$4.0 million).

Management has expressed that the manufacturing facilities and assets are specialized assets for use in the production of products for the explosives industry only and such activities as well as ownership of such manufacturing activities are highly regulated by the regulatory authorities in the PRC.

Management confirmed that as at the Latest Practicable Date, there is currently no approaches from any investor/buyer who has expressed an interest to acquire any of the assets of the Yinguang Technology Group or of its Equity Interest in the Yinguang Technology Group.

- (c) There is no certainty on how expediently these assets can be sold, and the extent to which each of the assets can be sold on a piecemeal basis, at the revalued NBV as ascribed by AVA or at the fair value (in continued use) as ascribed by D&P, the time and costs incurred in relation to the conversion of RMB proceeds into S\$ and the remittance of the S\$ proceeds from PRC to the Company in Singapore. In comparison, the Consideration for the Proposed Disposal is payable upon completion in S\$ cash by the Purchaser.

6.2.4 Liquidation value of the Yinguang Technology Group

The intention of the Company and the Purchaser is for the Company to dispose of and the Purchaser to acquire the Yinguang Technology Group as a going concern, and accordingly the purpose of the valuation of the Equity Interest of the Yinguang Technology Group is to estimate the market value of the Yinguang Technology Group as a going concern.

Notwithstanding this, both AVA and D&P had ascribed hypothetical liquidation value of the Yinguang Technology Group (under the premise of orderly liquidation) of RMB9.1 million (S\$1.9 million) and RMB33.6 million (S\$6.9 million) respectively, under various assumptions.

The Proposed Disposal at the Consideration of S\$18 million, which is significantly higher than the above hypothetical liquidation values, is therefore in the interest of the Company and its minority Shareholders.

The hypothetical liquidation value also means that it is not in the interest of the Company to consider the liquidation alternative compared to the Proposed Disposal of the business on a going concern basis, as the liquidation scenario will fetch much lower realization value for the Company. In addition, there is no certainty on how expediently the assets can be sold at the estimated orderly liquidation value, and the time and costs incurred to be incurred in a liquidation process.

In comparison, the Consideration for the Proposed Disposal is payable upon completion in S\$ cash by the Purchaser. In addition, bulk of the cash proceeds will be returned to Shareholders via the Proposed Capital Reduction.

6.2.5 Historical share price performance and trading liquidity of the Shares

Although the Shares are listed and traded on the SGX-ST, trading liquidity on the Shares is extremely low. As an illustration, for the last one year prior and up to 19 March 2021, being the announcement date of the Proposed Disposal and Proposed Capital Reduction (“1-year Period”), the total volume of trades on the Shares amounted to only 155,000 Shares. During the 1-year Period, the Shares were traded on 15 days out of a total of 251 trading days when the SGX-ST was open for trading.

The volume weighted average price (“VWAP”) of the Shares for the 1-year Period was S\$0.1600. The Shares were last transacted at S\$0.174 on 5 March 2021, being the last day when trades were done on the Shares prior to the announcement of the Proposed Disposal and Proposed Capital Reduction after trading hours on 19 March 2021.

On a further look-back period of 5 years prior and up to 19 March 2021, the VWAP of the Shares for the last 5 years was S\$0.1628. The VWAP of the Shares for the last 5 years had not changed much compared to the VWAP of S\$0.1600 for the last 1-year Period.

In comparison,

- (a) the NAV per Share as at 31 March 2020 and 31 March 2021 were RMB3.31 (S\$0.665⁽¹⁾) and RMB2.96 (S\$0.607⁽²⁾) respectively. The Shares have been trading at significant discounts of between 73.2% and 75.9% to the NAV per Share based on the 1-year and 5-year VWAP; and
- (b) the Proposed Capital Reduction which represents the distribution of bulk of the proceeds of the Consideration from the Proposed Disposal, is estimated to be S\$0.368 per Share. The proposed return of cash to Shareholders (via the Proposed Capital Reduction) arising from the Proposed Disposal is hence more than twice the VWAP of the Shares for the 1-year Period. This could be viewed positively as unlocking value for Shareholders.

Notes:

- (1) Based on the foreign exchange rate of S\$1:RMB4.9808 as at 31 March 2020; and
- (2) Based on the foreign exchange rate of S\$1:RMB4.8727 as at 31 March 2021.

This is consistent with the market reaction to the Share price immediately following the above announcement, as on the next trading day after the announcement of the Proposed Disposal and Proposed Capital Reduction, the Shares had traded to a high of S\$0.385 and closed at S\$0.380 on 22 March 2021. The Share price appeared to have reacted to the above announcement, in particular, to the proposed Cash Distribution per Share of S\$0.368.

