

SUNVIC CHEMICAL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200406502E)
(The “Company”)

THE PROPOSED JOINT VENTURE AGREEMENT WITH ARKEMA ASIE SAS

1 INTRODUCTION

The Board of Directors (the “**Board**”) of Sunvic Chemical Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Taixing Jurong Chemical Co., Ltd (“**Taixing Jurong**”), an indirect wholly-owned subsidiary of the Company, has entered into a conditional joint venture agreement (the “**JVA**”) with Arkema Asie SAS (“**Arkema**”), an independent third party, which entails, *inter alia*, the disposal of all the acrylic acid and acrylate esters production facilities currently held by Taixing Jurong (the “**Proposed Joint Venture**”).

The aggregate transaction value of the Proposed Joint Venture will be approximately RMB 3,900,000,000, and will therefore be subject to shareholder approval as a major transaction under Chapter 10 of the SGX-ST Listing Manual.

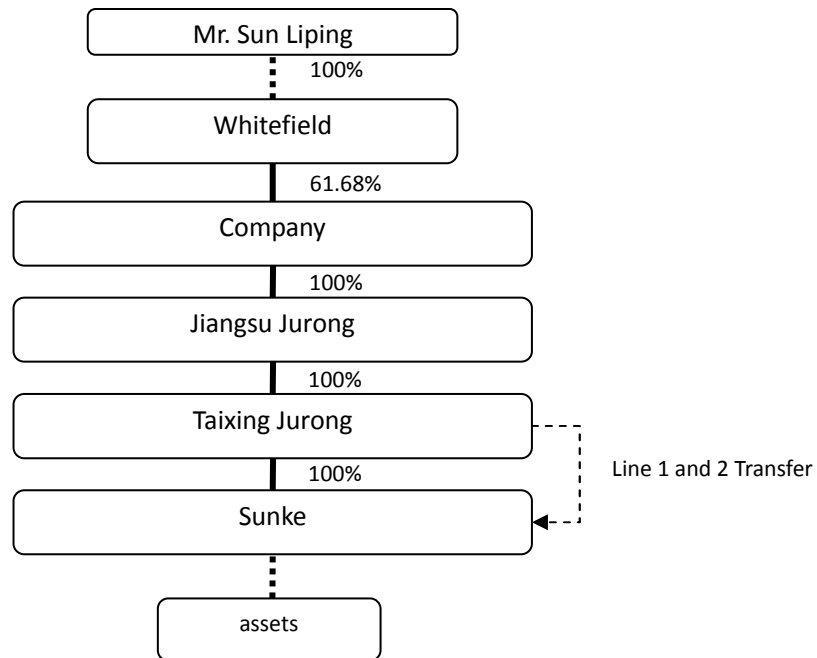
2 SALIENT TERMS OF THE PROPOSED JOINT VENTURE

Mr. Sun Liping owns 100% of the equity interest in Whitefield Capital Inc (“**Whitefield**”). Whitefield owns approximately 61.68% of the total issued share capital of the Company. The Company owns 100% of the equity interest in Jiangsu Jurong Chemicals Co., Ltd (“**Jiangsu Jurong**”), which in turn owns 100% of the equity interest in Taixing Jurong.

The Proposed Joint Venture will be carried out in five stages as described further below, involving a transfer of up to 100% of Taixing Jurong’s interest in Taixing Sunke Chemicals Co., Ltd. (“**Sunke**” or the “**JV Company**”) to Arkema:

