

CIRCULAR DATED 15 JULY 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 all your ordinary shares ("**Shares**") in the capital of Fabchem China Limited ("**Company**"), please forward this Circular together with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200413128G)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED CONSOLIDATION OF EVERY FIVE (5) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AT A BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (2) THE PROPOSED SHARE BUY-BACK MANDATE.**

IMPORTANT DATES

Last date and time for lodgment of Proxy Form	:	28 July 2015 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	30 July 2015 at 10.30 a.m. (or as soon thereafter following the conclusion of the AGM to be held at 9.30 a.m. on the same day and at the same venue)
Place of Extraordinary General Meeting	:	2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835

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DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following words and expressions shall have the following meanings:

“ACRA”	:	Accounting and Corporate Regulatory Authority
“AGM”	:	The annual general meeting of the Company
“Articles” or “Articles of Association”	:	The articles of association of the Company, as may be amended from time to time
“Board”	:	The board of Directors of the Company
“Books Closure Date”	:	The time and date, to be determined by the Directors, at and on which the Register of Members and Register of Transfers of the Company will be closed to determine the entitlements of Shareholders to the Consolidated Shares under the Share Consolidation
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 15 July 2015
“Companies Act”	:	The Companies Act (Cap 50) of Singapore, as amended or modified from time to time
“Company”	:	Fabchem China Limited
“Consolidated Shares”	:	Shares after completion of the Proposed Share Consolidation
“Directors”	:	The directors of the Company for the time being
“DNX”	:	DNX Australia Pty Limited
“Effective Trading Date”	:	The date on which the Shares will trade on the SGX-ST in board lots of 100 Consolidated Shares
“EGM”	:	The extraordinary general meeting of the Company to be convened on 30 July 2015 at 10.30 a.m. (or as soon thereafter following the conclusion of the AGM to be held at 9.30 a.m. on the same day and at the same venue), the notice of which is set out on page 26 of this Circular
“EPS”	:	Earnings per Share
“Existing Shares”	:	Shares prior to the Proposed Share Consolidation
“Fortsmith Parties”	:	Fortsmith Investments Limited and Sun Bowen
“FY”	:	Financial year ended or ending 31 March
“Latest Practicable Date”	:	1 July 2015, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

DEFINITIONS

“Market Purchase”	: An on-market Share Buy-back
“NAV”	: Net asset value
“New Share Certificates”	: The new share certificates for Consolidated Shares
“NTA”	: Net tangible assets
“Off-Market Purchase”	: An off-market Share Buy-back
“Old Share Certificates”	: The physical share certificates for Existing Shares held by Shareholders in their own names
“Ordinary Resolutions”	: The ordinary resolutions as set out in the Notice of EGM
“Proposed Share Consolidation”	: The proposed consolidation of every five (5) Existing Shares in the capital of the Company held by Shareholders of the Company at the Books Closure Date into one (1) Consolidated Share, fractional entitlements to be disregarded
“Securities Account”	: Securities accounts maintained by Depositors with CDP but not including securities sub-accounts maintained with a Depository Agent
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Buy-back”	: A purchase of Shares by the Company pursuant to the Share Buy-back Mandate
“Share Buy-back Mandate”	: The share buy-back mandate which is set out in the notice of EGM on page 26 of this Circular
“Share Registrar”	: The share registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd
“Shareholders”	: Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Shares
“Shares”	: Ordinary shares in the capital of the Company
“SIC”	: Securities Industry Council
“Substantial Shareholder”	: A person who has an interest in the Shares which is not less than 5% of the voting shares
“S\$” and “cents”	: Singapore dollar and cents respectively, the lawful currency of the Republic of Singapore
“Take-over Code”	: The Singapore Code on Take-overs and Mergers
“%” or “per cent”	: Percentage or per centum

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to 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 word or term used in this Circular which is defined under the Companies Act or the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference in this Circular to a time of day or date shall be a reference to a time of day or date, as the case may be, in Singapore unless otherwise stated.

Any discrepancies in the figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

FABCHEM CHINA LIMITED

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

Board of Directors:

Dr. Lim Seck Yeow (Non-Executive Chairman)
Sun Bowen (Managing Director)
Bao Hongwei (Executive Director/ General Manager)
Frankie Manuel Micallef (Non-Executive Director)
Simon Hunter Atkinson (Non-Executive Director)
Ong Tai Tiong Desmond (Lead Independent Director)
Wee Phui Gam (Independent Director)
Professor Jiang Rongguang (Independent Director)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

15 July 2015

To: The Shareholders of Fabchem China Limited

Sir/Madam

(1) THE PROPOSED SHARE CONSOLIDATION; AND

(2) THE PROPOSED SHARE BUY-BACK MANDATE.

1. INTRODUCTION

1.1 The Directors are convening the EGM to be held on 30 July 2015 to seek the Shareholders' approval for the following:

- (a) the Proposed Share Consolidation; and
- (b) the proposed adoption of the Share Buy-back Mandate.

1.2 The purpose of this Circular is to provide Shareholders with information relating to the proposed resolutions to be tabled at the EGM.

The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any person (other than the Shareholders to whom this Circular is dispatched by the Company) or for any other purpose.