Trading liquidity on the Shares continued to remain low up to the Latest Practicable Date. An isolated trade on 10,000 Shares at S\$0.260 on 29 July 2021 had resulted in a significant drop in the market Share price from the last transacted price at S\$0.355 on 18 June 2021. Total volume traded on 18 June 2021 was 3,000 Shares.

Since 29 July 2021 and up to the Latest Practicable Date, no trades were done on the SGX-ST except on 8, 9 and 13 September 2021, with total volume of 27,500 Shares traded. As at the Latest Practicable Date, the Shares were last traded on 13 September 2021 at the last transacted price of S\$0.330.

As an update, the Company had announced its results for 15M2021 on 27 August 2021 and reported NAV per Share of RMB1.80 (S\$0.375 based on the foreign exchange rate of S\$1:RMB4.8012 as at 30 June 2021) as at 30 June 2021. The last done price of S\$0.330 represents a discount of 12.0% to the NAV per Share as at 30 June 2021.

6.2.6 Implied market capitalisation of the Company pursuant to the mandatory offer for the Shares in March 2019

On 15 March 2019, a former controlling Shareholder, DNX Australia Pty Limited (“**DNX**”), had sold its entire 29.90% shareholding interest in the Company to the Purchaser at the price of S\$0.158 per Share. This had resulted in the Purchaser and parties acting in concert with it acquiring a controlling interest in the Company of 39.55%, and which had led to the mandatory conditional offer by the Purchaser for the remaining Shares at the offer price of S\$0.158 per Share. The implied market capitalisation of the Company based on the offer price of S\$0.158 per Share is S\$7.4 million. The offer became unconditional in all respects and closed on 17 May 2019. The Purchaser’s resultant direct shareholding interest in the Company after the offer was 52.16% and had remained the same up to the Latest Practicable Date.

Our observations:

- (a) We note that DNX was an unrelated third party to the Purchaser and Mr Henry Wee. The Purchaser’s acquisition of the Shares from DNX in March 2019 and the subsequent offer for the Shares at S\$0.158 per Share had accorded an implied market capitalisation of the Company at S\$7.4 million. In comparison, the Proposed Disposal, which represents substantially the whole of the Company’s operations, is at the Consideration of S\$18 million, which is significantly higher than the implied market capitalisation of the Company in 2019 of S\$7.4 million by 143%; and
- (b) Subject to Shareholders’ approval at the EGM, it is the intention of the Company to carry out the Proposed Capital Reduction soon after the Proposed Disposal at the estimated amount of S\$0.368 per Share. In this regard, the Proposed Capital Reduction can be viewed as unlocking shareholder value at a price which Shareholders were not able to access based on the historical trading prices of the Shares in the last 5 years prior to the announcement date of the Proposed Disposal and Proposed Capital Reduction, and based on the last mandatory offer price for the Shares in March 2019.

6.3 Other relevant considerations

6.3.1 The Company will maintain its listing status for the time being

As set out in Section 3.5 of this Letter, the Company had applied to the SGX-ST for its consent for the continued trading of the Shares following the completion of the Proposed Disposal and the Proposed Capital Reduction. As at the Latest Practicable Date, the Company has not received the consent from the SGX-ST. The Company will make further announcement with respect to any updates on the above matter and Shareholders should take note of these announcements after the Latest Practicable Date.

The Company will remain as a listed entity for a period of 12 months, with a maximum extension of another 6 months with the approval of the SGX-ST, under Rule 1018(2) of the Listing Manual.

During this period, the Company could focus its resources to pursue acquisition targets and other RTO opportunities which is able to satisfy the requirements of the SGX-ST for a new listing. The Company had on 20 August 2021, announced that due diligence and preparatory activities for the LAPL Acquisition has resumed.

Under the circumstances of a “cash company”, it should be noted that in the event that the Company is unable to meet the requirements of a new listing within the time granted by the SGX-ST, no further extension will be granted and the SGX-ST will proceed to remove the Company from the official list of the SGX-ST. A cash exit offer in accordance with Rule 1309 of the Listing Manual should be made to the Shareholders within 6 months.

6.3.2 The Company’s deadline to remove itself from the watch-list of the SGX-ST

The Company was placed on the watch-list of the SGX since 5 December 2018. Under Rule 1315 of the Listing Manual, if the Company fails to comply with the requirements of Rule 1314 within 36 months from 5 December 2018 (i.e. 4 December 2021), the SGX-ST may either remove the Company from the Official List or suspend trading on the Shares (without the agreement of the Company) with a view to removing the Company from the Official List.

