
UPDATES TO THE PROPOSED DISPOSAL

1. INTRODUCTION

The Board of Directors (the “**Board**”) of the Company (which was reconstituted on 5 August 2014) refers to the announcements dated 25 January 2013, 27 March 2013, 1 June 2013 and 25 March 2014 (the “**Previous Announcements**”) and the circular to shareholders of the Company dated 10 June 2014 (“**Circular**”) in relation to, *inter-alia* the proposed disposal (the “**Proposed Disposal**”) by the Company of the entire issued and paid-up share capital of R H Energy (HK) Limited, Zoneda Energy Ltd., R H International Pte Ltd, Greenzone Energy Pte. Ltd., and 70% of the entire issued and paid-up share capital of Amersun Energy Pte. Ltd to Petchem Holdings Pte. Ltd. (“**Petchem**”) pursuant to a disposal agreement dated 26 March 2013 entered into between the Company and Petchem (the “**DA**”) and the supplemental agreement to the DA dated 25 March 2014 (the “**First Supplemental**”) (collectively the DA and the First Supplemental shall be referred to as the “**Disposal Agreement**”).

Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings and construction as ascribed to them in the Previous Announcements.

2. UPDATES RELATING TO THE PROPOSED DISPOSAL

In relation to the Proposed Disposal, the Board wishes to inform the Company’s shareholders that the Company has entered into a second supplemental agreement to the Disposal Agreement with Petchem dated 30 September 2014 (“**Second Supplemental**”). The Second Supplemental provides, amongst others, the following variations to the terms of the Proposed Disposal:

- (i) The Company acknowledges that Petchem has already paid an aggregate sum of S\$27,400,000 to the Company (comprising the initial deposit of S\$5,000,000 and a further payment of S\$22,400,000, representing partial payment of the consideration of S\$36,000,000 in connection with the Proposed Disposal (the “**Disposal Consideration**”)) as at the date of this announcement. At the request of Petchem, the Company agrees that balance consideration of S\$8,600,000 (the “**Remaining Consideration**”) shall be payable to the Company by Petchem on or before 15 November 2014 (or such later date as the parties may agree upon in writing).
- (ii) The Company acknowledges and agrees to the transfer of its entire interest in R H Energy (HK) Limited and Zoneda Energy Ltd. (being two of the Sale Subsidiaries (as defined in the Circular)) to Petchem (which were effected on 5 August 2014 and 31 July 2014 respectively). Accordingly, each of R H Energy (HK) Limited and Zoneda Energy Ltd. had ceased to be subsidiaries of the Company upon the respective dates of transfer.
- (iii) The Company agrees to the transfer, by 30 September 2014 (“**Transfer**”) of its entire interest in the remaining Sale Subsidiaries, being its interest in R H International Pte Ltd, Greenzone Energy Pte. Ltd. and Amersun Energy Pte. Ltd (“**Remaining Entities**”) before receiving the Remaining Consideration from Petchem. Each of the Remaining Entities shall cease to be the subsidiaries of the Company subsequent to such Transfer, thus completion of the Proposed Disposal will take place on 30 September 2014.

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The Board is of the view that the Transfer and the variations of the terms of Proposed Disposal set out in the Second Supplemental are in the best interest of the Company, having considered, the below:-

- (a) Petchem has since paid approximately 76% of the Disposal Consideration. Petchem has represented to the Company that it has met with unexpected delays in its receipt of funding for the Remaining Consideration and sought the Company's understanding to effect the Transfer to facilitate it in running the Remaining Entities' business, in consideration that the Company had received a substantial portion of the Disposal Consideration;
- (b) The Company may potentially be exposed to various open-ended risks in respect of the Remaining Subsidiaries, which mainly could arise due to the new management's lack of:
 - (I) familiarity with the business of the Remaining Entities;
 - (II) access to financial records of the Remaining Subsidiaries to facilitate the consolidation of accounts of the Remaining Entities with that of the Group; and
 - (III) management and control of, amongst others, the business and operations of the Remaining Entities;
- (c) The Board is reasonably assured of the recoverability of the Remaining Consideration, after having explored all other possible securities available and obtained the following securities from Petchem:
 - (I) a duly executed personal guarantee by Mr Wang Hairong (a majority shareholder and director of Petchem);
 - (II) memoranda of charge duly executed by Petchem in favour of the Company over the shares of the Remaining Entities;
 - (III) the share certificates of the Remaining Entities shall be held by the Company until the payment of the Remaining Consideration;
 - (IV) the share transfer forms of the Remaining Entities pre-signed by Petchem in favour of the Company;
 - (V) memoranda of charge duly executed by Petchem in favour of the Company over the 4,644,751 of shares held by Petchem in the Company; and
 - (VI) pre-signed board resolution executed by the board of the Remaining Entities to give Chiwayland the right to nominate such number of directors to the board of each of the Remaining Entities to constitute a majority of the board of these Remaining Entities.
- (d) Taking into consideration (i) the potential risks due to reasons stated in (b) above, (ii) the potential credit risk faced by the Company arising from non-payment of the Remaining Consideration, and (iii) the securities obtained as set out in (c) above, the Board is of the view that notwithstanding that the recoverability of the entire Remaining Consideration cannot be guaranteed, the potential risks faced by the Company in respect of the Remaining Subsidiaries largely outweigh the potential credit risks faced by the Company. In the event that the Remaining Consideration is not fully recovered, the Board will seek legal advice on the appropriate course of action to recover any shortfall from Petchem.

The Company will make further announcement(s) as and when necessary or appropriate.

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3. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Second Supplemental is available for inspection during normal business hours at the registered office of the Company at 6 Eu Tong Sen Street, #04-08, The Central, Singapore 059817, for a period of three (3) months from the date of this announcement.

By Order of the Board of
CHIWAYLAND INTERNATIONAL LIMITED

QIAN JIANRONG
Executive Chairman and Chief Executive Officer
30 September 2014

UOB Kay Hian Private Limited was the financial adviser to the Company for the acquisition of the entire issued and paid up share capital of Chiwayland Group (Singapore) Pte Ltd. (the "Financial Adviser"). The Financial Adviser assumes no responsibility for the contents of this announcement.