

# FABCHEM CHINA LIMITED

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

## APPENDIX 2 TO THE NOTICE OF ANNUAL GENERAL MEETING OF FABCHEM CHINA LIMITED DATED 15 JULY 2015

This Appendix 2 is circulated to shareholders of Fabchem China Limited (the “Company”) together with the Company’s Annual Report. Its purpose is to provide shareholders with the relevant information relating to, and to seek shareholders’ approval for the renewal of the Shareholders’ Mandate for Minbao Group Interested Person Transactions to be tabled at 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835 on 30 July 2015 at 9.30 a.m..

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited (“SGX-ST”) assumes no responsibility for the accuracy of any statement made, opinions expressed or reports contained in this Appendix 2.

**To: The Shareholders of Fabchem China Limited**

### **THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH MINBAO GROUP**

#### **1. INTRODUCTION**

- 1.1. The Proposed Resolution No. 10 in the Notice of the Annual General Meeting (the “AGM”) to be held on 30 July 2015 relates to the renewal of the general mandate to authorise the Company and its subsidiaries (collectively, the “Group”) that are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual, to enter into, in the ordinary course of business, any of the mandated transactions with specified classes of the Company’s interested persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions (the “Minbao Group IPT Mandate”).
- 1.2. At an Extraordinary General Meeting of the Company held on 25 July 2014 (the “2014 EGM”), the Shareholders had, *inter alia*, approved the Minbao Group IPT Mandate to enable the Group to enter, in the ordinary course of business, into certain specified classes of transactions with certain specified interested persons.
- 1.3. The Minbao Group IPT Mandate will expire on the date of the forthcoming AGM. Accordingly, it is proposed that the Minbao Group IPT Mandate be renewed at the forthcoming AGM, to take effect until the next AGM of the Company. General information pertaining to Chapter 9 of the Listing Manual is set out in Schedule I of this Appendix 2.

#### **2. DETAILS OF MINBAO GROUP IPT MANDATE GRANTED AT THE 2014 EGM**

##### **2.1. Classes of Interested Person**

The Minbao Group IPT Mandate to be renewed will apply to the Interested Person Transactions (as specifically described in Section 2.2 (*Nature of Interested Person Transactions*) below) between our Group and Shandong Yinguang Minbao Qicai Co., Ltd. (“Yinguang Minbao”), Shandong Yinguang Commercial Explosives Sales Services Co. Ltd. (“Yinguang Commercial Explosives”) and its associates (collectively, “Minbao Group” or “Interested Persons”).

Each of Mr Sun Bowen (the managing director and a controlling shareholder of our Company) and Mr Bao Hongwei (the Executive Director of our Company) has an aggregate 60.0% and 6.0% of the issued and paid-up share capital of Shandong Yinguang Chemical Group Co. Ltd. ("Yinguang Chemical Group") respectively. Both Mr Sun Bowen and Mr Bao Hongwei are also directors of the Yinguang Chemical Group. In addition, Mr Sun Qiang, who is the son of Mr Sun Bowen and also the sales and marketing manager of the Company, is a non-executive director of Yinguang Minbao and also holds approximately 3.5% of the issued and paid-up share capital of Yinguang Chemical Group. Yinguang Chemical Group in turn holds an aggregate interest of 30.0% in Yinguang Minbao which in turn holds an aggregate interest of approximately 97.6% in Yinguang Commercial Explosives.

By virtue of Mr Sun Bowen and Mr Bao Hongwei's shareholding in Yinguang Chemical Group which holds an aggregate interest of 30.0% in Yinguang Minbao which in turn holds an aggregate interest of approximately 97.6% in Yinguang Commercial Explosives, Yinguang Minbao and Yinguang Commercial Explosives are indirect Associates of the Directors and controlling and substantial shareholders of the Company namely, Mr Sun Bowen and Mr Bao Hongwei, and is therefore deemed to be an interested person. Accordingly, transactions entered into between the Group with Yinguang Minbao and Yinguang Commercial Explosives would be Interested Person Transactions, and subject to Chapter 9 of the Listing Rules.

A diagrammatic representation of the Interested Persons described above is set out in Schedule II to this Appendix 2.

