

**UPDATE ON THE PROPOSED DISPOSAL OF 45% EQUITY INTEREST IN TAIXING SUNKE CHEMICALS CO., LTD**

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**1. INTRODUCTION**

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 8 November 2018 (the “**8 November 2018 Announcement**”).

*Unless otherwise expressly specified, capitalised terms herein shall have the same meanings as defined in the 8 November 2018 Announcement.*

**2. UPDATE ON THE PROPOSED DISPOSAL – EXECUTION OF THE EQUITY TRANSFER AGREEMENT**

The Company previously announced in the 8 November 2018 Announcement that Taixing Jurong and Arkema Asie SAS (“**Arkema Asie**”) have entered into a binding letter of intent on 5 November 2018 in respect of the Proposed Disposal (“**LOI**”).

In this regard, pursuant to the LOI, Taixing Jurong and Arkema Asie (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 in respect of the Proposed Disposal (the “**Equity Transfer Agreement**”); and
- (b) a simple form equity transfer agreement to ascertain the Transfer Price and in particular, the exact Amount X, the adjustments for the purposes of determining the overdue amounts owed by Taixing Jurong to Taixing Sunke (and/or Arkema Asie and/or any of its affiliates (if applicable)) as at the Completion Date and the amount payable by Taixing Sunke to Taixing Jurong as at the Completion Date, as further described in paragraph 3.3 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 (“**MOFCOM**”), the State Administration for Market Regulation of the PRC (“**SAMR**”) and the State Administration of Foreign Exchange of the PRC (the “**Simple Form ETA**”).

Further to the 8 November 2018 Announcement, the Board wishes to announce that Taixing Sunke, Taixing Jurong, Arkema Asie and Arkema (China) Investment Co., Ltd. (“**Arkema (China)**”) and together with Arkema Asie, the “**Purchasers**”), have entered into the Equity Transfer Agreement on 30 January 2019 in respect of the Proposed Disposal. Arkema (China) is a foreign investment holding company incorporated in the PRC, and is a wholly-owned subsidiary of Arkema Asie.

Pursuant to the Equity Transfer Agreement, a supply agreement between Taixing Jurong and Taixing Sunke for the sale and purchase of crude acrylic acid and acrylic acid residue (the “**Supply Agreement**”) and an utilities and service agreement between Taixing Jinyan Chemical Technology Co., Ltd. and Taixing Sunke will also be entered into. Please refer to the 8 November 2018 Announcement and the Company’s response to SGX-ST’s queries

dated 16 November 2018 in relation to the 8 November 2018 Announcement for more information on the Supply Agreement.

### **3. PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT**

#### **3.1. Sale and purchase of the Sale Equity Interest**

Pursuant to the Equity Transfer Agreement, upon the fulfilment and/or waiver of the conditions precedent set out in paragraph 3.4 below, Taixing Jurong shall sell, and the Purchasers shall acquire, Taixing Jurong's 45% equity interest in the share capital of Taixing Sunke ("**Sale Equity Interest**"), together with all rights and obligations relating thereto, free from any lien, pledge, or any kind of encumbrance as follows:

| <b>Purchasers</b> | <b>Sale Equity Interest</b>          | <b>Consideration payable to Taixing Jurong</b> |
|-------------------|--------------------------------------|--|
| Arkema Asie       | 35% equity interest in Taixing Sunke | 35/45 of Transfer Price                        |
| Arkema (China)    | 10% equity interest in Taixing Sunke | 10/45 of Transfer Price                        |

#### **3.2. Consideration**

Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal shall be RMB700.0 million plus the Amount X (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 environmental protection regulations in the PRC, (c) that the Sale Equity Interest constitutes a minority stake in Taixing Sunke, and (d) the on-going arbitration and asset preservation proceedings as further described in paragraph 3.7 below.

