

FABCHEM CHINA LIMITED

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

THE PROPOSED ACQUISITION OF THE PROPERTY (AS DEFINED BELOW) FROM SHANDONG YINGUANG TIANHONG PROPERTY DEVELOPMENT CO., LTD BY FABCHEM CHINA LIMITED THROUGH ITS WHOLLY-OWNED SUBSIDIARY SHANDONG YINGUANG TECHNOLOGY CO., LTD. (THE “ACQUISITION”)

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Fabchem China Limited (the “**Company**” and together with its subsidiary, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary Shandong Yinguang Technology Co., Ltd. (the “**Purchaser**”) has on 12 June 2017 entered into a legally binding term sheet (the “**Term Sheet**”) with Shandong Yinguang Tianhong Property Development Co., Ltd (山东银光天宏房地产开发有限公司) (the “**Vendor**”) (collectively, the “**Parties**”) pursuant to which the Purchaser intends to acquire the Property (as defined in Section 2.2 below) for the Consideration (as defined in Section 3.1(a) below).

2. INFORMATION ON THE VENDOR AND THE PROPERTY

The information in this section relating to the Vendor and the Property is based on information provided by and/or representations made by the Vendor. The Directors have not conducted independent review or verification of the statements and information below.

2.1 The Vendor

The Vendor is a property development company incorporated in the People’s Republic of China (“**PRC**”) and is wholly-owned by Shandong Yinguang Chemical Group Co., Ltd (“**Yinguang Chemical Group**”).

Sun Bowen, the Managing Director and a controlling shareholder of the Company, holds an aggregate of 60.0% of the issued and paid-up share capital of Yinguang Chemical Group. Bao Hongwei, the Executive Director of the Company, holds an aggregate of 6.0% of the issued and paid-up share capital of Yinguang Chemical Group. Sun Qiang, the son of Sun Bowen and the sales and marketing manager of the Company, holds approximately 3.5% of the issued and paid-up share capital of Yinguang Chemical Group. The remaining 30.5% of the issued and paid-up share capital of Yinguang Chemical Group are held by other third parties who are not related to the Directors and controlling shareholders of the Company. Both Sun Bowen and Bao Hongwei are directors of Yinguang Chemical Group.

2.2 The Property

The property comprises the 13th, 14th and 15th storeys of Yinguang Fuyuan Plaza and a total built-up area of approximately 3,499.83 square metres as well as 39 carpark lots (the “**Property**”). Yinguang Fuyuan Plaza is located in Fei County, at the junction of two (2) major highways in Linyi City, Fei County, Shandong Province, PRC.

Yinguang Fuyuan Plaza is a Grade A commercial and office building with 18 floors and one (1) basement level, amounting to a total built-up area of 30,196.21 square metres. Construction of Yinguang Fuyuan Plaza was completed on 31 January 2015. All regulatory approvals required for the completion of construction of Yinguang Fuyuan Plaza have been obtained.

3. DETAILS RELATING TO THE ACQUISITION

3.1 Key terms of the Term Sheet

(a) Payment of Consideration

The consideration for the Acquisition will be approximately RMB32.87 million (the “**Consideration**”), and is arrived at on a willing buyer willing seller basis taking into account the prevailing market rates of selling prices for commercial office units in the same building and in the vicinity.

The Consideration will be satisfied fully in cash in the following manner:

- (i) 30% of the Consideration upon signing of the Agreement (as defined in Section 3.1(c) below) (less any payment made by the Purchaser prior to the signing of the Agreement (as defined in Section 3.1(c) below), including but not limited to the Refundable Deposit (as defined below));
- (ii) 30% of the Consideration within 36 months after the signing of the Agreement (as defined in Section 3.1(c) below); and
- (iii) the remaining 40% of the Consideration within 48 months after the signing of the Agreement (as defined in Section 3.1(c) below).

Yinguang Technology had in March 2017 made payment of the Refundable Deposit (as defined below) to the Vendor in return for an exclusive right to deal with the Vendor in respect of the Property for an exclusive period of up until 30 June 2017 (or such other date as the Parties may mutually agree in writing). The RMB6 million as a refundable deposit (the “**Refundable Deposit**”) was paid by the Purchaser to the Vendor, provided that the Refundable Deposit shall be immediately refunded in full to the Purchaser without demand upon the occurrence of any of the following events:

- (i) the approval of the board of directors of the Purchaser for the transactions contemplated in the Term Sheet not being obtained for any reason;

- (ii) the requisite approval of the shareholders of the Purchaser and the Company at the extraordinary general meetings of such respective entities not being obtained for the Acquisition for any reason; or
- (iii) if required, the approval of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the Acquisition not being obtained, or where such approval is obtained and is subject to conditions, such conditions not being reasonably acceptable to the Purchaser and the Company.

The Company intends to satisfy the Consideration using internal sources of funds.