2. THE PROPOSED SHARE CONSOLIDATION

2.1 Background

On 10 June 2015, the Board announced that the Company is proposing to undertake the Proposed Share Consolidation which is subject to, *inter alia*:

- (a) the approval of the SGX-ST for the listing and quotation of, the Consolidated Shares on the SGX-ST; and
- (b) the approval of Shareholders by ordinary resolution at an EGM to be convened.

LETTER TO SHAREHOLDERS

The Company is seeking Shareholders' approval at the EGM to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every five (5) Existing Shares into one (1) Consolidated Share. Accordingly, under the Proposed Share Consolidation, every five (5) Existing Shares registered in the name of each Shareholder as at the Books Closure Date will be consolidated into one (1) Consolidated Share.

Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of Consolidated Shares arising from the Proposed Share Consolidation will be disregarded without compensation to the affected Shareholders. All fractional entitlements arising upon the implementation of the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

Each Consolidated Share shall rank *pari passu* in all respects with the then existing Shares and with each other, and will be traded in board lots of 100 Consolidated Shares.

As at the Latest Practicable Date, the Company has an issued share capital of S\$23,458,985 divided into 234,000,000 Shares. Following the completion of the Proposed Share Consolidation and on the assumption that there will be no new Shares issued by the Company up to the Books Closure Date, the Company will have an issued share capital of S\$23,458,985 divided into 46,800,000 Consolidated Shares, after disregarding fractional interests in the Consolidated Shares arising from the Proposed Share Consolidation.

The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Company.

Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation. Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at the EGM, Shareholders' holding of the Consolidated Shares arising from the Proposed Share Consolidation will be ascertained on the Books Closure Date.

As at the Latest Practicable Date, the Company does not have any existing convertible securities.

The resolution to seek Shareholders' approval for the Proposed Share Consolidation is set out in **Ordinary Resolution 1** in the Notice of EGM.

2.2 Rationale for the Proposed Share Consolidation

The Proposed Share Consolidation will rationalise the share capital of the Company by reducing the number of Shares outstanding. The absolute price of the Shares of the Company traded on the SGX-ST has also been closing at a low level, with a volume-weighted average price of S\$0.0955 over the past 6 months before the Latest Practicable Date. Low-traded share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of shares.

The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders as it may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares.

In addition, the Proposed Share Consolidation may also increase market interest and activity in the Shares, and generally make the Shares more attractive to investors, including institutional investors, thus providing a more diverse shareholder base. Accordingly, the Directors believe that the Proposed Share Consolidation should be beneficial to the Company and its Shareholders.

LETTER TO SHAREHOLDERS

The Proposed Share Consolidation would also facilitate the Company's ability to satisfy the continuing listing requirement imposed by the SGX-ST for issuers listed on the SGX Mainboard to have a minimum trading price of S\$0.20 per share. For illustrative purposes only, the theoretical adjusted 6-month volume weighted average price of the Consolidated Shares after the Proposed Share Consolidation is estimated to be S\$0.478 per share.

However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

2.3 Conditions Precedent for the Proposed Share Consolidation

Pursuant to Article 60(1) of the Articles, the implementation of the Proposed Share Consolidation is subject to Shareholders' approval by way of an ordinary resolution at the EGM. The approval of the SGX-ST for the listing and quotation of all the Consolidated Shares arising from the Proposed Share Consolidation is also required.

On 18 June 2015, the Company announced that it had obtained the approval in-principle from the SGX-ST for the listing and quotation of up to 46,800,000 Consolidated Shares subject to:

- (a) compliance with the SGX-ST's listing requirements and guidelines; and
- (b) Shareholders' approval for the Proposed Share Consolidation at the EGM to be convened.

The approval by the SGX-ST shall not be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company, its subsidiaries and their securities.

Subject to the approval of the Shareholders for the Proposed Share Consolidation at the EGM, an announcement will be made by the Company in due course to notify Shareholders of the Books Closure Date and the Effective Trading Date.

2.4 Updating of Register of Members and Depository Register for the Consolidated Shares

If Shareholders at the EGM approve the Proposed Share Consolidation, the number of Shares held by Shareholders subject to the Proposed Share Consolidation will be determined on the Books Closure Date. The Register of Members and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders, and the Shares will begin trading in board lots of 100 Consolidated Shares on the Effective Trading Date.

(a) Deposit of Share Certificates with CDP

Shareholders who hold Old Share Certificates and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts maintained with CDP must deposit their Old Share Certificates, together with duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days prior to the Books Closure Date.

After the Books Closure Date, CDP will only accept the deposit of New Share Certificates. Shareholders who wish to deposit their share certificates with CDP after the Books Closure Date must first deliver their Old Share Certificates to the Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, for cancellation and issuance of New Share Certificates in replacement thereof as described below.

(b) Issue of New Share Certificates

Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Books Closure Date need not take any action. The Company will make arrangements with CDP to effect the exchange for New Share Certificates pursuant to the Share Consolidation.

LETTER TO SHAREHOLDERS

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, as soon as possible after they have been notified of the Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the Share Registrar upon receipt of any Old Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of Shareholders at their own risk within ten (10) Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have already been tendered to the Share Registrar for cancellation.

