

SUNVIC CHEMICAL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200406502E)

PROPOSED DISPOSAL OF 45% EQUITY INTEREST IN TAIXING SUNKE CHEMICALS CO., LTD

1. INTRODUCTION

- 1.1. The Board of Directors (the “**Board**”) of Sunvic Chemical Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 2 November 2018.
- 1.2. Further to the announcement released by the Company on 2 November 2018, the Board wishes to announce that Taixing Jurong Chemical Co., Ltd (“**Taixing Jurong**”), a wholly-owned subsidiary of the Company, has entered into a binding letter of intent (“**LOI**”) with Arkema Asie SAS (the “**Purchaser**”) on 5 November 2018. Pursuant to the LOI, Taixing Jurong has committed to, amongst others, dispose of its 45% equity interest in the share capital (the “**Sale Shares**”) of Taixing Sunke Chemicals Co., Ltd (“**Taixing Sunke**”), to the Purchaser (or any of its affiliates) (the “**Proposed Disposal**”).
- 1.3. As the Sale Shares represent the entire interest of the Company in Taixing Sunke, following the completion of the Proposed Disposal, the Company will cease to have any interest in Taixing Sunke.
- 1.4. The Proposed Disposal constitutes a major transaction under Rule 1014 of the listing manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), and is subject to the approval of the Company’s shareholders in a general meeting.

2. INFORMATION ON TAIXING SUNKE

- 2.1. Taixing Sunke is a sino-foreign joint venture company incorporated in the People’s Republic of China (“**PRC**”), and is a joint venture between Taixing Jurong and the Purchaser under which Taixing Jurong holds 45% and the Purchaser holds 55% of the equity interest of Taixing Sunke. Please refer to the Company’s circular dated 19 May 2014 and the announcements by the Company dated 23 January 2014, 29 January 2014, 21 October 2014, 13 November 2014, 17 February 2015, 28 July 2015, 2 February 2016, 20 June 2016 and 12 August 2016 for more information on the joint venture.
- 2.2. Taixing Sunke is principally engaged in the business of manufacturing and sale of acrylic acid and acrylate esters. for the exclusive benefit of Taixing Jurong and the Purchaser, and their respective affiliates (Dynix Pte Ltd in respect of Taixing Jurong, and Arkema (Taixing) Chemicals Co., Ltd. and Arkema Company Limited in respect of the Purchaser).

3. INFORMATION ON THE PURCHASER

- 3.1. The Purchaser is a company incorporated in France and is listed on the Paris Bourse. It is a global chemical company and one of the leading chemical producers in France.
- 3.2. The Purchaser is an independent party unrelated to the Company (save for the Purchaser's equity holding in Taixing Sunke) or any of the directors of the Company, the controlling shareholders of the Company, or their respective associates.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1. Sale and purchase of the Sale Shares

Pursuant to the LOI, Taixing Jurong has committed to sell, and the Purchaser (or any of its affiliates) has agreed to acquire the Sale Shares on the terms and subject to the conditions of the Transaction Documents (as defined below).

4.2. Transaction Documents

Pursuant to the LOI, Taixing Jurong and the Purchaser (or any of its affiliates) have agreed that they will use their best effort to execute any and all agreements and documents that are necessary to consummate the Proposed Disposal, which shall include without limitation:

- (a) an equity transfer agreement between Taixing Jurong and the Purchaser in respect of the Proposed Disposal (the "**Equity Transfer Agreement**"); and
- (b) a supplemental agreement to ascertain the Transfer Price (as defined below) and in particular, the Amount X (as defined below), and for the purpose of completing governmental registration/filing with competent authorities including without limitation the local branches of the Ministry of Commerce of the PRC, the State Administration for Market Regulation of the PRC and the State Administration of Foreign Exchange of the PRC, after all conditions precedent for Closing (as defined below) have been satisfied or waived in accordance with the Equity Transfer Agreement (the "**Supplemental Agreement**").