(b) Conditions Precedent

Completion of the Acquisition shall be subject to the satisfaction of, *amongst others*, the conditions precedent (the “**Conditions Precedent**”) stipulated below:-

- (i) the approval of the board of directors of the Purchaser being obtained for the transactions contemplated in the Term Sheet;
- (ii) the requisite approval of the shareholders of the Purchaser and the Company at the extraordinary general meetings of such respective entities being obtained for the Acquisition;
- (iii) if required, the approval of the SGX-ST for the Acquisition being obtained, and if such approval is subject to conditions, such conditions being reasonably acceptable to the Purchaser and the Company;
- (iv) all ownership titles to the Property being transferred to or obtained by the Purchaser; and
- (v) the Vendor obtaining all relevant local regulatory and governmental approvals, permits and/or clearances for the sale and purchase of the Property, and the completion of the Acquisition, and providing the necessary documentary evidence to the Purchaser.

(c) Long Stop Date

The Parties agree that the formal agreement for the sale and purchase of the Property (“**Agreement**”) shall be executed by no later than three (3) months from the date of the Term Sheet (or such later date as the parties hereto may agree in writing after the date of the Term Sheet) (the “**Long Stop Date**”).

(d) Completion Date

Completion of the Acquisition (“**Completion**”) shall be on such date as may be specified and provided for in the Agreement, but in any event shall be no later than 14 days after the date on which the last of the Conditions Precedent, and including the conditions precedents as set out in the Agreement, is satisfied or waived.

(e) Vacant Possession

Upon Completion, the Vendor shall deliver vacant possession of the Property to the Purchaser. The Property shall be sold to the Purchaser, its nominee or sub-purchaser free from encumbrances.

(f) Termination

The Term Sheet shall automatically lapse and terminate and cease to be in full force and effect on the earliest of the following dates:

- (i) the date on which the Agreement is executed; or
- (ii) the Long Stop Date, in the event that the Agreement is not executed for whatever reason,

and the Parties shall not have any claims against one another.

3.2 Valuation Report

The Company has appointed AVA Associates Limited (the “**Valuer**”) to prepare a valuation report opining on the Acquisition (the “**Valuation Report**”). The Valuation Report will be included in the circular (the “**Circular**”) to shareholders of the Company to be despatched in due course.

The Valuer is based in Hong Kong and Singapore and has been providing independent valuation services to clients in Asia since 2008. It provides transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements, including those for public disclosure. Its valuation expertise covers all classifications of tangible and intangible assets, focusing on four (4) key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.

4. RELEVANT RULES OF THE SGX-ST LISTING MANUAL (“LISTING MANUAL”)

4.1 Chapter 9 of the Listing Manual

As disclosed above, the Vendor is wholly-owned by Yinguang Chemical Group. Sun Bowen, the Managing Director and a Controlling Shareholder of the Company and Bao Hongwei, the Executive Director of the Company, holds an aggregate of 60.0% and 6.0% of the issued and paid-up share capital of Yinguang Chemical Group respectively. Sun Qiang, the son of Sun Bowen and the sales and marketing manager of the Company, holds approximately 3.5% of the issued and paid-up share capital of Yinguang Chemical Group. The remaining 30.5% of the issued and paid-up share capital of Yinguang Chemical Group are held by other third parties who are not related to the Directors and Controlling Shareholders of the Company. Both Sun Bowen and Bao Hongwei are also directors of Yinguang Chemical Group.

By virtue of Sun Bowen's and Bao Hongwei's shareholding in Yinguang Chemical Group, which in turn holds 100% of the Vendor, the Vendor is considered an indirect associate of Sun Bowen and Bao Hongwei and is therefore deemed to be an interested person. Accordingly, transactions entered into between the Group and the Vendor are deemed interested person transactions, and would be subject to Chapter 9 of the Listing Manual.

The aggregate value of the Acquisition is RMB32.87 million and represents approximately 8.9% of both the latest announced unaudited consolidated net tangible assets ("NTA") of RMB369.17 million for the Group for the financial year ended 31 March 2017 ("FY2017") and the latest audited NTA of RMB368,054,000 for the Group for the financial year ended 31 March 2016. As the value of the Acquisition is more than 5.0% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, independent shareholders' approval is required for the Acquisition.

4.2 Chapter 10 of the Listing Manual

The relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:-

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value ⁽¹⁾	Not Applicable
(b)	Net profits attributable to the Property, compared with the Group's net profits	Not Applicable as the Property will be used by the Group for its corporate headquarters and no profits are attributable to the Property
(c)	The Consideration of RMB32.87 million, compared with the Company's market capitalisation of RMB35.62 million on 9 June 2017, being the last market day on which the Company's shares were traded preceding the date of the Term Sheet, based on the total number of issued shares excluding treasury shares	92.3% ⁽²⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate	Not Applicable

	of the Group's proved and probable reserves (applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company)	
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Notes:

- (1) This is not applicable to an acquisition of assets.
- (2) Based on the Consideration of RMB32.87 million and the Company's market capitalisation of RMB35.62 million. Under Rule 1002(5), "market capitalisation" is determined by multiplying the number of shares in issue by the volume weighted average price of such shares transacted on 9 June 2017, being the last market day the shares were traded on the SGX-ST immediately preceding the date of the Term Sheet. An exchange rate of S\$1.00:RMB4.91 on 9 June 2017 as extracted from Bloomberg was used.