Shareholders should notify the Share Registrar if they have lost any of their existing Old Share Certificates or if there is any change in their respective addresses from that reflected in the Register of Members of the Company.

Shareholders shall deliver their respective Old Share Certificates to the Share Registrar or CDP in accordance with the provisions set out above, only after the Company's announcement of the Books Closure Date.

(c) Share Certificates Not Valid for Settlement of Trades on SGX-ST

Shareholders are reminded that their Old Share Certificates are no longer good for settlement of trading in the Shares on the SGX-ST, as the Company is under a book-entry (scripless) settlement system, but will continue to be accepted by the Share Registrar for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period. The New Share Certificates will not be valid for delivery for trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

2.5 Trading Arrangements for the Shares and Odd Lots

(a) Trading Arrangements for the Consolidated Shares

Subject to the approval for the Proposed Share Consolidation by Shareholders at the EGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Shares will be in board lots of 100 Consolidated Shares. Accordingly, five (5) Existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the Existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

(b) Trading Arrangements for Odd Lots

The Shares are currently traded in board lots of 100 Shares. Following the Proposed Share Consolidation, the Securities Accounts maintained with CDP of Shareholders (being Depositors) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 100 Shares). The market for trading of such odd lots of Consolidated Shares may be illiquid.

Shareholders who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade in odd lots on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the unit share market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of 1 Consolidated Share.

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3. FINANCIAL EFFECTS OF THE PROPOSED SHARE CONSOLIDATION

For illustrative purposes only and based on the latest audited consolidated financial statements of the Company for the financial period ended 31 March 2015, the financial effects of the Proposed Share Consolidation on the Company are set out below (on the assumption that the Proposed Share Consolidation was completed on 31 March 2015):

(a) Share Capital

	As at 31 March 2015	
	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Issued and paid up share capital	23,458,985	23,458,985
Number of Shares ('000)	234,000	46,800

(b) Consolidated NTA

	As at 31 March 2015			
	Company		Group	
	Before the Proposed Share Consolidation	After the Proposed Share Consolidation	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
NTA (RMB'000)	120,238	120,238	404,222	404,222
No. of Shares ('000)	234,000	46,800	234,000	46,800
NTA per Share (RMB cents)	51.38	256.92	172.74	863.72

(c) Consolidated EPS

	Before the Proposed Share Consolidation	After the Proposed Share Consolidation
Profit after taxation (RMB'000)	13,072	13,072
Weighted average number of Shares ('000)	234,000	46,800
EPS ⁽¹⁾ (RMB cents)	5.59	27.93

Note:

(1) The calculation of EPS is based on the weighted average number of Shares.

(d) Gearing

The Proposed Share Consolidation will not affect the gearing of the Company.

4. THE PROPOSED SHARE BUY-BACK MANDATE

4.1 Background

Under the Companies Act, companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares in the manner set out in the Companies Act if their articles of association expressly permit them to do so, provided that any such purchase is made in accordance with and in the manner prescribed by the Listing Manual and such other laws and regulations as may for the time being be applicable.

The Companies Act provides that Shares purchased or otherwise acquired by the Company may be held or dealt with as treasury shares.

LETTER TO SHAREHOLDERS

It is a requirement under the Companies Act and the Listing Manual that a company which wishes to purchase or otherwise acquire its own shares should obtain the approval of its shareholders to do so at a general meeting.

Accordingly, approval is being sought from Shareholders at the EGM for the proposed Share Buy-back Mandate. If approved, the proposed Share Buy-back Mandate will take effect from the date of the EGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law to be held, unless prior thereto Share Buy-backs are carried out to the full extent mandated or the proposed Share Buy-back Mandate is revoked or varied by the Company in a general meeting. The proposed Share Buy-back Mandate may be put to Shareholders for renewal at each subsequent AGM of the Company at the discretion of the Directors.

The resolution to seek Shareholders' approval for the proposed adoption of the Share Buy-back Mandate is set out in **Ordinary Resolution 2** in the Notice of EGM.

4.2 Rationale

The proposed Share Buy-back Mandate will enable the Board to purchase odd lots during the Provisional Period and will give the Board the flexibility to purchase Shares if and when circumstances permit. Share Buy-backs give the Company a relatively convenient, expedient and cost efficient mechanism to enhance shareholder value. The Share Buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NAV per Share, and will only be made when the Board believes that such purchases would benefit the Company and increase value for Shareholders.

While the Share Buy-back Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 4.3 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company.

4.3 Terms of the Proposed Share Buy-back Mandate

4.3.1 Maximum Number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company.

In accordance with Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired by the Company pursuant to the proposed Share Buy-back Mandate shall not exceed ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the passing of Ordinary Resolution 2 set out in the Notice of EGM ("**Maximum Limit**"), where the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered excluding any treasury shares that may be held by the Company, from time to time. As at the Latest Practicable Date, the Company has no treasury shares.

For illustration purposes only, based on 234,000,000 Shares, being the total number of Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the EGM, not more than 23,400,000 Shares (representing 10% of the issued share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy-back Mandate. Based on the issued share capital of the Company as at the Latest Practicable Date and assuming that the proposed Share Consolidation is successfully effected, the Company would have approximately 46,800,000 Consolidated Shares and not more than 4,680,000 Consolidated Shares may be bought by the Company pursuant to the proposed Share Buy-back Mandate.