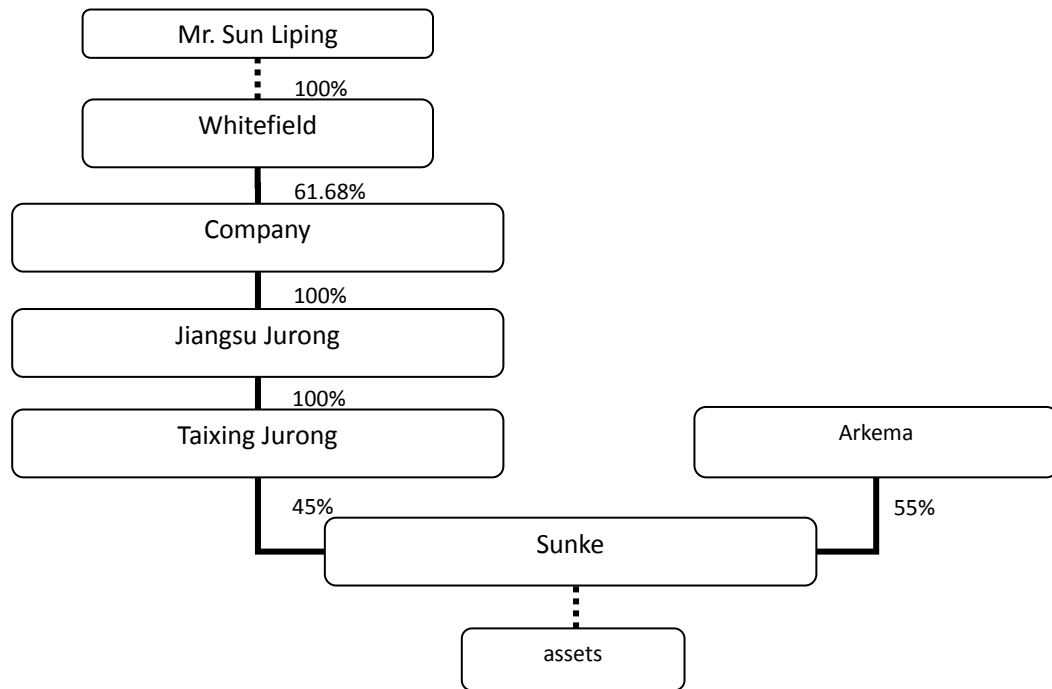
Stage 1

The Company has incorporated Sunke as a wholly-owned PRC subsidiary of Taixing Jurong. Taixing Jurong shall then transfer most of its operating assets relating to the production of acrylic acid and acrylate esters, including a production facility with an aggregate 320,000 tonnes and 180,000 tonnes annual capacity of acrylic acid and acrylate esters respectively (the “**Line 1 and 2 Facilities**”), to Sunke (the “**Line 1 and 2 Transfer**”).



Stage 2

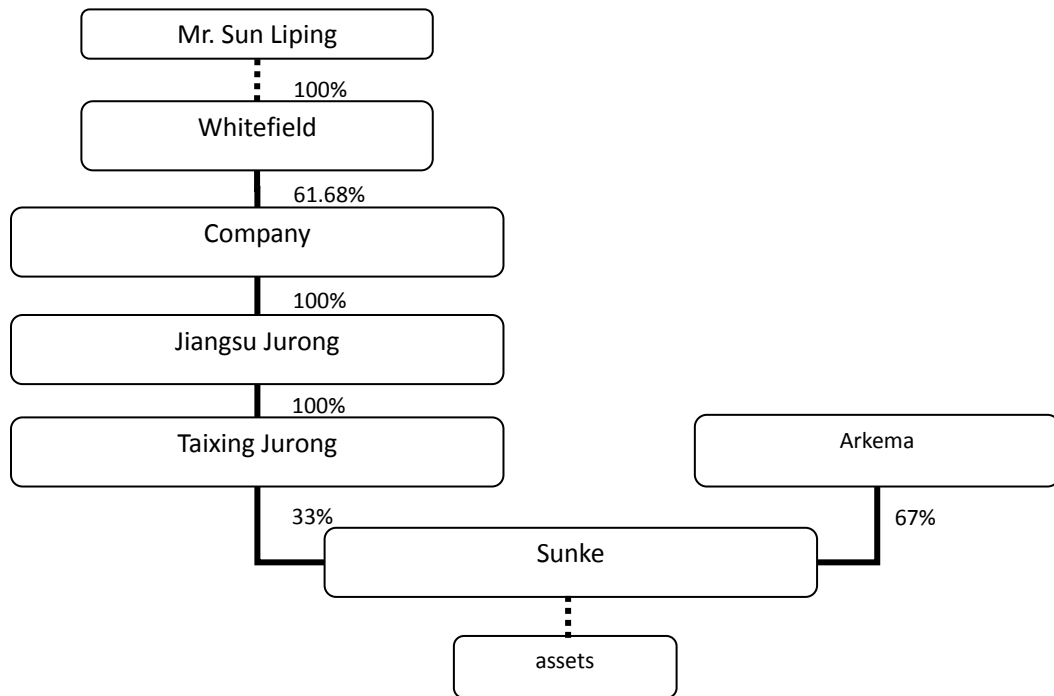
Taixing Jurong shall enter into an equity transfer agreement (the “**ETA**”) with Arkema. Under the ETA, Arkema shall purchase 55% of the equity interest in Sunke (the “**Equity Transfer**”) from Taixing Jurong upon satisfaction of a set of conditions precedent (the “**CPs**”) which include various PRC regulatory approvals and the execution of various ancillary agreements as stipulated in the ETA.



The consideration for the Equity Transfer shall be RMB 1,450,000,000, with adjustments for the working capital, net cash, and net book value of certain assets of Sunke as at the date of completion.

