

**RESPONSE TO SGX'S QUERIES ON ANNUAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

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The Board of Directors (the “**Board**”) of Fabchem China Limited (the “**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on its Annual Report 2021 for the financial period ended 30 June 2021 (“**FY2021**”) released on 13 August 2021, and wishes to provide the following clarifications:

**SGX Query 1:**

The Company disclosed in its Annual Review of Director's Independence on page 35 of the FY2021 Annual Report that “Mr Wee Phui Gam, the Lead Independent Director of the Company, and Prof. Jiang Rongguang, the Independent Director of the Company, have served on the Board for more than nine years”. The Company has not indicated that a rigorous review of his independence had been conducted and has not provided an explanation as to why he should be considered independent. Paragraph 2.4 of the Code of Corporate Governance 2012 (the “Code”) states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent. As required under Listing Rule 710, please make disclosures as recommended in the Code or otherwise explain the reason(s) for the deviation from the Code guidelines.

**Company's response:**

The Company wish to clarify that on Page 35 of the FY2021 Annual Report, the Company had stated the statements as appended below (in *italics* for ease of reference) which in the opinion of the Company (a) demonstrates the outcome of the NC's rigorous review conducted in reviewing Mr Wee Phui Gam and Prof. Jiang Rongguang continued independence and (b) provide explanation (underlined for ease of reference) as to why the NC and the Board had considered both of Directors to continue to be independent, in compliance with Paragraph 2.4 of the Code:

*“The NC is of the view that both Mr Wee Phui Gam and Prof. Jiang Rongguang continue to demonstrate their abilities to exercise strong independent judgment in their deliberations and act in the best interests of the Company. The length of their service on the Board have not affected their independence from Management. They continue to express their views and debate on issues in connection with the Company's matters and Management's actions. Further, having gained indepth understanding of the business and operating environment of the Group, they provide the Company with the relevant experience and knowledge of the industry.*

*After taking all these factors into account and having weighed the need for Board refreshment against tenure for relative benefit, the NC has reviewed and determined that both Mr Wee Phui Gam and Prof. Jiang Rongguang continue to be independent, notwithstanding that their tenure on the Board has exceeded nine years. The NC has recommended to the Board and the Board has, with the NC's recommendation, reviewed their appointment and considers both Mr Wee Phui Gam and Prof. Jiang Rongguang to be independent. The Board is satisfied that both Mr Wee Phui Gam and Prof. Jiang Rongguang have truly demonstrated integrity, independent judgment, objectivity in the discharge of their duties, and professionalism and that there is no conflict of interest in dealings with the Company, rather than simply imposing a maximum number of years that they should serve on the Board, which can be arbitrary.*

*The NC has reviewed the independence of each Director for FY2021 in accordance with the Code's definition of independence and is satisfied that both Mr Wee Phui Gam and Prof. Jiang Rongguang remain as Independent Directors of the Company.”*

Apart from the above, the Company would like to add that the NC and the Board have determined that during FY2021, Mr Wee Phui Gam and Prof. Jiang Rongguang's tenure in office have not affected their independence or ability to bring about independent judgement in the discharge of their duties as members of the Board. They have demonstrated strong independence in character and exercised independent judgement in the best interest of the Company and its shareholders, over the years while discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinise and challenge Management's proposals, as well as participate in discussions on business activities and transactions involving conflicts of interests and other complexities.

The NC had also noted that Mr Wee Phui Gam and Prof. Jiang Rongguang do not hold any shares in the Company, and cannot exercise any significant influence in the Company and the Group, other than by virtue of their role as Directors of the Company. Each of Mr Wee Phui Gam and Prof. Jiang Rongguang has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company.

Based on the foregoing, the NC, having considered Provision 2.1 of the Code of Corporate Governance 2018, has determined that Mr Wee Phui Gam and Prof. Jiang Rongguang are considered "independent" and the Company has complied with Paragraph 2.4 of the Code.

#### **SGX Query 2:**

Listing Rule 1207(10) requires the board to comment in the Company's Annual Report on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems. It is disclosed on page 43 of the Company's Annual Report that "The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational, compliance and information technology controls, and risk management systems of the Group in its current business environment." Please provide the board's comment on the effectiveness of the internal controls in addressing financial, operational, compliance and information technology controls, and risk management systems.

#### **Company's response:**

The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate **and effective** to address financial, operational, compliance and information technology controls, and risk management systems of the Group in its current business environment.

#### **SGX Query 3:**

The Company disclosed on page 46 of the Annual Report that "The Company has set up an Internal Audit ("IA") function to provide internal audit services to the Company" and "The internal auditor is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants." To provide details of the track record and experience of the internal auditor in internal audit and the standards applied for internal audit undertaken.

#### **Company's response:**

The internal auditor is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants and has more than 20 years of auditing experience, including internal and external audit in a Big 4 accounting firm and public listed companies. The internal audit work is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

**SGX Query 4:**

The Company disclosed on page 59 of the Annual Report that “Based on the internal controls established and maintained by the Company, work performed by the internal auditor and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that Company’s internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, were adequate as at 30 June 2021.” Please opine if the aforementioned controls were also effective as required under Listing Rule 1207(10). To explain why if otherwise.

**Company’s response:**

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that Company’s internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, were adequate **and effective** as at 30 June 2021.

**SGX Query 5:**

The Company is required to disclose in its Annual Report the name of the interested person, nature of relationship and the corresponding aggregate value of the interested person transactions entered into with the same interested person in the prescribed format under Listing Rule 907. Please disclose accordingly.

**Company’s response:**

Details required under Rule 907 was disclosed on page 49 of the Annual Report under Interested Person Transactions.

**SGX Query 6:**

Please disclose if the Company has at least two independent directors, resident in Singapore as required under Listing Rule 221. If not, please explain if the Company is taking steps to comply with the requirements and when will the directors be appointed.

**Company’s response:**

Only Wee Phui Gam is a Singapore resident Independent Director of the Company. The Company is incorporated in Singapore and is not a foreign issuer within the meaning of Rule 221 of the Listing Rules.

By Order of the Board

Wee Phui Gam  
Acting Chairman and Lead Independent Director  
27 October 2021