LETTER TO SHAREHOLDERS

4.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the EGM (at which the proposed Share Buy-back Mandate is approved) up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the Company has purchased up to the Maximum Limit of Shares, or
- (c) the date on which the authority conferred by the proposed Share Buy-back Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is earlier.

4.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) Market Purchases, transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose, and/or
- (b) Off-Market Purchases" effected pursuant to an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-back Mandate, the Listing Rules and the Companies Act as they consider fit, in the interests of the Company, in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made, and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (1) terms and conditions of the offer;
- (2) period and procedures for acceptances;
- (3) the reasons for the proposed Share Buy-back;
- (4) the consequences, if any, of Share Buy-backs by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the Share buy-back, if made, would have any effect on the listing of the Shares on the SGX-ST, and

LETTER TO SHAREHOLDERS

- (6) details of any Share Buy-back made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

4.3.4 Purchase Price

The purchase price (excluding brokerage, commission, applicable taxes and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Buy-backs. The purchase price to be paid for Shares pursuant to Share Buy-backs for On-Market Purchases and Off-Market Purchases must not exceed 105% and 110%, respectively, of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition).

For the above purposes:

“Average Closing Price” means the average of the last dealt prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period, and

“date of the making of the offer” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4.4 **Status of Purchased Shares**

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares. All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

4.5 **Treasury Shares**

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

4.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares at that time.

4.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

LETTER TO SHAREHOLDERS

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company, in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

4.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time, but subject always to the Take-over Code:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares, or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

4.6 **Source of Funds**

The Company may purchase or acquire its own Shares out of capital, as well as from its profits. The Company intends to use internal sources of funds, i.e. its cash and bank balances to finance any purchases of its Shares. The Directors do not propose to exercise the Share Buy-back Mandate to such an extent that it would materially affect the working capital requirements or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

4.6.1 If Shares are purchased out of capital and cancelled, the Company's total issued share capital will be diminished by the total amount and number of the Shares purchased by the Company. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the funds of the Company otherwise available for dividend or distribution.

4.6.2 Solvency Test

Under the Companies Act, the Company may not enter into any Share Buy-back transaction unless it is solvent. For the purpose of the definition of "solvent", a company is solvent if:

- (a) the company is able to pay its debts in full at the time of the payment referred to in subsection (1) of Section 76F of the Companies Act and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the payment; and
- (b) 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 purchase, acquisition or release, become less than the value of its liabilities (including contingent liabilities).

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4.7 Illustrative Financial Effects

The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buy-back Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired and the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group, based on the audited financial statements of the Group for FY2015, after adjusting for the purchase of the maximum limit of 0.5% of its issued shares, i.e. 1,170,000 Shares by way of Market Purchase amounting to S\$117,000 subsequent to 31 March 2015 and up to the Latest Practicable Date are based on the assumptions set out below.

4.7.1 Purchase or Acquisition out of Profits and/or Capital

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of dividends by the Company will not be reduced.

As stated in Paragraph 4.6 above, the intention of the Company in the foreseeable future is to only purchase or acquire its issued shares out of capital.

4.7.2 Number of Shares Acquired or Purchased

Based on the number of issued Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 4.3.1 above, the purchase by the Company of up to the maximum limit of 0.5% of its issued Shares will result in the purchase or acquisition of 1,170,000 Shares.

4.7.3 Maximum Price Paid for Shares Acquired or Purchased

In the case of Market Purchase by the Company and assuming that the Company purchases or acquires 1,170,000 Shares at the Maximum Price of S\$0.100 per Share (being the price equivalent to 105% of the Average Closing Price of the Share), the maximum amount of funds required for the purchase or acquisition of 1,170,000 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$117,000.

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 1,170,000 Shares at the Maximum Price of S\$0.105 per Share (being the price equivalent to 110% of the Average Closing Price of the Share), the maximum amount of funds required for the purchase or acquisition of 1,170,000 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$122,850.

4.7.4 Illustrative Financial Effects

The financial effects on the Company arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Buy-back Mandate will depend on, *inter alia*, whether the purchase or acquisition is made out of profits and/or capital, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held in treasury.

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For illustrative purposes only and on the basis of the assumptions set out in paragraphs 4.7.2 and 4.7.3 above and on the basis that the purchase or acquisition of Shares will only be made out of capital, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate on the unaudited financial statements of the Company for FY2015, are set out below and assuming the following:

- (a) the purchase or acquisition of 1,170,000 Shares by the Company pursuant to the Share Buy-back Mandate by way of Market Purchases made out of capital and cancelled, and
- (b) the purchase or acquisition of 1,170,000 Shares by the Company pursuant to the Share Buy-back Mandate by way of Market Purchases made out of capital and held in treasury.