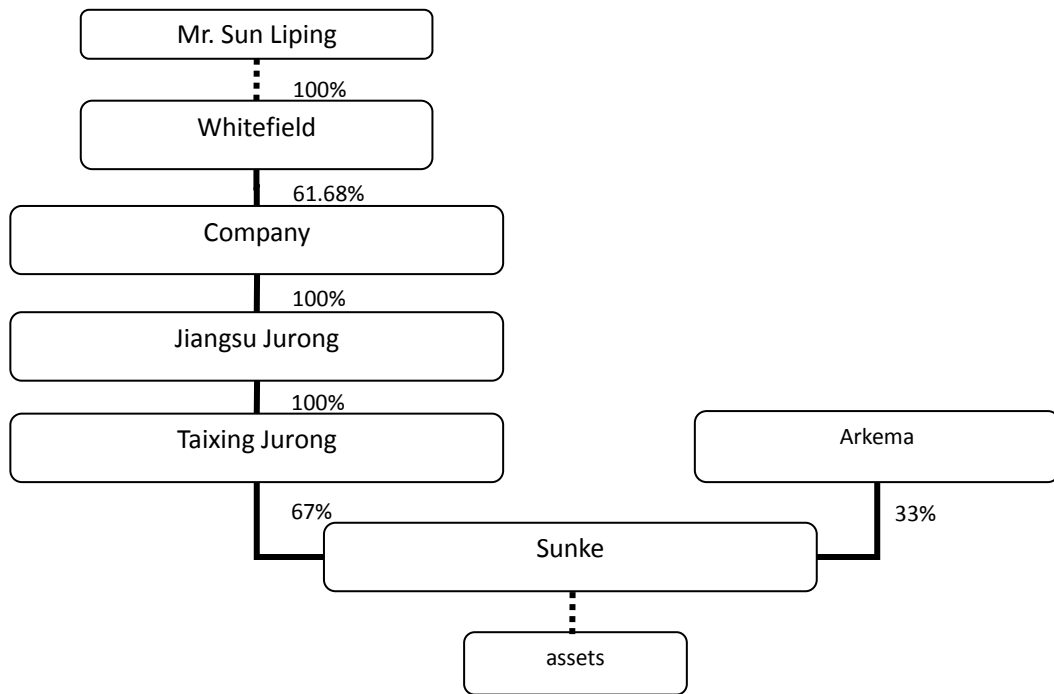
As a result of the Equity Transfer, and in accordance with the terms of a proposed joint venture agreement to be entered into between Taixing Jurong and Arkema on the same date as the ETA (the “**JVA**”), Sunke will become a 45%-55% joint venture between Taixing Jurong and Arkema respectively. This stage is expected to be completed within 9 months from the date of execution of the JVA.

Stage 3(a)



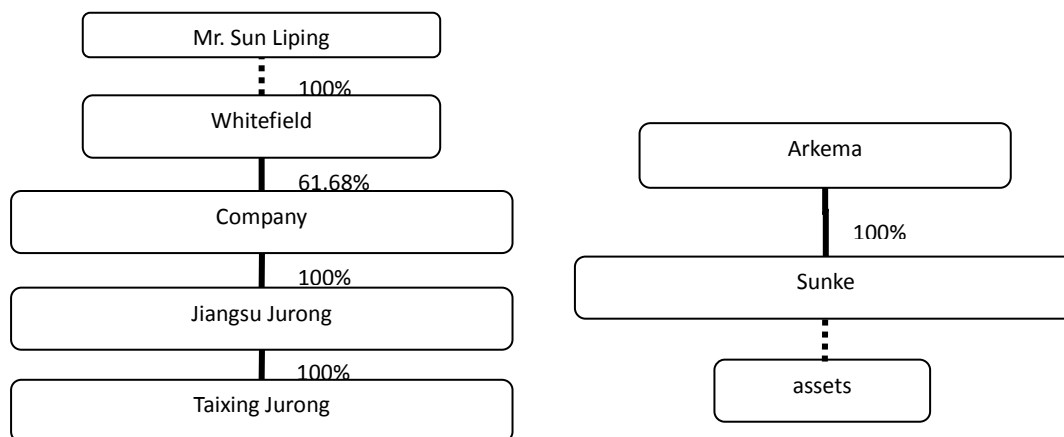
Upon the fulfillment of certain conditions precedents set out in the JVA, including (i) receipt of approval from the relevant authorities (the “**Line 3 Trial Production Approval**”) for the setting up and trial run of a production facility with an aggregate 160,000 tonnes annual capacity of crude acrylic acid (currently under construction and expected to be completed by 1st quarter 2015) (the “**Line 3 Facility**”) by 31 December 2016; (ii) pro-rata contributions by Arkema (in the sum of RMB 385,000,000) and Taixing Jurong (in the sum of RMB 315,000,000) to increase the registered capital of Sunke by RMB 700,000,000; and (iii) the transfer of the Line 3 Facility from Taixing Jurong to Sunke, Arkema will have the option to purchase an additional 12% equity interest in Sunke from Taixing Jurong for RMB 1,065,000,000 (the “**First Call Option**”). The resultant shareholding in Sunke if the First Call Option is exercised will be 33%-67% between Taixing Jurong and Arkema, respectively.