## **2.2. Nature of Interested Person Transactions**

### Yinguang Minbao

Yinguang Minbao is principally engaged in the business of manufacturing and sales of ammonium nitrate fuel oils ("ANFO") explosives and emulsion explosives in the People's Republic of China ("PRC"). The approval for the Minbao Group IPT Mandate obtained at the 2014 EGM applied to sale of AN Products by the Group through its subsidiary, Hebei Yinguang to Yinguang Minbao for the manufacturing of ANFO and emulsion explosives.

### Yinguang Commercial Explosives

Yinguang Commercial Explosives is principally engaged in the business of trading of commercial explosives products which include initiation system products. The approval for the Minbao Group IPT Mandate obtained at the 2014 EGM applied to sale of Initiation Systems Products by the Group through its subsidiary, Yinguang Technology to Yinguang Commercial Explosives.

Further details of the Interested Person Transactions which were disclosed in the circular of the Company dated 10 July 2014 issued to Shareholders for purposes of the 2014 EGM, have been extracted and set out in Schedule II of this Appendix 2 for your ease of reference.

The Minbao Group IPT Mandate will not cover any transaction by a company in the Group with the Interested Person that is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such a transaction.

Transactions with the Interested Person which do not fall within the ambit of the Minbao Group IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

## **3. RATIONALE FOR AND BENEFIT OF THE MINBAO GROUP IPT MANDATE**

### **3.1. Rationale**

- (a) It is envisaged that the Group will in its ordinary course of business continue to enter into Product Sales with the Interested Person of such aggregate value that requires our Shareholders' approval pursuant to Chapter 9 of the Listing Manual. Such transactions are recurring transactions that are likely to occur with some degree of frequency and are part of the day-to-day operations of the Group, and could arise at any time.

- (b) Given that the Product Sales are of a revenue nature primarily and are expected to be recurrent and occur at any time, and due to the time-sensitive nature of these transactions, to allow the Group to undertake such transactions in a more expeditious manner, our Directors are seeking the approval of our Shareholders for the renewal of the Minbao Group IPT Mandate in respect of the Product Sales for the purposes of Chapter 9 of the Listing Manual and for our Group to enter into the Product Sales, provided that such transactions are made on normal commercial terms, are in the interests of our Company and are not prejudicial to the interests of our Company and our minority Shareholders.

### **3.2. Benefits**

- (a) The Minbao Group IPT Mandate and its subsequent renewal thereafter on an annual basis will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant entity in the Group into such Interested Person Transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad hoc* basis, improve administrative efficiency and efficacy considerably, and allow manpower resources and time to be channelled towards attaining other business objectives available to the Company.
- (b) The Minbao Group IPT Mandate is intended to facilitate Interested Person Transactions in the normal course of business of the Group, which are recurrent in nature or necessary for the day-to-day operations of the Group, and which may be transacted from time to time with the Interested Persons, provided that they are carried out on an arm's length basis and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

## **4. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS**

### **4.1. Review Procedures**

Having regard to the nature of the Interested Person Transactions, and the criteria in establishing the review procedures which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the Interested Person Transactions are conducted on normal commercial terms, are in the interests of the Company and are not prejudicial to the interests of the Company and the minority Shareholders, the following review procedures will be implemented:

- (a) the sales personnel and/or general manager will submit the recommendation to undertake the transaction for approval to the head of finance (China operations) and a Director (who is not considered an "interested person" within the meaning of Chapter 9 of the Listing Manual or his Associates), both of whom have no interest, directly or indirectly in the transaction. The head of finance (China operations) and the Director will obtain comparable market prices, contemporaneous in time. The selling prices and terms of at least two other successful Product Sales of similar nature by the Group to non-interested third parties will be used as comparison. The selling prices quoted or submitted at bidding exercises (as the case may be) shall not be lower than the lowest selling price of the other transactions with non-interested third parties;
- (b) the transactions will be entered into with the Interested Persons on terms which are no more favourable to the Interested Persons than the usual commercial terms extended to or by (as the case may be) non-interested third parties, after taking into account, if applicable, factors such as (but not limited to) the nature of the product, delivery schedules, order quantity, foreign exchange rates, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight. The Group will not proceed with any transaction with an Interested Person if it results in a gross loss (i.e. after deducting cost of sales) to the Group at the point of transaction; and