Contemporaneous with the execution of among others, the Equity Transfer Agreement and the Supplemental Agreement, a supply agreement will be entered into between Taixing Jurong and Taixing Sunke for the sale and purchase of crude acrylic acid and acrylic acid residue. (the "**Supply Agreement**" and collectively with the Equity Transfer Agreement and the Supplemental Agreement, the "**Transaction Documents**").

Taixing Jurong and the Purchaser have further agreed that all the Transaction Documents shall be finalised and duly executed prior to 30 November 2018.

4.3. Consideration

Pursuant to the LOI, Taixing Jurong and the Purchaser have agreed that the consideration for the Proposed Disposal shall be RMB700.0 million plus Amount X (as defined below) (the “**Transfer Price**”). The Transfer Price was arrived at on a willing-buyer and willing-seller basis after taking into consideration (a) the current market over supply situation in the PRC in terms of the products produced by Taixing Sunke, (b) the higher regulatory compliance costs arising from tightened environment protection regulations in the PRC, (c) that the Sale Shares constitute a minority stake in Taixing Sunke, and (d) the on-going arbitration and injunction proceedings as further described at paragraph 4.7 below.

Under the Amended and Restated Product Supply Agreement signed between Taixing Jurong and Taixing Sunke on 18 June 2016, Taixing Jurong is liable to pay (i) the fixed costs and a mark-up fee of 10% accrued from the later of the date on which the Transaction Documents are entered into or 31 December 2018 until the Closing Date, and (ii) depreciation and amortisation and a mark-up fee of 10% accrued from 1 October 2018 until the Closing Date (items (i) and (ii) being collectively referred to the “**Amount X**”). Taixing Sunke had implemented a “Stop of Supply” order against Taixing Jurong in end July 2018, and as such Taixing Jurong stopped the procurement of acrylic acids and acrylate esters from Taixing Sunke. It was then mutually agreed between Taixing Jurong and Taixing Sunke that the “Stop of Supply” order implemented will end on the Closing Date which is estimated to be on 30 April 2019.

Amount X is estimated to be RMB108.7 million if Closing Date falls on 30 April 2019 and will vary if the Closing Date is earlier than 30 April 2019.

Regardless of the actual amount of Amount X, the Purchaser has agreed to pay Taixing Jurong the equivalent of Amount X as part of the Transfer Price of which Taixing Jurong then has to onwards pay to Taixing Sunke as its share of fixed costs, depreciation and amortisation during the “Stop of Supply” period.

4.4. Settlement

Pursuant to the LOI, Taixing Jurong and the Purchaser have agreed that on the date when Closing takes place (the “**Closing Date**”), final settlement on previous overdue amounts and payables shall be made between Taixing Jurong and Taixing Sunke as well as other related parties. Taixing Jurong and the Purchaser have further agreed, and shall procure their respective affiliates (if applicable) to agree:

- (a) that on the Closing Date, the payables owed by Taixing Sunke to Taixing Jurong by the Closing Date shall be set off against the aggregate overdue amounts owed by Taixing Jurong to Taixing Sunke and/or the Purchaser (and/or any of its affiliates, if applicable) by the Closing Date; and
- (b) to enter into all necessary documents (if any) to effectuate such set-off between Taixing Jurong, the Purchaser (and/or any of its affiliates, if applicable) and Taixing Sunke.

The aggregate overdue amounts (excluding the Amount X) owed by Taixing Jurong to Taixing Sunke and/or the Purchaser (and/or any of its affiliates, if applicable) less the payables owed by Taixing Sunke to Taixing Jurong (the “**Net Overdue Amount**”) as at the date of this announcement for reference purpose only is approximately RMB315.4 million.

4.5. Conditions precedent and Closing

Pursuant to the LOI, the closing for the Proposed Disposal (the “**Closing**”) shall take within five (5) business days after the satisfaction of all conditions precedent to Closing to be set forth in the Transaction Documents, which shall include without limitation:

- (a) the internal approvals of Taixing Jurong and the Purchaser respectively including without limitation the approval of the board of directors and shareholders of each party for the entering into of the Transaction Documents;
- (b) the Purchaser or its affiliate having received the clearance from the State Administration for Market Regulation of the PRC;
- (c) the administrative approvals and filings for the purpose of completing the registration of the equity transfer with competent governmental authorities by Taixing Sunke;
- (d) the execution of the Supply Agreement;
- (e) the termination of the employment contracts between the Taixing Sunke and no more than 10 employees either transferred or dispatched by Taixing Jurong (or any of its affiliates) to Taixing Sunke; and
- (f) the activation by Taixing Jurong of bank account(s) to receive the Transfer Price in accordance with the applicable laws and regulations.