Stage 3(b) – as an alternative to Stage 3(a)



If the First Call Option is not exercised by Arkema, Taixing Jurong may increase its shareholding interest in Sunke by increasing the registered capital of Sunke by RMB 700,000,000 without any contribution from Arkema. If this occurs, the resultant shareholding in Sunke will be 67%-33% or 60.4%-39.6% (upon regulatory approval) between Taixing Jurong and Arkema, respectively.

Stage 4



Assuming that the First Call Option is exercised, Arkema will be entitled to exercise a second call option to purchase Taixing Jurong's remaining 33% (or 39.6%) equity interest in Sunke for RMB 1,000,000,000 (the “**Second Call Option**”). If the First Call Option has not been exercised (ie. Stage 3(b) undertaken), then the Second Call Option may not be exercised by Arkema.

Stage 5 – as an alternative to Stages 3 and 4

If the Line 3 Trial Production Approval is not obtained by 31 December 2016, resulting in the First Call Option and the Second Call Option not being exercised, such that the shareholding in Sunke remains as 45%-55% between Taixing Jurong and Arkema respectively, then Arkema will have the option to purchase the remaining equity interest in Sunke owned by Taixing Jurong (the “**Third Call Option**”) for RMB 1,450,000,000. If the Third Call Option is exercised, 100% of the equity interest in Sunke will be owned by Arkema. In such case, only the Line 1 and 2 Facilities would have been transferred to Sunke.

3 RULE 1010 REQUIREMENTS

3.1 Particulars of the assets disposed of

The Proposed Joint Venture entails, *inter alia*, the disposal of all the acrylic acid and acrylate esters production facilities held by Taixing Jurong (the “**Sale Assets**”).

3.2 Description of the trade carried on

Sunke is a wholly-owned PRC subsidiary of Taixing Jurong, and was incorporated on 30 August 2013. It is engaged in the manufacture and sale of intermediate chemical products. It has been dormant since its date of incorporation.

3.3 Aggregate transaction value and use of sale proceeds

The aggregate transaction value of the Proposed Joint Venture, which shall be fully satisfied in cash by Arkema, is approximately RMB 3,900,000,000, comprising the Equity Transfer, the First Call Option and the Second Call Option, or RMB 2,900,000,000 assuming that the Third Call Option is exercised (as the Third Call Option is mutually exclusive from the First Call Option and the Second Call Option).

Subject to shareholders' approval, (i) the Equity Transfer will be completed upon the due satisfaction of the CPs (the "**Completion**"), (ii) the First Call Option must be exercised within a period of 3 months from the date of obtaining the Line 3 Trial Production Approval, and (iii) the Second Call Option must be exercised within a period of 5 years from the date on which the PRC State Administration of Industry and Commerce issues a new business licence evidencing that Arkema holds 67% equity interest in Sunke.

The aggregate transaction value of RMB 3,900,000,000 takes into account, *inter alia*, the book value of the Sale Assets, goodwill, industry know-how and the cash contributions by Taixing Jurong and Arkema to the registered capital of Sunke. As at 31 December 2013, the book value of the Sale Assets is approximately RMB 2,034,000,000.

The profits from the Proposed Disposal of the Sale Assets is approximately RMB 1,866,000,000 (before tax), based on the net tangible asset value of the Sale Assets as at 31 December 2013. The sale proceeds of RMB 3,900,000,000 will be used to reduce the Group's bank borrowings and grow its intermediate chemical business in the PRC through the setting up of new facilities and the expansion of sales channels.

The net profit attributable to the Sale Assets is approximately RMB 154,100,000 for the 9-month period ended 30 September 2013.

3.4 Rationale

The Board is of the view that this transaction will result in a significant financial gain for the Group and will unlock significant value for shareholders of the Company.

3.5 Information on Arkema

Arkema is a global chemical company and France's leading chemicals producer with a market capitalization of €5 billion and annual sales of €6.5 billion. It has operations in more than 40 countries, some 14,000 employees and 10 research centers. It is listed on the Paris Bourse.