The Proposed Disposal and Proposed Capital Reduction do not put the Company in a worst-off position from its present situation. On the contrary, with the Proposed Disposal, the Company will cease to report further operating losses from the Yinguang Technology Group. As a “cash company”, the Company would be in a freer position to explore RTO opportunities as RTO proposals will not be inter-conditional upon the disposal of the existing businesses of the Group.

As pointed out in Section 6.3.1 above, the Company will be subject to a different timeline to stay listed on the SGX-ST i.e. under Rule 1018 of the Listing Manual.

6.3.3 No other competing purchaser for the Proposed Disposal

The Directors confirmed that the Company has not received any other offer to acquire the Yinguang Technology Group in the last 6 months prior to the announcement of the Proposed Disposal on 19 March 2021. The Directors also confirmed that since the announcement date and up to the Latest Practicable Date, they have not received any other offers for the Yinguang Technology Group.

As disclosed in Section 2.2 of the Circular, there is no open market for the shares of Yinguang Technology as they are not publicly traded.

6.3.4 Financial effects of the Proposed Disposal and Proposed Capital Reduction

Details on the financial effects of the Proposed Disposal and the Proposed Capital Reduction are set out in Section 11 of the Circular and are based on the Group’s audited consolidated financial information for FY2020 and certain assumptions. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Group after the completion of the Proposed Disposal.

In summary, we note the following:

(a) Earnings

Based on FY2020, the Company will recognise a loss on disposal of S\$4.5 million arising from the Proposed Disposal as the Consideration of S\$18.0 million is below the investment value in Yinguang Technology recorded in the books at S\$22.5 million, and related estimated expenses for the Proposed Disposal. There is no material impact on earnings/losses arising from the Proposed Capital Reduction.

Based on 15M2021 results announcement, there will not be any loss or gain on the Proposed Disposal as the Yinguang Technology Group has been classified and fair valued as a disposal group held-for-sale.

(b) NAV

The NAV of the Company will be significantly pared down after the Company has disposed of its entire interest in the Yinguang Technology Group and completed its Proposed Capital Reduction.

APPENDIX D – IFA LETTER

After the completion of the Proposed Disposal and Proposed Capital Reduction, the Company will not have any subsidiaries and its main assets will consist of cash balances which, in the Company's view, will be sufficient to meet its working capital requirements for the next 12 months.

(c) Share capital of the Company

The paid-up share capital of the Company will be reduced by the Proposed Capital Reduction but otherwise there is no change in the number of issued Shares arising from the Proposed Capital Reduction.

6.3.5 Inter-conditionality of the Proposed Disposal and the Proposed Capital Reduction

The resolutions for the Proposed Disposal and the Proposed Capital Reduction are inter-conditional upon each other. Hence, if either of the resolutions is not approved, the other resolution will not be proceeded with.

7. OUR OPINION

In arriving at our opinion in respect of the Proposed Disposal as an IPT, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for the Proposed Disposal;
- (b) assessment of the financial terms of the Proposed Disposal taking into consideration:
 - (i) independent valuation of the 100% Equity Interest of the Yinguang Technology Group as assessed by the Valuers;
 - (ii) financial information of the Yinguang Technology Group;
 - (iii) estimated RNAV of the Yinguang Technology Group;
 - (iv) liquidation value of the Yinguang Technology Group;
 - (v) historical share price performance and trading liquidity of the Shares; and
 - (vi) implied market capitalisation of the Company pursuant to the mandatory offer for the Shares in March 2019; and
- (c) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Disposal as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management, and does not reflect any projections of future financial performance of the Company and/or the Group after the completion of the Proposed Disposal. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Disposal as an IPT.

APPENDIX D – IFA LETTER

Our opinion is required under Rule 921(4)(a) of the Listing Manual as well as addressed to the Recommending Directors for their benefit and for the purpose of their consideration of the Proposed Disposal as an IPT. The recommendation to be made by them to the minority Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purpose of the EGM and for the purpose of the Proposed Disposal as an IPT, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

NOTICE OF EGM

FABCHEM CHINA LIMITED
(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM/Meeting**") of Fabchem China Limited ("**Company**") will be held by way of electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on 14 October 2021, at 10.00 am for the purpose of considering and, if thought fit, passing with or without amendments, the Resolutions as set out below.

*All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 22 September 2021 ("**Circular**") to shareholders of the Company ("**Shareholders**").*

This Notice of EGM along with its accompanying proxy form has been made available on SGXNET and the Company's corporate website which may be accessed at the URL: <https://www.fabchemchina.com>. **A printed copy of this Notice and the accompanying proxy form will NOT be despatched to Shareholders.**

Shareholders should note that the passing of Resolutions 1 and 2 set out in this Circular are inter-conditional. As such, if any one of Resolutions 1 or 2 is not passed, the remaining Resolution will not be carried.

