

RESPONSE TO COMPLIANCE NOTICE

The board of directors (“**Board**” or “**Directors**”) of Fabchem China Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement of 19 March 2021 relating to the Proposed Disposal and Proposed Capital Reduction (“**Announcement**”), and the Notice of Compliance issued by Singapore Exchange Regulation (“**SGX RegCo**”) on 3 June 2021 (“**Notice**”). Unless otherwise expressly specified, all capitalised terms used in this announcement shall bear the same meaning as defined in the Announcement and Notice respectively.

The Company wishes to clarify to Shareholders and investors that, as stated in the Announcement, the Disposal Consideration of S\$18.0 million 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 the Appraised Value of Yinguang Technology based on a valuation to be conducted by AVA Associates Limited (“**Valuer**”), would not be more than S\$18.0 million.

As stated in the Notice, the Valuer’s Summary Valuation Report was submitted to SGX RegCo together with the draft Circular in relation to the Proposed Disposal, in which the Valuer opined that the Appraised Value of the business of Yinguang Technology is reasonably stated in the amount that range from RMB35.8 million to RMB45.4 million, with a concluded value of RMB39.5 million (S\$8 million based on the exchange rate of RMB4.9421 to S\$1.00 as at 31 December 2020).

The Company understands that the Valuer, based in Hong Kong SAR and Singapore, have 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 18 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 Valuer is not accredited by the China Appraisal Society, which is a domestic organisation operating based on China’s valuation standards, the Valuer bases their work on international valuation standards as prepared by the International Valuation Standard Committee.

The Valuer reports to the Board on their engagement for the purposes of conducting their valuation of the Appraised Value and was appointed by the Board in consultation with the Audit Committee. The Board is of the view that the 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 Company’s Circular to Shareholders | Transaction |
|---|--|
| 18 April 2019 | 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. |
| 14 July 2017 | 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 | 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. |

In addition, the Valuer also has experience from other completed transactions involving issuers in various industries listed on the SGX-ST, including issuers with businesses in China.

Accordingly, the Board is of the view that AVA Associates Limited 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 foregoing, the Company will comply with the Notice by appointing another valuer of international standing and repute, as required by SGX RegCo, to report on the valuation of Proposed Disposal, subject to the approval of the SGX RegCo, and will make further and appropriate announcements at the relevant time.

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
4 June 2021