

SUNVIC CHEMICAL HOLDINGS LIMITED

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

PROPOSED DISPOSAL OF JIANGSU JURONG PETROCHEMICALS CO., LTD

(1) INTRODUCTION

The Board of Directors (the “**Board**”) of SunVic Chemical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s subsidiary, Jiangsu Jurong Chemical Co., Ltd (“**JJC**”) and the Company’s associated company, SunVic Asia Pacific Investments Holdings Pte. Ltd. (“**SVAP**”, together with JJC, the “**Vendors**”), have entered into a framework agreement (the “**Agreement**”) with Shenzhen Qianhai Gatsway Petrochemical Co., Ltd (the “**Purchaser**”). Under the Agreement, the Vendors will dispose of their entire equity interest in the capital (the “**Sale Shares**”) of Jiangsu Jurong Petrochemicals Co., Ltd (“**JJP**”), representing an aggregate 100% equity interest in JJP, to the Purchaser (the “**Proposed Disposal**”).

As the Sale Shares represent the entire interest of the Company in JJP, following completion of the Proposed Disposal, the Company will cease to have any shareholding interest in JJP, and JJP will cease to be a subsidiary of the Company.

(2) INFORMATION ON JJP

JJP is a company incorporated in the People’s Republic of China (“**PRC**”) and is principally engaged in the business of manufacturing and sale of petroleum related products. JJC, a wholly-owned subsidiary of the Company, and SVAP, an associate company of the Company, holds 69% and 31% of the equity interest in JJP respectively. The Company holds 42.4% equity stake in SVAP whilst the remaining 57.6% is owned by Whitefield Capital Inc., a BVI incorporated company owned by Mdm. Hu Yan Ping, mother of our CEO, Mr Sun Xiao.

The Proposed Disposal also includes the MTBE production facility and a jetty located at the Group’s Xiangshui site, both of which are currently owned by JJC and shall be transferred to JJP upon the Purchaser taking control of JJP.

As at the date of this announcement, JJP is in a net liability position of approximately RMB356 million, and the net loss attributable to JJP is approximately RMB2 million for the 6-month ended 30 June 2016.

(3) INFORMATION ON THE PURCHASER

The Purchaser is a Company incorporated in the PRC and principally engaged in the business of trading of petroleum related products and chemical products. The Purchaser is not related to the Company, the directors of the Company (“**Directors**”), the controlling shareholders of the Company, or their respective associates.

(4) PRINCIPAL TERMS OF THE AGREEMENT

(a) *Conditions to the Agreement*

The Agreement shall only take effect upon the approval of the Board and shareholders of the Company (“**Shareholders**”).

(b) *Transfer of the Sale Shares*

Pursuant to the Agreement, the Proposed Disposal shall take place in the following manner:

- 1) Upon the Agreement becoming effective, the Vendors will transfer management and control of JJP to the Purchaser in consideration of a first tranche payment of RMB50 million.
- 2) If, during the one (1) year period from the effective date of the Agreement (the “**Trial Period**”), JJP (under the management and control of the Purchaser) is able to operate normally such that products of an acceptable quality for sale are produced continuously for at least a period of one month, and the Vendors have not directly or indirectly affected the normal operations of JJP, then after the Trial Period, the Vendors and the Purchaser will execute a definitive sale and purchase agreement to effect the transfer of the Sale Shares to the Purchaser for the remaining consideration of RMB338 million.
- 3) One (1) year after the registration of transfer of the Sale Shares, the Purchaser shall pay the sum of RMB400 million to JJC, which shall constitute full settlement of all outstanding liabilities of JJP owed to JJC and third parties (the “**Debt Settlement Sum**”).
- 4) As security for the obligation of the Purchaser to pay the Debt Settlement Sum to JJC, the Purchaser shall mortgage an equity interest of 51% in the capital of JJP, in favour of JJC.

(c) *Purchase Consideration*

The aggregate value of the consideration for the Proposed Disposal is RMB 388 million (the “**Consideration**”), payable in cash. The Consideration was arrived at on a willing buyer willing seller basis after taking into consideration the condition of the assets involved in the Proposed Disposal.

The consideration of RMB 388 million for the Sale Shares will result in an excess of RMB388 million over the negative book value of the Sale Shares.

(5) GAIN ON PROPOSED DISPOSAL AND USE OF PROCEEDS

The Company expects to realise a gain of approximately RMB14 million from the Proposed Disposal, after taking into account the carrying amounts of the assets, the book value of the Sale Shares, and the outstanding debts owed by JJP to JJC which shall be written off against the receipt of the Debt Settlement Sum from the Purchaser.

The Company intends to use the sale proceeds from the Proposed Disposal for working capital purposes.

(6) RATIONALE OF THE PROPOSED DISPOSAL

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

- (i) the Proposed Disposal is an opportunity for the Company to divest a loss making business;
- (ii) the Proposed Disposal will allow the Company to partially recover intercompany loans provided by JJC to JJP;
- (iii) the Proposed Disposal allows the Company to realise a significant amount of cash flows; and
- (iv) the Proposed Disposal will have minimal impact on the rest of the operations of the Group and will allow the management to better focus on the rest of the Group's operations.

(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 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 of the Proposed Disposal:

(a) *Effect on Net Tangible Asset ("NTA") per Share*

For illustrative purposes only, had the completion of the Proposed Disposal 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 Proposed Disposal would have had the following impact on the Group's NTA:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	1,345,315	1,358,840
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	252.9	255.4

(b) Effect on Earnings per Share ("EPS")

For illustrative purposes only, had completion of the Proposed Disposal 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 Proposed Disposal would have had the following impact on the Group's EPS:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to equity holders of the Group (RMB '000)	(779,494)	(765,969)
Weighted average number of ordinary shares outstanding ('000)	533,052	533,052
EPS (cents)	(146.2)	(143.7)

(8) RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest unaudited consolidated financial statements for the second quarter ended 30 June 2016, 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	Not meaningful – as JJP is in a net liability position
<u>Rule 1006(b)</u> Net loss of RMB2 million attributable to the assets disposed of, compared with the Group's net loss of RMB 30 million	6.7%
<u>Rule 1006(c)</u> Aggregate value of the consideration received, being RMB388 million, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares, being 532,000,641 (based on the weighted average price of the Company's Shares traded on the SGX-ST of S\$0.11 on 22 August 2016, the market day preceding the ratification of the Agreement.)	134.8%
<u>Rule 1006(d)</u> Number of equity securities issued by the Company as consideration for the disposal, 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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company	Not Applicable
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As the relative figure under Rule 1006(c) exceeds 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 ("**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 Shareholders in due course.

(12) DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 112 Robinson Road #12-04 Robinson 112 Singapore 068902 for a period of three (3) months from the date of this announcement.

(13) FUTURE UPDATES

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

(14) CAUTIONARY STATEMENT

The Company wishes to emphasise that there is no certainty or assurance that the definitive sale and purchase agreement, or such other agreements necessary for the completion of the Proposed Disposal, will be entered into. As there is no certainty that completion of the Proposed Disposal will take place, Shareholders and potential investors of the Company should exercise caution when trading in the shares of the Company. In the event of any doubt as to the action they should take, Shareholders should consult their financial, tax, legal or other professional advisers.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and CEO
2 September 2016