- (c) in relation to any Product Sales to the Interested Persons where it is impractical or impossible to compare our selling prices to unrelated third parties for similar products, the transaction price will be determined in accordance with our Group's usual business practices and pricing policies (including our profit margin policies) for the same or substantially similar type of products sold to unrelated third parties or in accordance with industry norms (as the case may be). In determining the transaction price, factors such as, but not limited to, the nature of the product, delivery schedules, order quantity, foreign exchange rates, customer requirements and specifications, duration of contract, preferential rates, discounts or rebates for bulk purchases, and cost for freight will be taken into account. The Group will not proceed with any transaction with an Interested Person if it results in a gross loss (i.e. after deducting cost of sales) to the Group at the point of transaction.

#### **4.2. Additional Review Procedures**

- (a) Chapter 9 of the Listing Manual does not require transactions below S\$100,000 each to be included under the Minbao Group IPT Mandate. However, our Audit Committee will review, on a quarterly basis, all Product Sales, including those that are below S\$100,000 each;
- (b) A threshold limit of RMB 1.0 million for each Interested Person Transaction (the "Threshold Limit") will be applied. The Threshold Limit has been set and is regarded as reasonable by the Independent Directors of the Company (deemed independent for the purpose of the Minbao Group IPT Mandate) based on (i) the anticipated value of potential Product Sales that the Group may enter into with the Interested Persons and (ii) the review procedures set out above in Section 4.1 (*Review Procedures*) and including the various approval limits to be implemented for such Product Sales as set out below in this Section 4.2 (*Additional Review Procedures*);
- (c) Where the value of a Product Sale equals to or exceeds the Threshold Limit, such transaction must be reviewed and approved by the Audit Committee of the Company prior to the Group entering into such a transaction;
- (d) The Audit Committee may, if it deems fit, request for additional information pertaining to the Product Sale transaction from independent sources or advisors, including the obtaining of valuations from independent professional valuers;
- (e) Where the value of a Product Sale is less than the Threshold Limit, such transaction does not require the Audit Committee's prior approval. However, these transactions with a value equivalent to or greater than S\$100,000 each will be reviewed on a quarterly basis by the Audit Committee to ensure that they are conducted on normal commercial terms and in accordance with the review procedures outlined above. All relevant non-quantitative factors such as (but not limited to) the nature of the products and prevailing market conditions will also be taken into consideration;
- (f) Where the value of a Product Sale is less than the Threshold Limit, such transaction does not require the Audit Committee's prior approval. However, these transactions with a value equivalent to or greater than S\$100,000 each will be reviewed on a quarterly basis by the Audit Committee to ensure that they are conducted on normal commercial terms and in accordance with the review procedures outlined above. All relevant non-quantitative factors such as (but not limited to) the nature of the products and prevailing market conditions will also be taken into consideration.

Each Product Sale will be monitored as an individual transaction and, based on the value of the transaction, will require the prior approval of the corresponding approving authority who is a Director or a management employee of the Group (not being an "interested person" within the meaning of Chapter 9 of the Listing Manual or his Associates) as follows:

**Approval Limits**

Transactions equal to or more than S\$100,000 (equivalent to approximately RMB 0.5 million as at the Latest Practicable Date) but less than the Threshold Limit of RMB 1.0 million

**Relevant Approving Authority**

1 Director and the head of finance (China Operations)

Transactions equal to or more than the Threshold Limit of RMB 1.0 million

Audit Committee

**4.3. Register of Interested Person Transactions**

Each Product Sale will be properly documented and our Company will maintain a register of all such Interested Person Transactions entered into with the Interested Persons (“IPT Register”). The head of finance (China Operations) (not being an “interested person” within the meaning of Chapter 9 of the Listing Manual or his Associates) will ensure that the IPT Register is properly updated.