In respect of Amount X:

- (a) Taixing Jurong and Taixing Sunke, amongst others, had previously entered into an amended and restated product supply agreement dated 18 June 2016 in respect of the sale and supply of acrylic acids and acrylate esters from Taixing Sunke to Taixing Jurong ("**Amended PSA**");
- (b) Taixing Sunke had implemented a "Stop of Supply" order against Taixing Jurong on 24 July 2018 ("**Stop of Supply**") and since then, Taixing Jurong had stopped the procurement of acrylic acids and acrylate esters from Taixing Sunke;
- (c) pursuant to the Equity Transfer Agreement, Taixing Jurong and Arkema Asie have agreed that the Stop of Supply period will end on the Completion Date. Taixing Jurong and Arkema Asie have further agreed that if Completion takes place prior to 31 July 2019, Taixing Jurong will only pay Taixing Sunke the following costs and expenses for the Stop of Supply in accordance with the Amended PSA:
  - (i) the fixed costs and a mark-up fee of 10% accrued from 24 July 2018 until the date of the Equity Transfer Agreement; and
  - (ii) the depreciation and amortisation and a mark-up fee of 10% accrued from 24 July 2018 until 30 September 2018; and

- (d) the Amount X comprises of the following items payable by Taixing Jurong to Taixing Sunke pursuant to the Amended PSA:
- (i) the fixed costs and a mark-up fee of 10% accrued from the date of the Equity Transfer Agreement until the Completion Date; and
  - (ii) the depreciation and amortisation and a mark-up fee of 10% accrued from 1 October 2018 until the Completion Date (items (i) and (ii) being collectively referred to the “**Amount X**”).

Under the Amended PSA, the abovementioned fixed costs relate to all cash costs except for variable costs, necessary to operate Taixing Jurong and the main categories of fixed costs are salaries, maintenance, general and administration, financials and others, whereas the abovementioned depreciation and amortisation costs relate to depreciation for tangible assets and amortisation of intangible assets and catalyst.

### 3.3. Settlement

Pursuant to the Equity Transfer Agreement, Taixing Jurong and the Purchasers have agreed that on the Completion 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 Purchasers have further agreed, and shall procure their respective affiliates (if applicable) to agree:

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

The aggregate overdue amounts owed by Taixing Jurong to Taixing Sunke (and/or Arkema Asia and/or any of its affiliates (if applicable)) as at the Completion Date will comprise of:

- (a) any and all overdue which Taixing Jurong owes to Taixing Sunke (and/or Arkema Asia and any of its affiliates (if applicable)) under the Amended PSA and the amended and restated side agreement for product supply and purchase entered into by, among others, Taixing Jurong and Taixing Sunke on 18 June 2016 (“**Amended Side Agreement**”) if any, and the interest accrued thereon until the Completion Date in accordance with the Amended PSA and the Amended Side Agreement (as the case may be); and
- (b) the fixed costs and the depreciation and amortisation under the Amended PSA, and the respective mark-up fees of 10%, accrued during the Stop of Supply period (excluding the Amount X).

The aggregate payable amounts owed by Taixing Sunke to Taixing Jurong as at the Completion Date will comprise of:

- (a) the deposit which Taixing Jurong paid to Taixing Sunke in accordance with the Amended PSA;
- (b) the receivables owed by Taixing Sunke to Taixing Jurong in respect of the purchase of raw materials from Taixing Jurong;

- (c) the difference between (i) all remaining amounts related to severance costs paid by Taixing Jurong and (ii) all severance costs in relation to the employees previously transferred or dispatched by Taixing Jurong (and/or any of its affiliates) to Taixing Sunke accrued till termination of their employment with Taixing Sunke;
- (d) all remaining amounts related to the Prepaid Taxes, Fees and Expenses (as defined in the completion agreement entered into by Taixing Jurong, Arkema Asia and Taixing Sunke on 20 October 2014) paid by Taixing Jurong;
- (e) interests related to advanced funding of severance costs and deed tax.; and
- (f) the declared but unpaid amount of dividends, according to Taixing Jurong's equity interest in Taixing Sunke, to which Taixing Jurong is entitled (if any) on the cumulative results of Taixing Sunke at the end of 2018 (which shall be confirmed by the auditor of Taixing Sunke and approved by Taixing Jurong, the Purchasers and Taixing Sunke), and for the avoidance of doubt, Taixing Jurong will not be entitled to any dividends in Taixing Sunke for the year of 2019 and onwards.