ORDINARY RESOLUTION 1: To approve the Proposed Resolution as an IPT

1. **THAT**, contingent upon passing Special Resolution 2, approval be and is hereby given:
 - (a) for the disposal by the Company of its entire ownership of Yinguang Technology to its Controlling Shareholder, Triple Vision, pursuant to the terms and subject to the conditions set out in the SPA dated 19 March 2021 entered into between the Company and Triple Vision, being an "interested person transaction" and a "major transaction" respectively under Chapters 9 and 10 of the Listing Rules and a disposal of the whole or substantially the whole of the Company's undertaking or property under Section 160 of the Act ("**Proposed Disposal**"); and
 - (b) the Directors be authorised to do all such acts and things (including, without limitation, entering into all such transactions, arrangements and agreements and executing all such documents) as they may consider necessary or expedient for the purposes of giving effect to the SPA and the Proposed Disposal.

SPECIAL RESOLUTION 2: To approve the Proposed Capital Reduction

2. **THAT**, pursuant to Section 78A read with Section 78C of the Act and Regulation 60(2) of the Constitution of the Company and contingent upon passing Ordinary Resolution 1:
 - (a) the issued and paid-up share capital of the Company be reduced by the sum of up to S\$17,222,400 and such reduction be effected by returning the sum of up to S\$17,222,400 ("**Cash Distribution**") from the issued and paid-up share capital of the Company to the Entitled Shareholders, other than the Company, except that where the registered holder is The Central Depository (Pte) Limited, the term "Shareholder" shall mean Depositors (other than the Company), as defined under the SFA, on the basis of S\$0.368 for each Share held by an Entitled Shareholder or on his behalf as at the Record Date ("**Proposed Capital Reduction**"); and

NOTICE OF EGM

- (b) the Directors be authorised to do all such acts and things (including, without limitation, entering into all such transactions, arrangements and agreements and executing all such documents) as they may consider necessary or expedient for the purposes of giving effect to the Proposed Capital Reduction and Cash Distribution.

By Order of the Board

Wee Phui Gam
Acting Chairman and Lead Independent Director

22 September 2021

NOTICE OF EGM

Notes:

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the Meeting in person. Shareholders will be able to watch the proceedings of the Meeting through a “live” webcast via their mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed via telephone. In order to do so, Shareholders who wish to watch the “live” webcast or listen to the “live” audio feed must pre-register by 10.00 am on 9 October 2021, at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2021egm>. Following authentication of their status as Shareholders, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the Meeting by 10.00 am on 13 October 2021. Shareholders who do not receive an email by 10.00 am on 13 October 2021 should contact the Company by email at ir@fabchemchina.com.

Persons holding shares through relevant intermediaries who wish to participate in the Meeting via webcast should contact their relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the Meeting.

3. Shareholders who pre-register to watch the “live” webcast or listen to the “live” audio feed may also submit questions relating to the resolutions to be tabled for approval at the Meeting. Please note that Shareholders will not be able to ask questions at the Meeting “live” during the webcast and the audio feed.

All questions must be submitted by 10.00 am on 9 October 2021 by email to ir@fabchemchina.com.

The Company will address substantial questions relevant to the resolutions to be tabled for approval at the Meeting as received from Shareholders either before or during the Meeting. The Company will, within one month after the date of the Meeting, publish the minutes of the Meeting on SGXNet and the Company’s website.

4. Shareholders will not be able to attend the Meeting in person. Shareholders (whether individuals or corporates) who wish to exercise their voting rights at the Meeting must appoint the chairman of the Meeting (“**Chairman of the Meeting**”) as their proxy to attend, speak and vote on their behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
5. The Chairman of the Meeting, as proxy, need not be a Shareholder.
6. The instrument appointing the Chairman of the Meeting as proxy must:
 - (a) if submitted by post, be deposited at the registered office of the Company at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.

in either case no later than 10.00 am on 12 October 2021, and in default the instrument of proxy shall not be treated as valid. Shareholders who wish to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

NOTICE OF EGM

7. The Circular in relation to the Proposed Transactions has been made available on SGXNET and may be accessed at the Company's website on <https://www.fabchemchina.com>.
8. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
9. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
10. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (such as in the case where the appointor submits more than one instrument of proxy).
11. In the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Important Reminders

Due to the constantly evolving COVID-19 situation, the Company may be required to change its Meeting arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the Meeting. Further, in view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