Since the relative figure for Rule 1006(c) exceeds 20% in respect of the Acquisition, the Acquisition is regarded as a major transaction pursuant to Rule 1013 of the Listing Manual. Accordingly, the Acquisition is conditional upon the approval of independent shareholders of the Company in an extraordinary general meeting ("**EGM**") to be convened.

5. RATIONALE FOR THE ACQUISITION

It is the Group's intention to acquire new premises to house the Group's corporate headquarters as the physical condition of the existing building in which the Group's corporate headquarters is currently situated is deteriorating due to wear and tear. As a result, the existing premises are gradually becoming unfit for use and occupation and in the near future may possibly give rise to workplace health and safety concerns.

As described above, the Property is located in a strategic location with good transportation links. The Property will also be within close proximity of the Fei County Railway Station which is expected to commence operations at the end of 2019.

The Acquisition would also boost the asset base of the Group, thereby enhancing the credibility and financial position of the Group from the perspective of its customers and business partners in the PRC.

With the prevalent increase of property prices in the PRC, the Directors also believe that the Acquisition provides an opportunity for the Group to acquire prime property at reasonable cost. This is especially so as the location of the Property is within the heart of the future business district of Fei County, Linyi City, Shandong Province, PRC.

6. FINANCIAL EFFECTS OF THE ACQUISITION

The financial effects of the Acquisition,

- (i) on the net tangible assets ("**NTA**") per share of the Group for the most recently completed financial year, being FY2017, assuming the Acquisition had been effected on 31 March 2017;

- (ii) on the earnings per share (“**EPS**”) from continuing operations of the Group for the most recently completed financial year, being FY2017, assuming the Acquisition had been effected on 1 April 2016; and
- (iii) on the gearing of the Group for the most recently completed financial year, being FY2017, assuming the Acquisition had been effected on 31 March 2017,

are as follows:

NTA

	Before adjusting for the Acquisition	After adjusting for the Acquisition
NTA (RMB'000)	369,173	369,173
NTA per share (RMB cents)	788.83	788.83

EPS

	Before adjusting for the Acquisition	After adjusting for the Acquisition
Net profit after tax from continuing operations (RMB'000)	4,979	4,040
Weighted average number of shares ('000)	46,800	46,800
EPS from continuing operations (RMB cents)	10.64	8.63

Gearing

	Before Acquisition	After Acquisition
Total debt (RMB'000)	59,650	59,650
Total assets (RMB'000)	500,936	500,936
Gearing	0.12	0.12

7. OTHER INTERESTED PERSON TRANSACTIONS

The current total of all transactions (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) with the particular interested person for the current financial year up to the date of this announcement and the current total of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) entered into by the Group for the current financial year up to the date of this announcement are set out as follows:

Interested Person Transactions	Value (RMB'000)	As a percentage of the latest audited NTA of the Group as at 31 March 2016 of RMB368,054,000 (%)	As a percentage of the latest announced NTA of the Group as at 31 March 2017 of RMB369,173,000 (%)
<i>Sun Bowen, Bao Hongwei and their Associates</i>			
Yinguang Security ⁽¹⁾ (Provision of security services)	6,500	1.77	1.76
Wulian Hanyue ⁽²⁾ (Sales of commercial explosives)	3,692	1.00	1.00

Notes:

- (1) Yinguang Security is 100% held by Yinguang Chemical Group.
- (2) Wulian Hanyue is 83.0% held by Yinguang Chemical Group and 17.0% held by other third parties who are not related to the Directors and Controlling Shareholders of the Company.

Save as disclosed above, there are no other interested person transactions since the beginning of the current financial year up to the date of this announcement.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in Section 4.1, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

Sun Bowen and Bao Hongwei will abstain from making any recommendation in respect of the Acquisition. Sun Bowen, Bao Hongwei and their respective associates will also abstain from voting on the ordinary resolution in respect of the Acquisition to be proposed at the EGM and they will not accept appointment as proxies to vote at and attend the EGM in respect of the ordinary resolution relating to the Acquisition, unless the shareholder concerned has given specific instructions as to the manner in which his votes are to be cast at the EGM.

9. SERVICE CONTRACTS

No directors will be appointed to the Board pursuant to or in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. AUDIT COMMITTEE'S STATEMENT

The audit committee of the Company will consider the Valuation Report before forming its view as to whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders. The audit committee's view will be set out in the Circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Term Sheet will be made available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement. The Valuation Report, when available, will similarly be made available for inspection.

12. CIRCULAR TO SHAREHOLDERS

The Circular containing details of the Acquisition, the Valuation Report and a notice convening the EGM of the Company will be despatched to the shareholders of the Company in due course.

The Acquisition is both an interested person transaction as well as a major transaction for which the approval of independent shareholders is required to be sought at the EGM.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

By Order of the Board

Sun Bowen
Managing Director
12 June 2017