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Issuer: Fabchem China Limited

Security: Fabchem China Limited

Meeting details:

Date: 31 July 2018

Time: 9.30 a.m.

Venue: 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835

Company Description

Fabchem China Limited, an investment holding company, manufactures and sells commercial explosive products in the People's Republic of China. It operates through four segments: Explosives Devices, Industrial Fuse and Initiating Explosives Devices, Industrial Detonators, and Ammonium Nitrate. The company offers explosive devices, such as boosters that are used to enhance the power of the explosions; industrial fuse and initiating explosive devices, such as detonating cords and non-electric tubes, which are used to initiate the detonation process; and industrial detonators, such as non-electric detonators and piston non-electric detonators that are used to initiate explosions, either through boosters or applied directly on the explosives. It provides its products under the Yinguang brand, as well as other third parties' brands. The company offers its products for use in mining, hydroelectric, and infrastructure construction industries; and for activities, such as coal mining, oil exploration, construction of hydroelectric dams, roads and railways, and large construction projects. It also exports its products through export distributors to customers in approximately 10 countries, including Australia, South Africa, Mongolia, India, Kazakhstan, and Kyrgyzstan. Fabchem China Limited was founded in 1979 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BFT)

1. On 19 December 2017, the company announced that Mr Sun Bowen would be re-designated from the position of Managing Director to Executive Director and Senior Advisor of the Company with effect from 1 January 2018.

- (i) Can the board/company help shareholders understand if this is part of the regular succession plans of the company?**
- (ii) Would the board/company also elaborate further on the separation of the roles and responsibilities of Mr Bao Hongwei, as Managing director, and of Mr Sun Bowen, as executive director and senior advisor?**
- (iii) Mr Sun was first appointed as a non-executive director and then re-designated as an executive director at Imperium Crown Limited, a Singapore listed company that is undertaking the development of the Wonder Stone Park in Shandong. Would Mr Sun update shareholders on his commitment to the company? How would Mr Sun be allocating his time and energy between his various commitments?**
- (iv) Can the board also provide better clarity on the succession planning for other board directors, including chairman, and for the key management personnel?**

2. The group has installed and began operating the two automated boosters production lines and have started construction of the third automated boosters production line.

- (i) What is the group's production capacity of boosters from the first two automated boosters production lines?**
- (ii) How much more will the production capacity increase with the third line that is under construction?**
- (iii) Having operated the two automated boosters production lines during the past year, what are the estimated cost savings and how much more cost-efficient is the group's operations now?**

3. Guideline 2.2 of the 2012 Code of Corporate Governance states that independent directors should make up at least half of the Board where, inter alia, the chairman of the board is not an independent director.

The chairman of the board is considered non-independent and, to comply with the Code, independent directors should make up at least half the board to allow for strong and independent element on the board to exercise objective judgement on corporate affairs independently.

In the Corporate Governance Report, the company has disclosed the following:

As the Chairman of the Board is not an independent director, it is recommended by the Code that the independent directors should make up at least half of the Board. The

Board is of the opinion that the Company currently has a diversified Board with 5 members from different background (finance and industry experts) and countries (Singapore and China) (page 34).

- (i) Would the board further explain how the current board composition constitutes a strong and independent board in the spirit of Guideline 2.2 (and not justify its deviation based on “diversity”)?**
- (ii) Has the board considered the benefits of having a stronger independent element on the board (by having independent directors make up at least half the board) especially as the group is facing challenges in the core business?**
- (iii) Would the board reconsider its deviation from the guideline and reconstitute the board such that independent directors make up at least half the board?**
- (iv) What is the search and nomination process for new directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Fabchem%20China%20Ltd>

The company's response could be found here: -----