**4.4. Periodic Review**

- (a) Our Audit Committee will carry out reviews of all Products Sales of a value equivalent to or greater than S\$100,000 on at least a half-yearly basis, and Product Sales of a value below S\$100,000 on a yearly basis to (i) ensure that the established guidelines and review procedures for the Product Sales have been complied with and the relevant approvals have been obtained and (ii) determine if such guidelines and review procedures are adequate and/or commercially practicable in ensuring that the Products Sales are conducted on normal commercial terms, are in the interest of our Company and are not prejudicial to the interests of our Company and our minority Shareholders.
- (b) In the event that a member of our Audit Committee has an interest in any Product Sale under consideration, he will abstain from approving that particular Product Sale to ensure that it will be conducted on normal commercial terms. Approval of that particular Product Sales will accordingly be undertaken by the remaining members of our Audit Committee.
- (c) If, during these reviews, our Audit Committee is of the view that the above guidelines and review procedures have become inappropriate or have become insufficient to ensure that the Product Sales (i) will be conducted on normal commercial terms, (ii) are in the interest of our Company and (iii) are not prejudicial to the interests of our Company and our minority Shareholders, our Company will seek a fresh mandate from our Shareholders based on new guidelines and review procedures for transactions with the Interested Persons. During the period prior to obtaining a fresh mandate from Shareholders, all Product Sales will be subject to prior review and approval by our Audit Committee.

**4.5. Review by Internal Auditors**

The Group shall incorporate into its internal audit plan a review by the internal auditors on a quarterly basis for all Interested Person Transactions entered into by the Group pursuant to the Minbao Group IPT Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions have been adhered to. The review report by the internal auditors on the Interested Person Transactions will be forwarded to the Audit Committee.

**4.6. Review by External Auditors**

As part of the Group’s annual audit, external auditors will review the Interested Person Transactions on a sampling basis. The external auditors will report to the Audit Committee in the event of any non-compliance based on the audit sample.

**4.7. Review by Directors**

Our Board will ensure that all disclosure, approval and other requirements on the Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

## **5. VALIDITY PERIOD OF THE MINBAO GROUP IPT MANDATE**

- 5.1. If approved by the Shareholders at this AGM, the Minbao Group IPT Mandate will take effect from the date of receipt of the Shareholders' approval, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM of the Company and will apply to Interested Person Transactions entered into from the date of receipt of the Shareholders' approval.
- 5.2. Approval from Shareholders will be sought for the renewal of the Minbao Group IPT Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the Interested Person Transactions.
- 5.3. In the event that it is determined by the Audit Committee that the review procedures set out in Section 4 (*Review Procedures for Interested Person Transactions*) above have become inappropriate, a fresh mandate from the Shareholders shall be sought.

## **6. DISCLOSURE TO SHAREHOLDERS**

Pursuant to Chapter 9 of the Listing Manual, our Company will disclose the Minbao Group IPT Mandate in our annual report, giving details of the aggregate value of the Interested Person Transactions conducted pursuant to the Minbao Group IPT Mandate for the current financial year.

In addition, our Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Minbao Group IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report.

Pursuant to Rules 907 and 920(1) of the Listing Manual, our Company is required to:

- (a) disclose in our Company's annual report the aggregate value of transactions conducted pursuant to the Minbao Group IPT Mandate during the current financial year, as well as in the annual reports for the subsequent financial years during which the Minbao Group IPT Mandate is in force; and
- (b) announce the aggregate value of transactions conducted pursuant to the Minbao Group IPT Mandate for the relevant financial periods which it is required to report.

Our Board will ensure that all disclosures, approvals and other requirements on the mandated transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

## **7. STATEMENT OF THE AUDIT COMMITTEE**

- 7.1. As at the date of this Appendix 2, the Audit Committee of the Company comprises Wee Phui Gam, Dr Lim Seck Yeow and Ong Tai Tiong Desmond.
- 7.2. The Audit Committee of the Company has reviewed the terms of the Minbao Group IPT Mandate and confirms that:
  - (a) the methods or procedures for determining the transaction prices under the Minbao Group IPT Mandate have not changed since the last Shareholders' approval; and
  - (b) the methods and procedures referred to in (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 7.3. However, should the Audit Committee subsequently no longer be of the opinion or the methods or procedures become inappropriate, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons.