Illustrative Scenario 1

Market Purchases of up to a maximum of 0.5% of issued Shares made out of capital and cancelled

RMB'000 ⁽¹⁾	Company		Group	
	Before Buy-back	After Buy-back	Before Buy-back	After Buy-back
Share Capital	116,849	116,328	116,849	116,328
Other Reserves	(12,815)	(12,815)	86,140	86,140
Accumulated Profits	16,204	16,204	201,233	201,233
Treasury Shares	–	–	–	–
Total Equity	120,238	119,717	404,222	403,701
Net Assets	120,238	119,717	404,222	403,701
Current Assets	23,559	23,038	286,791	286,270
Current Liabilities	3,851	3,851	213,122	213,122
Total Borrowings	–	–	83,672	83,672
Cash and Cash Equivalents	920	399	125,908	125,387
Number of Shares ('000)	234,000	233,479	234,000	233,479
Financial Ratios				
Basic EPS (cents)	3.75	3.76	5.59	5.60
NAV per Share (cents)	51.38	51.28	172.74	172.91
Net Gearing Ratio ⁽²⁾ (%)	–	–	13.52	13.53
Current Ratio (times)	6.12	5.98	1.35	1.34

Notes:

- (1) Based on an exchange rate of S\$1.00 to RMB 4.4544.
- (2) Net Gearing means the ratio of net borrowings to total assets.

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Illustrative Scenario 2

Market Purchases of up to a maximum of 0.5% of issued Shares made out of capital and held as treasury shares

RMB'000 ⁽¹⁾	Company		Group	
	Before Buy-back	After Buy-back	Before Buy-back	After Buy-back
Share Capital	116,849	116,849	116,849	116,849
Other Reserves	(12,815)	(12,815)	86,140	86,140
Accumulated Profits	16,204	16,204	201,233	201,233
Treasury Shares	–	(521)	–	(521)
Total Equity	120,238	119,717	404,222	403,701
Net Assets	120,238	119,717	404,222	403,701
Current Assets	23,559	23,038	286,791	286,270
Current Liabilities	3,851	3,851	213,122	213,122
Total Borrowings	–	–	83,672	83,672
Cash and Cash Equivalents	920	399	125,908	125,387
Number of Shares ('000)	234,000	234,000	234,000	234,000
Financial Ratios				
Basic EPS (cents)	3.75	3.75	5.59	5.59
NAV per Share (cents)	51.38	51.16	172.74	172.52
Net Gearing Ratio ⁽²⁾ (%)	–	–	13.52	13.53
Current Ratio (times)	6.12	5.98	1.35	1.34

Notes:

(1) Based on an exchange rate of S\$1.00 to RMB 4.4544.

(2) Net Gearing means the ratio of net borrowings to total assets.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATIVE PURPOSES ONLY (BASED ON THE ABOVEMENTIONED ASSUMPTIONS). Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury. Shareholders should note that the above analysis is based on the audited financial statements of the Group for the financial year ended 31 March 2015 and is not necessarily representative of future financial performance.

4.8 Listing Status of the Shares

The Listing Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed, is at all times held by the public. As at the Latest Practicable Date, the Substantial Shareholders of the Company have a direct/deemed interest in 181,623,000 Shares representing approximately 77.62% of the Shares in issue. Approximately 22.38% of the issued Shares are held by public Shareholders.

The Company is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

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4.9 Takeover Implications

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

4.9.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Takeover Code.

4.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and
- (c) an individual and the close relatives thereof.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

4.9.3 Effect of Rule 14 and Appendix 2

With effect from 9 April 2012, and in general terms, the effect of Rule 14 and Appendix 2 of the Takeover Code is that, the Directors and persons acting in concert with them will be exempted from an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their

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concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months, provided that the conditions for exemption set out in paragraph 3(a) of Appendix 2 are satisfied. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

4.9.4 Take-over Implications arising from the Proposed Share Buy-back Mandate

(a) Fortsmith Parties

The deemed and direct interests of the Fortsmith Parties are set out below. As at the Latest Practicable Date, they have an aggregate direct interest in 75,700,000 Shares, representing 32.35% (ie. between 30% and 50%) of the total voting rights in the Company. **In the event that there is a purchase by the Company of up to the maximum limit of 10% of its issued Shares, ie. 23,400,000 Shares within any 6 month period as permitted by the Share Buy-back Mandate, the voting rights of the Fortsmith Parties are expected to increase by more than 1% within a 6 month period.**

For illustration only, and based on the direct holdings of Shares of the Fortsmith Parties as at the Latest Practicable Date, and assuming that:

- (i) there is no change in their direct holdings of Shares between the Latest Practicable Date and the date of the EGM, and
- (ii) no new Shares are issued by the Company between the Latest Practicable Date and the date of the EGM,

the respective holdings of Shares of the Fortsmith Parties as at the date of the EGM and after the purchase by the Company of 10% of the issued Shares pursuant to the Share Buy-back Mandate would be as follows:

	Before Share Buy-back (as at the date of the EGM)			After Share Buy-back		
	Direct Interest	Deemed Interest	Total Interest ⁽¹⁾	Direct Interest	Deemed Interest	Total Interest ⁽²⁾
Fortsmith Investments Limited	75,700,000	–	32.35%	75,700,000	–	35.94%
Sun Bowen	–	75,700,000 ⁽³⁾	32.35%	–	75,700,000 ⁽³⁾	35.94%

Notes:

- (1) As a percentage of the total 234,000,000 issued Shares as at the Latest Practicable Date.
- (2) As a percentage of the total 210,600,000 issued Shares (after the purchase, assuming that the Company purchases the maximum number of 23,400,000 Shares under the Share Buy-back Mandate).
- (3) Sun Bowen is deemed interested in the 75,700,000 Shares of Fortsmith Investments Limited by virtue of Section 7 of the Companies Act.

