

SUNVIC CHEMICAL HOLDINGS LIMITED

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

UPDATE ON JOINT VENTURE – AMENDMENTS TO THE JOINT VENTURE AGREEMENT AND ANCILLARY DOCUMENTS

(1) INTRODUCTION

The Board of Directors (the “**Board**”) of Sunvic Chemical Holdings Limited (the “**Company**”) refers to the previous announcements released by the Company on 23 January 2014, 29 January 2014, 21 October 2014, 13 November 2014, 17 February 2015, 28 July 2015 and 2 February 2016 (the “**Prior Announcements**”), and the circular dated 19 May 2014 (the “**Circular**”) in relation to the joint venture between Taixing Jurong Chemical Co., Ltd (“**Taixing Jurong**”) and Arkema Asie SAS (“**Arkema**”, together with Taixing Jurong, the “**Parties**”) (the “**Joint Venture**”).

Unless otherwise expressly specified, capitalised terms herein shall bear the same meanings as defined in the Prior Announcements and the Circular.

(2) UPDATE ON THE JOINT VENTURE

As disclosed in the Prior Announcements, Arkema had decided not to exercise the First Call Option to increase its equity interest in Sunke from 55% to 67%. In accordance with the terms of the Amended and Restated Joint Venture Contract dated 15th February 2015, Taixing Jurong was entitled to dilute Arkema’s equity interest in Sunke from 55% to 33% by re-classifying the transfer of the Line 3 Assets as Taixing Jurong’s capital injection into Sunke.

The Board wishes to announce that pursuant to further negotiations, the Parties have entered into a further Amended and Restated Joint Venture Contract dated 18 June 2016 (the “**2nd Amended and Restated Joint Venture Contract**”). Under the terms of the 2nd Amended and Restated Joint Venture Contract, the Parties have agreed that all the call options are terminated, and that the shareholding proportion in Sunke shall remain at 55%-45% between Arkema and Taixing Jurong respectively (the “**JV Equity Proportion**”). Under the terms of the ancillary documents to the 2nd Amended and Restated Joint Venture Contract, Sunke and Arkema shall now be obliged to pay an aggregate consideration of RMB800 million to Taixing Jurong for the Line 3 Assets which had been injected into Sunke in July 2015 and to maintain the JV Equity Proportion.

The Parties have also agreed that, after 2 years from the effective date of the 2nd Amended and Restated Joint Venture Contract, Arkema shall have the right, but not the obligation, to appoint 4 directors (out of a total of 6) to the board of Sunke. The board of Sunke currently consists of 6 directors, 3 of whom are appointed by Taixing Jurong and the remaining 3 are appointed by Arkema,

(3) RATIONALE FOR THE 2ND AMENDED AND RESTATED JOINT VENTURE CONTRACT

The Board and the Company's management are of the view that maintaining the joint venture with Arkema in its present shareholding structure is mutually beneficial for the Company and Arkema. Allowing Arkema to take the lead enables Sunke to improve its management and operational standards and efficiency. This also underscores the confidence that the Parties have in each other and in the industry going forward. Pursuant to the above, the Company has also agreed to a possible future adjustment of the board composition to better reflect the JV Equity Proportion.

The cash receipts of RMB800 million from the aggregate consideration for the Line 3 Assets and for the maintenance of the JV Equity Proportion from Sunke and Arkema will improve the overall cash flow position of the Company.

Accordingly, the Board is of the view that the terms of the 2nd Amended and Restated Joint Venture Contract are beneficial to the Company in the near and longer term.

(4) FINANCIAL EFFECTS OF THE 2ND AMENDED AND RESTATED JOINT VENTURE CONTRACT

The pro forma financial effects of the completion of the 2nd Amended and Restated Joint Venture Contract 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 audited consolidated financial statements for the financial year ended 31 December 2015 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 completion of the 2nd Amended and Restated Joint Venture Contract taken place on 31 December 2015, and based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2015, the completion of the 2nd Amended and Restated Joint Venture Contract would have had the following impact on the Group's NTA:

	Before the 2nd Amended and Restated Joint Venture Contract	After the 2nd Amended and Restated Joint Venture Contract
NTA (RMB '000)	1,345,315	1,420,315
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	252.9	267.0

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

For illustrative purposes only, had completion of the 2nd Amended and Restated Joint Venture Contract taken place on 1 January 2015, and based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2015, the completion of the 2nd Amended and Restated Joint Venture Contract would have had the following impact on the Group's EPS:

	Before the 2nd Amended and Restated Joint Venture Contract	After the 2nd Amended and Restated Joint Venture Contract
Net loss attributable to equity holders of the Group (RMB ‘000)	(779,494)	(704,494)
Number of issued shares (excluding treasury shares) (‘000)	533,052	533,052
EPS (cents)	(146.2)	(132.2)

(5) FUTURE UPDATES

The Board will update shareholders on any material developments in due course and the Company will make future announcements as and when there are any subsequent developments.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and CEO
20 June 2016