## 8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and substantial Shareholders are set out below:

Name of Director / Substantial Shareholder	Direct interest		Deemed interest	
	No. of Shares	%	No. of Shares	%
<b>Directors</b>				
Sun Bowen <sup>(1)</sup>	–	–	75,700,000	32.35
Bao Hongwei <sup>(2)</sup>	4,788,000	2.05	8,604,000	3.68
Dr Lim Seck Yeow <sup>(3)</sup>	–	–	18,334,000	7.84
Frankie Manuel Micallef <sup>(4)</sup>	–	–	–	–
Simon Hunter Atkinson <sup>(5)</sup>	–	–	–	–
Ong Tai Tiong Desmond	–	–	–	–
Wee Phui Gam	–	–	–	–
Jiang Rongguang	–	–	–	–
<b>Substantial Shareholders</b>				
Fortsmith Investments Limited	75,700,000	32.35	–	–
DNX Australia Pty Limited	69,966,000	29.90	–	–
Fivestar Limited	18,334,000	7.84	–	–
Lombard Inc.	8,604,000	3.68	–	–
Tan Geok Bee <sup>(6)</sup>	4,231,000	1.81	18,334,000	7.84
Bao Hongwei <sup>(2)</sup>	4,788,000	2.05	8,604,000	3.68

### Notes:-

- (1) Mr Sun Bowen is deemed to be interested in the shares held by Fortsmith Investments Limited by virtue of Section 7 of the Singapore Companies Act.
- (2) Mr Bao Hongwei is deemed to be interested in the shares held by Lombard Inc. by virtue of Section 7 of the Singapore Companies Act.
- (3) Dr Lim Seck Yeow is deemed to be interested in the shares held by Fivestar Limited by virtue of Section 7 of the Singapore Companies Act.
- (4) Mr Frankie Manuel Micallef is a nominee director of DNX Australia.
- (5) Mr Simon Hunter Atkinson is a nominee director of DNX Australia.
- (6) Mdm Tan Geok Bee is deemed to be interested in the shares held by Fivestar Limited by virtue of Section 7 of the Singapore Companies Act.

Save as disclosed above, the Directors and the substantial Shareholders of the Company do not have any interest, whether direct or indirect, in the Shares.

## 9. ABSTENTIONS FROM VOTING

In accordance with Rule 919, Rule 920(1)(b)(viii) and Rule 921(7) of the Listing Manual, DNAP and DNX Australia, being the Interested Persons, will abstain, and has undertaken to ensure that their associates will abstain, from voting on the resolutions approving the renewal of the Minbao Group IPT Mandate herein.

Further, Mr Sun Bowen and Mr Bao Hongwei undertake to decline, and shall ensure that their Associates shall decline, to accept appointment as proxies to vote at and attend the forthcoming EGM in respect of the resolution relating to the renewal of the Minbao Group IPT Mandate for other Shareholders, unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast at the AGM.

**10. DIRECTORS' RECOMMENDATION**

The Directors of the Company who are considered independent for the purposes of the renewal of the Minbao Group IPT Mandate are Messrs Dr Lim Seck Yeow, Simon Hunter Atkinson, Frankie Manuel Micallef, Ong Tai Tiong Desmond, Jiang Rongguang, and Wee Phui Gam. They are of the opinion that the renewal of the Minbao Group IPT Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders to vote in favour of Resolution 10 relating to the renewal of the IPT Mandate at the AGM.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix 2 and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix 2 constitute full and true disclosure of all material facts about the renewal of the Minbao Group IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix 2 misleading. Where information in this Appendix 2 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.



## SCHEDULE I to Appendix 2

### GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE SGX-ST LISTING MANUAL

1. The rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”) governing transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons, are contained in Chapter 9 of the Listing Manual of the SGX-ST.
2. Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person, and hence, are excluded from the ambit of Chapter 9 of the Listing Manual, when this Chapter applies to a transaction with a listed company’s interested person and the value of the transaction alone or on aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible assets (“NTA”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
  - (a) 5% of the listed company’s latest audited consolidated NTA (Note); or
  - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

*(Note: Based on the audited consolidated accounts of Fabchem China Limited (the “Company”) and its subsidiary (together with the Company, collectively, the “Group”) for the financial year ended 31 March 2015, the NTA of the Group was approximately RMB 404.2 million. Accordingly, in relation to the Company, for the purpose of Chapter 9 of the Listing Manual, 5% of the Company’s latest consolidated NTA would be approximately RMB 20.2 million.)*
3. Chapter 9 of the Listing Manual allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. Chapter 9 also requires a general mandate to be subject to annual renewal.
4. For the purposes of Chapter 9 of the Listing Manual:
  - (i) an “**entity at risk**” means:
    - (a) the listed company;
    - (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
    - (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “listed group”), or the listed group and its interested person(s), has control over the associated company;