4.6. Payment Terms

At and after Closing, the Transfer Price will be paid by the Purchaser (and/or any of its affiliates) in three (3) installments in accordance with the steps and timing set forth below in immediately available funds, by wire transfer to the account(s) designated by Taixing Jurong:

(a) First installment:

On the Closing Date, the Purchaser (and/or any of its affiliates) shall pay to Taixing Jurong the first installment of the Transfer Price, which shall be an amount equivalent to the Amount X.

Within two (2) business days following the receipt of the Amount X by Taixing Jurong, Taixing Jurong shall pay the Amount X to Taixing Sunke as explained in paragraph 4.3 above. The Purchaser shall procure Taixing Sunke to acknowledge receipt of the payment of the Amount X within two (2) business days upon the receipt of such payment from Taixing Jurong by sending a written notice to Taixing Jurong and the Purchaser (“**Acknowledgement of the Amount X**”).

(b) Second installment:

Within two (2) business days following the receipt of the Acknowledgement of the Amount X by Taixing Jurong and the Purchaser, the Purchaser (and/or any of its affiliates) shall pay to Taixing Jurong the second installment of the Transfer Price, which shall be an amount equivalent to the Net Overdue Amount.

Within two (2) business days following the receipt of the Net Overdue Amount by Taixing Jurong, Taixing Jurong shall pay to Taixing Sunke the Net Overdue Amount. The Purchaser shall procure Taixing Sunke to acknowledge receipt of the payment of the Net Overdue Amount within two (2) business days upon the receipt of such payment from Taixing Jurong by sending a written notice to Taixing Jurong and the Purchaser (“**Acknowledgement of the Net Overdue Amount**”).

(c) Third installment:

Within two (2) business days following the receipt of the Acknowledgement of the Net Overdue Amount, the Purchaser (and/or any of its affiliates) shall pay to Taixing Jurong the third installment of the Transfer Price, which shall be an amount equivalent to the Transfer Price less the Amount X and the Net Overdue Amount.

4.7. Arbitration Proceedings and Injunctions

Taixing Jurong and the Purchaser further agreed that within two (2) business days from the date of the LOI, the Purchaser will procure Taixing Sunke to apply to the China International Economic and Trade Arbitration Commission (“**CIETAC**”) to suspend the arbitration proceedings commenced against Taixing Jurong and within five (5) business days upon receipt by Taixing Jurong of the Acknowledgement of the Amount X, the Purchaser will procure Taixing Sunke to apply to CIETAC to withdraw the injunctions granted and the arbitration commenced against Taixing Jurong.

5. **LOSS ON PROPOSED DISPOSAL AND INTENDED USE OF SALE PROCEEDS FROM THE PROPOSED DISPOSAL**

- 5.1. The Company expects to incur a loss of approximately RMB20.1 million from the Proposed Disposal representing a deficit of the proceeds over the book value of the Sale Shares of approximately RMB720.1 million.
- 5.2. The Company intends to use the net sale proceeds from the Proposed Disposal for repayment of bank borrowings (50%) and working capital purposes (50%) including towards the modification and upgrading of the Company’s Xiangshui plant.

6. RATIONALE OF THE PROPOSED DISPOSAL

The Board is of the view that the Proposed Disposal will be in the best interests of the Company for the following reasons:

- (a) since the commencement of the joint venture with the Purchaser, there have been divergence of views with regard to the management and operations of Taixing Sunke, and the Proposed Disposal will bring about an amicable end to the joint venture; and
- (b) the net sale proceeds can then be utilised for the purposes set out in paragraph 5.2 above.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Group are set out below. The pro forma effects have been prepared based on the figures derived from the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and the Group's latest announced unaudited consolidated financial statements for the 6-month period ended 30 June 2018. The pro forma effects are purely for illustrative purposes only and do not reflect the actual financial position of the Group after completion of the Proposed Disposal.