(b) DNX

As at the Latest Practicable Date, DNX has an aggregate direct interest in 69,966,000 Shares, representing 29.90% of the total voting rights in the Company. **In the event that there is a purchase by the Company of up to the maximum limit of 10% of its issued Shares, ie. 23,400,000 Shares as permitted by the Share Buy-back Mandate, the voting rights of DNX is expected to increase to 30% or more.**

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The Company's Non-Executive Directors, Mr Frankie Manuel Micallef and Mr Simon Hunter Atkinson, are respectively, a director and nominated representative of DNX, a Shareholder holding 29.90% of the total voting rights in the Company. Accordingly, Mr Frankie Manuel Micallef and Mr Simon Hunter Atkinson are Directors who could be considered parties acting in concert with DNX under the Take-over Code.

For illustration only, and based on the direct holdings of Shares of DNX as at the Latest Practicable Date, and assuming that:

- (i) there is no change in their direct holdings of Shares between the Latest Practicable Date and the date of the EGM, and
- (ii) no new Shares are issued by the Company between the Latest Practicable Date and the date of the EGM,

DNX's holdings of Shares as at the date of the EGM and after the purchase by the Company of 10% of the issued Shares pursuant to the Share Buy-back Mandate would be as follows:

	Before Share Buy-back (as at the date of the EGM)			After Share Buy-back		
	Direct Interest	Deemed Interest	Total Interest ⁽¹⁾	Direct Interest	Deemed Interest	Total Interest ⁽²⁾
DNX	69,966,000	–	29.90%	69,966,000	–	33.22%
Frankie Manuel Micallef	–	–	–	–	–	–
Simon Hunter Atkinson	–	–	–	–	–	–

(1) As a percentage of the total 234,000,000 issued Shares as at the Latest Practicable Date.

(2) As a percentage of the total 210,600,000 issued Shares (after the purchase, assuming that the Company purchases the maximum number of 23,400,000 Shares under the Share Buy-back Mandate).

4.9.5 Exemptions from the Requirement to Make a General Offer Pursuant to Appendix 2 of the Takeover Code

Pursuant to paragraph 3(a) of Appendix 2 of the Takeover Code, for Market Purchases or Off-Market Purchases by a listed company, directors and persons acting in concert with them will be exempted from the requirements to make an offer under Rule 14, subject to the following conditions:

- (i) the circular to shareholders on the resolution to approve the share buy-back mandate to contain advice to the effect that by voting for the resolution, shareholders are waiving their rights to a general offer at the required price from directors and parties acting in concert with them, who, as a result of the company buying back its shares would increase their voting rights to 30% or more, or, if they together hold between 30% and 50% of the company's voting rights, would increase their voting rights by more than 1% in any period of 6 months; and the names of such directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;
- (ii) the resolution to authorise a share buy-back to be approved by a majority of those shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buy-back;
- (iii) directors and/or persons acting in concert with them to abstain from voting for and/or recommending the shareholders to vote in favour of the resolution to authorise the share buy-back;

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- (iv) within 7 days after the passing of the resolution to authorise a buy-back, each of the directors to submit to the SIC, a duly signed form as prescribed by SIC;
- (v) directors and/or persons acting in concert with them not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:
 - (aa) the date on which the authority of the share buy-back expires; and
 - (bb) the date on which the company announces it has bought back such number of shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be,if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase to 30% or more, and
- (vi) directors and/or persons acting in concert with them, together holding between 30% and 50% of the company's voting rights, not to have acquired and not to acquire any shares between the date on which they know that the announcement of the share buy-back proposal is imminent and the earlier of:
 - (aa) the date on which the authority of the share buy-back expires; and
 - (bb) the date on which the Company announces it has bought back such number of shares as authorised by shareholders at the latest general meeting or it has decided to cease buying back its shares, as the case may be,if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase by more than 1% in the preceding 6 months.

It follows that where the aggregate voting rights held by a director and persons acting in concert with him increase by more than 1% solely as a result of the share buy-back and none of them has acquired any shares during the relevant period defined above, then such director and/or persons acting in concert with him would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

Shareholders should note that by voting for the Share Buy-back Mandate, they will be unconditionally and irrevocably waiving their right to receive a mandatory general take-over offer at the required price from the Fortsmith Parties and DNX in the circumstances set forth above. Such a take-over offer, if required to be made and had not been exempted pursuant to the provisions of paragraph 3(a) of Appendix 2 of the Take-over Code, would have to be made in cash or to be accompanied by a cash alternative at not less than the highest price (excluding stamp duty and commission) paid respectively by the Fortsmith Parties or DNX for any Share within the preceding 6 months.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought not to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buy-back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

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4.10 Reporting Requirements

The Listing Rules specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 am (i) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

4.11 No Purchases during Price Sensitive Developments

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of ordinary Shares pursuant to the proposed Share Buy-back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision, until the price sensitive information has been publicly announced.