- (ii) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (iii) an “**associate**” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder, (being an individual), means:
  - (a) his immediate family (that is, his spouse, child, adopted child, step-child, sibling or parent);
  - (b) the trustees of any trust of which he or his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object; and
  - (c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more,
- (iv) an “**associate**” in relation to a substantial shareholder or a controlling shareholder (being a company), means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (v) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9;
- (vi) an “**interested person transaction**” means a transaction between an entity at risk and an interested person;
- (vii) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities); and
- (viii) “**financial assistance**” includes the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and the forgiving of a debt, the releasing of or neglect in enforcing an obligation or another, or the assuming of the obligations of another.

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## SCHEDULE II to Appendix 2

### EXTRACT OF DETAILS OF THE INTERESTED PERSON TRANSACTIONS

*(all defined terms used herein shall have the meaning ascribed to them in the Circular of the Company dated 10 July 2014 issued to Shareholders for purposes of the 2014 EGM)*

#### “THE PROPOSED IPT MANDATE

##### 3.2 Introduction

The Company is one of the leading manufacturers of initiation systems in China. Our products include explosive devices (boosters), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), industrial detonators (piston non-electric detonators) (collectively “**Initiation Systems Products**”) as well as explosive-grade ammonium nitrate and its by-products (“**AN Products**”) which is one of the main raw materials for the manufacture of explosives (the Initiation Systems Products and AN Products, collectively referred to as our “**Products**”). Our Products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. The Group’s operations are carried out via Yinguang Technology and Hebei Yinguang in China.

From time to time, there are transactions between the Group and the Minbao Group. Such transactions currently comprise the sales of the Group’s AN Products and Initiation Systems Products to the Minbao Group namely, Yinguang Minbao and Yinguang Commercial Explosives respectively in the ordinary course of business of the Group (collectively “**Product Sales**”).

The Company wishes to seek the approval of the Shareholders (which shall exclude Shareholders who are required to abstain from voting pursuant to Rule 919 and Rule 920(1)(b)(viii) of the Listing Manual) for the adoption of the Proposed IPT Mandate in respect of future Product Sales which the Group may enter into with the Minbao Group.

##### 3.5 Classes of Interested Persons

The Proposed IPT Mandate will apply to Interested Person Transactions which are carried out between the Group and the Minbao Group. Further details of the Interested Persons are set out in the following sections.

###### 3.5.1 Yinguang Minbao

- (a) Mr Sun Bowen is the managing director and a controlling shareholder of the Company. As at the Latest Practicable Date, he has a deemed interest of approximately 32.35% of the issued and paid-up share capital of the Company.

Mr Bao Hongwei is the Executive Director of the Company and he holds approximately 2.05% and has a deemed interest of approximately 3.68% of the issued and paid-up share capital of the Company.

Further details of their respective shareholding are set out in Section 4 (*Directors’ and Substantial Shareholders’ Interests*).

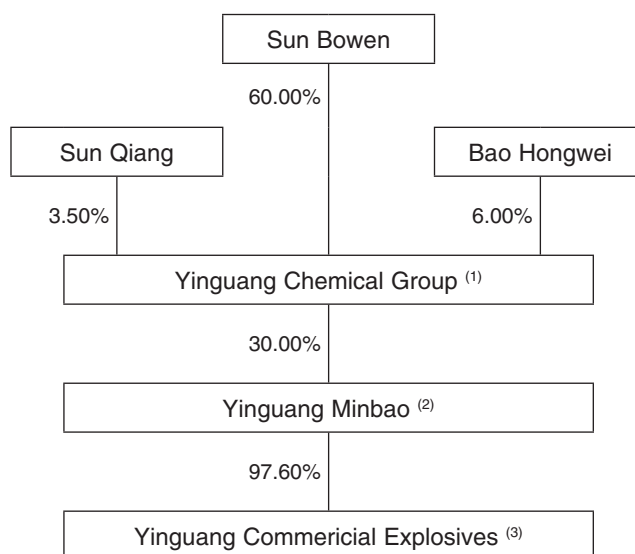
- (b) As at the Latest Practicable Date
  - (i) Each of Mr Sun Bowen and Mr Bao Hongwei has an aggregate 60.0% and 6.0% of the issued and paid-up share capital of Yinguang Chemical Group. Mr Sun Bowen and Mr Bao Hongwei are also directors of Yinguang Chemical Group.