(a) Effect on net tangible assets ("NTA") per share

For illustrative purposes only, based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and latest announced unaudited consolidated financial statements for the 6-month period ended 30 June 2018, and assuming that the completion of the Proposed Disposal had been effected on 31 December 2017 and 30 June 2018 respectively, the completion of the Proposed Disposal would have had the following impact on the Group's NTA:

31 December 2017

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	983,279	907,077
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	184.8	170.5

30 June 2018

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	897,121	892,519
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	168.6	167.8

(b) Effect on the loss per share ("LPS")

For illustrative purposes only, based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and latest announced unaudited consolidated financial statements for the 6-month period ended 30 June 2018, and assuming that the completion of the Proposed Disposal had been effected on 1 January 2017 and 1 January 2018 respectively, the completion of the Proposed Disposal would have had the following impact on the Group's LPS:

31 December 2017

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to the equity holders of the Group (RMB '000)	(20,322) ^(a)	(96,524)
Weighted average number of ordinary shares outstanding ('000)	532,001	532,001
LPS (cents)	(3.8)	(18.1)

Note:

- (a) The amount is stated after taking into consideration the net profit amounting to RMB16.1 million from Taixing Sunke for the financial year ended 31 December 2017.

30 June 2018

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to the equity holders of the Group (RMB '000)	(86,416) ^(a)	(91,018)
Weighted average number of ordinary shares outstanding ('000)	532,001	532,001
LPS (cents)	(16.2)	(17.1)

Note:

- (a) The amount is stated after taking into consideration the net loss amounting to RMB15.5 million from Taixing Sunke for the 6-month period ended 30 June 2018.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Bases of Calculation	Relative Figure (%)
<u>Rule 1006(a)</u>	
Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 June 2018 ⁽¹⁾	80.3
<u>Rule 1006(b)</u>	
Net loss of RMB15.5 million attributable to the assets to be disposed of (i.e. the Sales Shares), compared with the Group's net loss for the 6-month period ended 30 June 2018 ⁽¹⁾	18.0
<u>Rule 1006(c)</u>	
Aggregate value of the consideration received of RMB808.7 million (being RMB700.0 million plus Amount X of RMB108.7 million assuming the Closing Date falls on 30 April 2019), compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽²⁾	1,873.9

Bases of Calculation	Relative Figure (%)
<u>Rule 1006(d)</u> 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.
<u>Rule 1006(e)</u> Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable, as the Company is not a mineral, oil and gas company.

Notes:

- (1) The figures computed here are based on the Company's latest announced unaudited consolidated financial statement for the 6-month period ended 30 June 2018.
- (2) Pursuant to Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares (being 532,000,641 shares) by the weighted average price (being S\$0.016 or RMB0.08 at an exchange rate of SGD1 to RMB5.0700) of such shares transacted on the market day on 2 November 2018.

As the relative figures under Rule 1006(a) and Rule 1006(c) exceed 20%, the Proposed Disposal constitutes a major transaction pursuant to Rule 1014 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of the Company's shareholders in a general meeting.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Disposal.

11. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

A circular to Shareholders setting out information on the Proposed Disposal together with a notice of extraordinary general meeting, will be despatched to the shareholders in due course.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the LOI is available for inspection during normal business hours at the registered office of the Company at 112 Robinson Road, #11-01 Robinson 112, Singapore 068902 for a period of three (3) months from the date of this announcement.

13. FUTURE UPDATES

The Board will keep the shareholders updated on any material developments in due course, and the Company will make further announcement as and when there is any subsequent development.

14. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the conditions set out above. Accordingly, shareholders and potential investors should exercise caution when trading in the shares of the Company, and should consult their financial, tax, legal or other professional advisers if they have any doubt as to the action to take.

BY ORDER OF THE BOARD

**Sun Xiao
Executive Director and Chief Executive Officer
8 November 2018**