In particular, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's full year results and the period of two weeks before the announcement of each of the first three quarters of its financial year.

4.12 Tax Implications

Pursuant to sections 10I and 10J of the Income Tax Act (Cap 134) of Singapore ("**Income Tax Act**"), where a company purchases its own shares and makes payment out of its contributed capital, it will not be regarded as a payment of dividend but a return of capital. Where a company purchases its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

For Market Purchases, the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Buy-back Mandate at the EGM.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfilment of certain conditions by the Shareholders, be treated for income tax purposes, in the hands of the Shareholders as the receipt of a dividend. This dividend is exempt from tax under the one-tier corporate tax system which became effective on 1 January 2003. Under the one-tier corporate tax system, resident companies pay a final income tax on their corporate profits and any distributions of dividends from their corporate profits will be exempt from tax in the hands of its shareholders.

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Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of Shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature.

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase in accordance with an equal access scheme authorised by the Company, and such Shareholders are not transferees to whom Section 10N of the Income Tax Act applies, will be treated for income tax purposes as the receipt of dividends and therefore exempt from tax in the hands of the Shareholders.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this letter and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this letter, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Buy-back Mandate.

Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Buy-back Mandate. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

5.1 Directors' Interests

As at the Latest Practicable Date, the Directors' interests in the Shares as recorded in the Register of Directors' Shareholdings are set out as follows:

	Direct Interest	Indirect/Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	% ⁽¹⁾
Directors				
Dr Lim Seck Yeow	–	18,334,000	18,334,000	7.84
Sun Bowen	–	75,700,000	75,700,000	32.35
Bao Hongwei	4,788,000	8,604,000	13,392,000	5.73
Frankie Manuel Micallef	–	–	–	–
Simon Hunter Atkinson	–	–	–	–
Ong Tai Tiong Desmond	–	–	–	–
Wee Phui Gam	–	–	–	–
Professor Jiang Rongguang	–	–	–	–

Note:

(1) Based on 234,000,000 Shares, as at the Latest Practicable Date.

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5.2 Substantial Shareholders' Interests

As at the Latest Practicable Date, the Substantial Shareholders' interests in the Shares as recorded in the Register of Substantial Shareholders are set out as follows:

Substantial Shareholders	Direct Interest	Indirect/Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	% ⁽¹⁾
Fortsmith Investments Limited	75,700,000	–	75,700,000	32.35
DNX Australia Pty Limited	69,966,000	–	69,966,000	29.90
Fivestar Limited	18,334,000	–	18,334,000	7.84
Lombard Inc.	8,604,000	–	8,604,000	3.68
Sun Bowen ⁽²⁾	–	75,700,000	75,700,000	32.35
Dr Lim Seck Yeow ⁽³⁾	–	18,334,000	18,334,000	7.84
Tan Geok Bee ⁽⁴⁾	4,231,000	18,334,000	22,565,000	9.65
Bao Hongwei ⁽⁵⁾	4,788,000	8,604,000	13,392,000	5.73

Notes:

- (1) Based on 234,000,000 Shares, as at the Latest Practicable Date.
- (2) Sun Bowen is deemed to be interested in the Shares held by Fortsmith Investments Limited by virtue of Section 7 of the 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 Companies Act.
- (4) Tan Geok Bee is deemed to be interested in the shares held by Fivestar Limited by virtue of Section 7 of the Companies Act.
- (5) Bao Hongwei is deemed to be interested in the Shares held by Lombard Inc. by virtue of Section 7 of the Companies Act.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE PROPOSED SHARE CONSOLIDATION AND PROPOSED SHARE BUY-BACK MANDATE

The Fortsmith Parties, DNX, and their concert parties, if any, will abstain from voting at the EGM in respect of the Ordinary Resolution relating to the Proposed Share Buy-back Mandate pursuant to the conditions under Appendix 2 to the Take-over Code as set out in Paragraph 4.9.5(iii) above.

Save as disclosed in this Circular and other than through their respective shareholdings in the Company, none of the Directors, or as far as the Company is aware, the Substantial Shareholders, have any interest, direct or indirect, in the Proposed Share Consolidation and/or the proposed adoption of the Share Buy-back Mandate.

7. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the Proposed Share Consolidation is in the interests of the Company. Accordingly, they recommend that Shareholders **vote in favour** of the Ordinary Resolution in respect of the Proposed Share Consolidation.

The Directors, other than Mr. Sun Bowen, Mr Frankie Manuel Micallef and Mr Simon Hunter Atkinson who are abstaining from making any recommendations to Shareholders pursuant to the conditions for exemption under Appendix 2 to the Take-over Code (as set out Paragraph 4.9.5(iii) above), having fully considered, *inter alia*, the terms and rationale of the Proposed Share Buy-back Mandate as set out in this Circular, are of the opinion that the Proposed Share Buy-back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders **vote in favour** of the Ordinary Resolution in respect of the Proposed Share Buy-back Mandate.

LETTER TO SHAREHOLDERS

8. BOOKS CLOSURE DATE

The Books Closure Date for the purpose of determining Shareholders' entitlements pursuant to the Proposed Share Consolidation will be announced at a later date.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 26 of this Circular, will be convened at 10.30 a.m. on 30 July 2015 (or as soon thereafter following the conclusion of the AGM to be held at 9.30 a.m. on the same day and at the same venue), at 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835, for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the Notice of EGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting in person if he so wishes.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 48 hours before the EGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors who 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 Share Consolidation, the proposed adoption of the Share Buy-back 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 Circular misleading.