- (ii) Yinguang Chemical Group in turn holds an aggregate interest of 30.0% in Yinguang Minbao. Neither Mr Sun Bowen nor Mr Bao Hongwei is a director of Yinguang Minbao.
  - (iii) Mr Sun Qiang, who is the son of Mr Sun Bowen and also the sales and marketing manager of the Company, is a non-executive director of Yinguang Minbao and also holds approximately 3.5% of the issued and paid-up share capital of Yinguang Chemical Group.
- (c) Pursuant to Chapter 9 of the Listing Manual, Yinguang Minbao is an indirect Associate of the Directors and controlling and substantial shareholders respectively of the Company namely, Mr Sun Bowen and Mr Bao Hongwei, and is therefore deemed to be an interested person. Accordingly, transactions entered into between the Group and Yinguang Minbao would be Interested Person Transactions, and subject to Chapter 9 of the Listing Rules.

### 3.5.2 Yinguang Commercial Explosives

- (a) As described in Section 3.5.1 above, Yinguang Chemical Group holds an aggregate interest of 30.0% in Yinguang Minbao. As at the Latest Practicable Date, Yinguang Minbao in turn holds an aggregate interest of approximately 97.6% in Yinguang Commercial Explosives.
- (b) Neither Mr Sun Bowen nor Mr Bao Hongwei is a director of Yinguang Commercial Explosives as at the Latest Practicable Date.
- (c) By virtue of Mr Sun Bowen and Mr Bao Hongwei's shareholdings in Yinguang Chemical Group which holds an aggregate interest of 30.0% in Yinguang Minbao which in turn holds an aggregate interest of approximately 97.6% in Yinguang Commercial Explosives, Yinguang Commercial Explosives is an indirect Associate of the Directors and controlling and substantial shareholders respectively of the Company namely, Mr Sun Bowen and Mr Bao Hongwei, and is therefore deemed to be an interested person. Accordingly, transactions entered into between the Group and Yinguang Commercial Explosives would be Interested Person Transactions, and subject to Chapter 9 of the Listing Rules.

A diagrammatic representation of the Interested Persons described above is set out below:



**Notes:**

- (1) Other subsidiaries and/or associated companies of Yinguang Chemical Group are excluded for the purposes of this Circular.
- (2) As at the Latest Practicable Date, the remaining shareholdings in Yinguang Minbao are held by an unrelated third party.
- (3) As at the Latest Practicable Date, the remaining shareholdings in Yinguang Commercial Explosives are held by an unrelated third party.

### **3.6 Nature and Scope of the Interested Person Transactions**

#### **3.6.1 Interested Person Transactions with Yinguang Minbao**

Yinguang Minbao is principally engaged in the business of manufacturing and sales of ammonium nitrate fuel oils (“ANFO”) explosives and emulsion explosives in the PRC.

The Group, through Hebei Yinguang, sells AN Products in its ordinary course of business to Yinguang Minbao for the manufacturing of ANFO and emulsion explosives. Yinguang Minbao adopts an open bidding process to purchase ammonium nitrate from its suppliers. Hebei Yinguang would submit their bid at such bidding exercises.

#### **3.6.2 Interested Person Transactions with Yinguang Commercial Explosives**

Yinguang Commercial Explosives is principally engaged in the business of trading of commercial explosives products which include initiation system products.

Through Yinguang Technology, the Group sells Initiation Systems Products to Yinguang Commercial Explosives.

- 3.6.3** The Interested Person Transactions which will be covered by the Proposed IPT Mandate are all Product Sales by the Group to the Minbao Group, in particular the transactions described above. These Interested Person Transactions are in the ordinary course of business of the Group, recurrent transactions of a revenue nature primarily and which are part of the Group’s day-to-day operations.

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the Proposed IPT Mandate. The Proposed IPT Mandate will also not cover any transaction by any member of the Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. In addition, transactions with other interested persons (other than the classes of Interested Persons detailed at Section 3.5 (*Classes of Interested Persons*) above) that do not fall within the ambit of the Proposed IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.”

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