In this announcement, "**Net Overdue Amount**" means the aggregate overdue amounts (excluding the Amount X) owed by Taixing Jurong to Taixing Sunke (and/or Arkema Asia and/or any of its affiliates (if applicable)) as at the Completion Date less the aggregate payable amounts owed by Taixing Sunke to Taixing Jurong as at the Completion Date.

#### 3.4. Conditions Precedent

Pursuant to the Equity Transfer Agreement, the effectiveness of the Equity Transfer Agreement shall be conditional upon the fulfillment and/or waiver of all of the following conditions ("**Conditions Precedent to Effectiveness**"):

- (a) Taixing Sunke having duly passed a board resolution in accordance with its articles of association, approving the Proposed Disposal in accordance with the Equity Transfer Agreement;
- (b) Taixing Jurong, Jiangsu Jurong Chemical Co., Ltd., a wholly-owned subsidiary of the Company, and the Company having obtained all necessary internal approvals regarding (i) the Proposed Disposal in accordance with the Equity Transfer Agreement; and (ii) the execution of the Equity Transfer Agreement, the Simple Form ETA and the Supply Agreement; and
- (c) the Purchasers having obtained all necessary internal approvals regarding (i) the Proposed Disposal in accordance with the Equity Transfer Agreement; and (ii) the execution of the Equity Transfer Agreement and the Simple Form ETA.

Pursuant to the Equity Transfer Agreement, after the fulfillment and/or waiver of all the Conditions Precedent to Effectiveness and the coming into effect of the Equity Transfer Agreement, Taixing Jurong's obligation to sell and transfer, and the Purchasers' obligation to buy and acquire, the Sale Equity Interest shall be conditional upon the fulfillment and/or waiver of all of the following conditions ("**Conditions Precedent to Completion**"):

- (a) Taixing Sunke having obtained the the necessary consents and waivers from third parties (including without limitation the banks from which the Taixing Sunke has borrowed funds) to allow the Proposed Disposal;
- (b) Taixing Sunke and the employees previously transferred or dispatched by Taixing Jurong (and/or any of its affiliates) to Taixing Sunke having agreed upon the terms and conditions to terminate their employment with Taixing Sunke in accordance with

- the Equity Transfer Agreement (including without limitation their entitlement to any severance payment);
- (c) the Purchasers having made merger control filings to SAMR and other competent governmental authorities and having received the necessary clearances with respect to the Proposed Disposal in accordance with the Equity Transfer Agreement;
  - (d) the Sale Equity Interest having been released from the APO in accordance with the Equity Transfer Agreement;
  - (e) Taixing Jurong, the Purchasers and Taixing Sunke having executed the Simple Form ETA;
  - (f) the Utilities and Service Agreement and the Supply Agreement having been executed, with the signed originals exchanged; and
  - (g) Taixing Jurong having not been subject to any insolvency or liquidation proceedings.

Taixing Jurong, the Purchasers and Taixing Sunke shall use all reasonable endeavors to ensure that (a) the Conditions Precedent to Effectiveness are fulfilled as soon as possible after the date of the Equity Transfer Agreement, and (b) the Conditions Precedent to Completion are fulfilled as soon as possible after the date when all the Conditions Precedent to Effectiveness are fulfilled and/or waived in accordance with the Equity Transfer Agreement. Such reasonable endeavors shall include Taixing Jurong, the Purchasers and Taixing Sunke, as promptly as practicable, taking all steps reasonably necessary or desirable (including making filings and notifications as well as causing the directors appointed by it and the senior management nominated by it to Taixing Sunke to take all actions to vote in favor of and sign documents necessary for the consummation of the Proposed Disposal and other subject matters hereof) to obtain all consents, approvals or actions of any governmental authorities which are required in order to complete the Proposed Disposal including those required to satisfy the relevant Conditions Precedent to Effectiveness and Conditions Precedent to Completion.