Where information in this 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 this Circular in its proper form and context.

12. DOCUMENTS FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company, and
- (b) the audited financial statements of the Company and the Company for the financial year ended 31 March 2015.

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

LIM SECK YEOW
Non-Executive Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

FABCHEM CHINA LIMITED

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Fabchem China Limited ("**Company**") will be held at 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835, on 30 July 2015 at 10.30 a.m. (or as soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same venue), for the purpose of considering and, if thought fit, approving, with or without amendment, the following ordinary resolutions:

All capitalised terms contained herein shall, unless otherwise defined in this Notice, bear the respective meanings ascribed thereto in the circular to shareholders of the Company dated 15 July 2015 ("**Circular**").

ORDINARY RESOLUTION 1:

(1) Proposed Share Consolidation

THAT:

- (a) the proposed consolidation of every five (5) Existing Shares held by Shareholders as at a books closure date to be determined by the Directors ("**Books Closure Date**") into one (1) Consolidated Share in the manner set out in the Circular be and is hereby approved;
- (b) any fraction of a Consolidated Share which may arise from the Proposed Share Consolidation pursuant to paragraph (a) above shall be disregarded without compensation to the affected Shareholders, and all fractions of the Consolidated Shares to which holders of the Existing Shares would otherwise be entitled to shall be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company;
- (c) the Directors of the Company be authorised to fix the Books Closure Date and the date on which the Shares will trade on the SGX-ST in board lots of 100 Consolidated Shares ("**Effective Trading Date**") in their absolute discretion as they deem fit; and
- (d) the Directors be authorised to do and execute all such acts and things as they or he may consider necessary or expedient to give effect to this resolution and the Proposed Share Consolidation.

ORDINARY RESOLUTION 2:

(2) Proposed adoption of the Share Buy-back Mandate

THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act (Cap 50) of Singapore ("**Companies Act**") and Rule 882 of the Listing Manual of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the SGX-ST and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"), and/or

NOTICE OF EXTRAORDINARY GENERAL MEETING

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable (on a poll taken), be and is hereby authorised and approved generally and unconditionally (“**Share Buy-back Mandate**”);

(iii) in this Ordinary Resolution:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

“**Date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price of an Off-Market Purchase) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Market Day**” means a day on which SGX-ST is open for securities trading; and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed (i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price of the Shares; and (ii) in the case of an Off-Market Purchase of a Share, 110% of the Average Closing Price of the Shares; and

(iv) the Directors and each of them be authorised and empowered to complete and do and execute all such things and acts (including, without limitation, executing all such documents as may be required) as they or he may think necessary or expedient to give effect to this Ordinary Resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company.

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held, or

(ii) the date by which the next AGM of the Company is required by law to be held.

BY ORDER OF THE BOARD

Tan Min-Li
Company Secretary
Singapore
15 July 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint no more than two proxies to attend and vote in his behalf and such proxy need not be a member of the Company.
2. The proxy form must be deposited at the Company's registered office at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time of the EGM.
3. A Depositor's name must appear in the Depository Register maintained by the Central Depository (Pte) Limited at least 48 hours before the time fixed for the holding of the EGM or any postponement or adjournment thereof, in order for the Depositor to attend and vote at the EGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**", (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200413128G)

IMPORTANT

1. This Circular is forwarded to CPF Investors at the request of their CPF Approved nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 15 July 2015.

PROXY FORM

EXTRAORDINARY GENERAL MEETING

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

of _____ (Address)

being a *shareholder/member of the above Company, hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholder (%) (if more than one (1) proxy is appointed)

*and/or

Name	Address	NRIC/ Passport No.	Proportion of Shareholder (%) (if more than one (1) proxy is appointed)

or failing whom, the Chairman of the Extraordinary General Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835 on 30 July 2015 at 10.30 a.m. (or as soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same venue), and any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions	For ⁽¹⁾	Against ⁽¹⁾	No. of votes for ⁽²⁾	No. of votes against ⁽²⁾
1.	Ordinary Resolution: Proposed Share Consolidation Resolution 1				
2.	Ordinary Resolution: Proposed adoption of the Share Buy-back Mandate Resolution 2				

Notes:

- (1) Please indicate your vote "For" or "against" with a tick within the box provided.
- (2) If you wish to exercise all your votes "For" or "Against", please indicate with a tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2015

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

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

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



Notes

1. A shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Where a shareholder of the Company appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. If any proxy/proxies is/are to be appointed, please strike out the words "the Chairman of the Extraordinary General Meeting" and insert the name(s) and address(es) of the proxy/proxies desired in the blank space provided.
4. A shareholder of the Company should insert the total number of shares held. If the shareholder of the Company has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the shareholder of the Company has shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of shares. If the shareholder of the Company has shares entered against his/her name in the Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all shares held by the shareholder of the Company.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company located at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time set for the Extraordinary General Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified true copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies, 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 on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by the Central Depository (Pte) Limited to the Company.

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