Arkema is an independent party unrelated to the Company or any of its directors, management or substantial shareholders.

3.6 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 financial effects have been prepared based on the latest announced figures derived from the Group's unaudited consolidated financial statements for the 9-month period ended 30 September 2013 and are purely for illustration purposes only and do not reflect the actual financial position of the Group after Completion:

(a) Effect on Company's NTA per Share

For illustrative purposes only, had the Proposed Disposal taken place on 30 September 2013, and based on the latest announced unaudited consolidated financial statements of the Group for the 9-month period ended 30 September 2013, the Proposed Disposal would have had the following impact on the Group's NTA:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	2,111,531	3,798,768
Weighted average number of issued shares ('000)	533,651	533,651
NTA per share (cents)	395.7	711.8

(b) Effect on Earnings per Share (“EPS”)

For illustrative purposes only, had the Proposed Disposal taken place on 1 January 2013, and based on the latest announced unaudited consolidated financial statements of the Group for the 9-month period ended 30 September 2013 , the Proposed Disposal would have had the following impact on the Group's EPS:

	Before the Proposed Disposal	After the Proposed Disposal
Profit and extra-ordinary gain attributable to equity holders of the Group (RMB ‘000)	239,410	1,926,647
Weighted average number of issued shares (‘000)	533,651	533,651
EPS (cents)	44.9	361.0

3.7 Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

The Company hereby sets out the relative figures⁽¹⁾ for the Proposed Joint Venture in accordance with Rule 1006 (a) to (d) of the Listing Manual, based on the latest announced unaudited consolidated financial statements of the Company for the 9-month period ended 30 September 2013:

Rule 1006	Bases	Relative Figure (%)
Rule 1006(a)	Net asset value of the Sale Assets, compared to the Group's net asset value of approximately RMB 2,111,500,000 as at 30 September 2013	64.3
Rule 1006(b)	Net profits attributable to the Sale Assets being disposed of, compared to the Group's net profits ⁽²⁾ for the 9-month period ended 30 September 2013	64.4
Rule 1006(c)	Aggregate transaction value of RMB 3,900,000,000, compared to the Company's market capitalisation ⁽³⁾ of approximately RMB 1,920,000,000 based on the total number of issued shares excluding treasury shares	203.2
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared to the number of equity securities previously in issue	Not applicable ⁽⁴⁾

Notes:-

(1) The figures computed here are based on the latest announced unaudited consolidated financial statements for the third quarter ended 30 September 2013 which was announced on 14 November 2013.

(2) "Net profits" is defined as profit after income tax and minority interests.

Net profits attributable to the Sale Assets being disposed of have been calculated based on the latest announced unaudited consolidated net profits for the financial period from 1 January 2013 to 30 September 2013.

(3) 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 (533,650,641 shares) by the closing price (S\$0.76 or RMB 3.60 at an exchange rate of SGD1 to RMB4.733) of such shares transacted on the market day preceding the date of the Joint Venture Agreement (22 January 2014).

(4) This rule is not applicable as the Proposed Joint Venture is not an acquisition.

As the relative figure computed under Rule 1006(a) and Rule 1006(c) of the Listing Manual is more than 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to Shareholders' approval.

4 DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Joint Venture, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Company.

5 DETAILS OF ANY SERVICE CONTRACTS

No directors are proposed to be appointed to the Company in connection with the Proposed Joint Venture.

Notwithstanding the above, pursuant to the terms of the JVA, Taixing Jurong is entitled to appoint up to 2 directors to the board of Sunke.

6 EXTRAORDINARY GENERAL MEETING AND CIRCULAR

The relative figure computed under Rule 1006(a) and Rule 1006(c) of the Listing Manual is more than 20%.

Pursuant to Rule 1014 of the Listing Manual, the Proposed Joint Venture is subject to Shareholders' approval. A circular containing further details on the Proposed Joint Venture and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

7 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the JVA, the ETA and the Ancillary Agreements will be made available for inspection during normal business hours at the Company's registered office at 112 Robinson Road, #12-04 Robinson 112, Singapore 068902, for a period of 3 months commencing from the date of this announcement.

8 CAUTIONARY STATEMENT

Shareholders and investors should note that the Proposed Joint Venture is subject to the fulfilment of, *inter alia*, the conditions set out above. Shareholders and investors are reminded to exercise caution when dealing with securities of the Company and should consult their legal, financial, tax and other professional advisers if they have any doubt as to the action to take.

BY ORDER OF THE BOARD

**Sun Xiao
Executive Director and CEO
23 January 2014**