Personal data privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, (b) completing the pre-registration in accordance with this Notice, or (c) submitting any question prior to the Meeting in accordance with this Notice, the Shareholder consents to the collection, use and disclosure of his/her/it's personal data by the Company (or its agents or service providers) for the following purposes:

- (i.) processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof);
- (ii.) processing of the pre-registration for purposes of granting access to Shareholders to the "live" webcast or "live" audio feed of the Meeting proceedings and providing them with any technical assistance where necessary;
- (iii.) addressing substantial and relevant questions from Shareholders received before the Meeting and if necessary, following up with the relevant Shareholders in relation to such questions;
- (iv.) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and
- (v.) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

PROXY FORM

FABCHEM CHINA LIMITED
(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

PROXY FORM Extraordinary General Meeting

This form of proxy has been made available on SGXNet and the Company's website at <https://www.fabchemchina.com>. A printed copy of this form of proxy will NOT be dispatched to members.

IMPORTANT

1. Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the Meeting in person. Shareholders will be able to watch the proceedings of the Meeting through a "live" webcast via their mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, Shareholders who wish to watch the "live" webcast or listen to the "live" audio feed must pre-register by 10.00 am on 9 October 2021, at <https://globalmeeting.bigbangdesign.co/fabchem2021egm>. Following authentication of their status as Shareholders, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the Meeting by 10.00 am on 13 October 2021. Shareholders who do not receive an email by 10.00 am on 13 October 2021 should contact the Company by email at ir@fabchemchina.com.
2. An investor who holds shares under the Supplementary Retirement Scheme may inform their respective SRS Operators to appoint the Chairman of the Meeting to act as their proxy at least 7 working days before the Meeting.
3. By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, the Shareholder (and his appointed proxy(ies)) consents to the collection, use and disclosure of his/her/it's personal data by the Company (or its agents or service providers) for such purposes and/or otherwise with the personal data privacy terms set out in the Notice of EGM dated 22 September 2021.

I/We* _____ (Name) _____ (NRIC/Passport No.*)
of _____ (Address)

being a Shareholder/Shareholders* of **Fabchem China Limited** ("**Company**"), hereby appoint the Chairman of the extraordinary general meeting of the Company ("**Meeting**"), as my/our* proxy to vote for me/us* on my/our* behalf at the Meeting to be held by way of electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on 14 October 2021 at 10.00 am and at any adjournment thereof. I/We* direct the Chairman of the Meeting to vote for or against, or abstain from voting on the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as my/our* proxy will be treated as invalid.

The Resolutions put to the vote at the Meeting shall be decided by way of poll.

Shareholders should note that the passing of all the resolutions set out in this proxy form are inter-conditional. This means that if any one of these resolutions is not approved, the other resolution will not be carried.

RESOLUTIONS	For	Against	Abstain
Ordinary Resolution 1: To approve the Proposed Disposal as an IPT			
Special Resolution 2: To approve the Proposed Capital Reduction			

Notes: If you wish to exercise all your votes "For", "Against" or "Abstain", please tick within the box provided. Alternatively, please indicate the number of shares the Chairman of the Meeting, as your proxy, is directed to vote "For", "Against" or "Abstain".

Dated this _____ day of _____ 2021

Signature(s) of Shareholder(s)/Common Seal

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



PROXY FORM

NOTES: IMPORTANT

1. If the Shareholder has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the Shareholder has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the Shareholder has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Shareholder.
2. Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the Meeting in person. Shareholders will be able to watch the proceedings of the Meeting through a “live” webcast via their mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed via telephone. In order to do so, Shareholders who wish to watch the “live” webcast or listen to the “live” audio feed must pre-register by 10.00 am on 9 October 2021, at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2021egm>. Following authentication of their status as Shareholders, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the EGM by 10.00 am on 13 October 2021. Shareholders who do not receive an email by 10.00 am on 13 October 2021 should contact the Company by email at ir@fabchemchina.com.
3. The Chairman of the Meeting, as proxy, need not be a Shareholder of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must:
 - (a) if submitted by post, be deposited at the registered office of the Company at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.

In either case no later than 10.00 am on 12 October 2021, and in default the instrument of proxy shall not be treated as valid. Shareholders who wish to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

5. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (such as in the case where the appointor submits more than one instrument of proxy).
8. In the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. Similarly, Shareholders who holds his/her/its shares through a Relevant Intermediary (including SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her SRS Operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the Meeting.

“**Relevant Intermediary**” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

PROXY FORM

- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Important Reminders

Due to the constantly evolving COVID-19 situation, the Company may be required to change its Extraordinary General Meeting arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the Extraordinary General Meeting. Further, in view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.