### 3.5. Completion

Pursuant to the Equity Transfer Agreement, the following steps for Completion shall (a) commence within five (5) business days following: (i) fulfillment of all Conditions Precedent to Effectiveness or otherwise waived in writing in accordance with the Equity Transfer Agreement, and (ii) fulfillment of all Conditions Precedent to Completion in writing or otherwise waived in writing in accordance with the Equity Transfer Agreement, and (b) consummate no later than 31 July 2019 or such later date as may be agreed by Taixing Jurong and the Purchasers. These steps are as follows:

- (a) within five (5) business days after the Simple Form ETA is duly executed, Taixing Sunke shall register with the competent PRC registration authority regarding the Proposed Disposal, so as to obtain a new business license issued to Taixing Sunke evidencing that the Purchasers are the shareholders of Taixing Sunke (the “**New Business Licence**”);
- (b) within five (5) business days after Taixing Sunke’s receipt of the New Business License, Taixing Sunke shall file the Simple Form ETA with the online system of MOFCOM, so as to obtain a Foreign Investment Enterprise Filing Notice issued to Taixing Sunke evidencing that Arkema Asia is the holder of 90% equity interest in Taixing Sunke and Arkema (China) is the holder of 10% equity interest in Taixing Sunke; and

- (c) on Completion Date (or another day as agreed by Taixing Jurong, the Purchasers and Taixing Sunke in writing):
- (i) Taixing Jurong shall deliver to the Purchasers: (A) a copy of the resignation letters of the directors of Taixing Sunke which were appointed by Taixing Jurong and the general manager of Taixing Sunke, and (B) a letter in writing to the Purchasers to confirm the fulfilment of all the Conditions Precedent to Completion (or waiver in accordance with the Equity Transfer Agreement) as well as the consummation of the Completion, in the form as provided in the Equity Transfer Agreement; and
  - (ii) the Purchasers shall deliver a letter in writing to Taixing Jurong to confirm the satisfaction of all Conditions Precedent to Completion (or waiver in accordance with the Equity Transfer Agreement) as well as the consummation of the Completion, in the form as provided in the Equity Transfer Agreement.

Pursuant to the Equity Transfer Agreement, completion of the Proposed Disposal (the “**Completion**”) shall take place on the date on which Completion is duly consummated and the competent PRC registration authority issues the New Business Licence to Taixing Sunke (the “**Completion Date**”).

### 3.6. Payment Terms

Within five (5) business days after Taixing Sunke’s receipt of the New Business Licence in accordance with paragraph 3.5 above, Taixing Jurong, the Purchasers and Taixing Sunke shall respectively and cooperate with each other (if necessary) to obtain all governmental approvals (if any) for the Purchasers to remit and Taixing Jurong to receive any portion of the Transfer Price through a special bank account as per applicable laws and regulations, and Taixing Jurong shall then activate such special bank account to receive the Transfer Price in RMB.

Within five (5) business days after the abovementioned governmental approvals are obtained and a special bank account is duly activated by Taixing Jurong, the Transfer Price will be paid by the Purchasers in three (3) instalments in accordance with the steps and timeline set forth below in immediately available funds, by wire transfer to such special bank account opened by Taixing Jurong in accordance with the Equity Transfer Agreement. For the avoidance of doubt, the Purchasers shall not be obligated to pay any Transfer Price unless and until (a) all Conditions Precedent to Completion have been duly fulfilled in writing or otherwise waived in writing in accordance with the Equity Transfer Agreement, and (b) all steps for Completion as set out in the Equity Transfer Agreement and all required actions for the payment as set out in the Equity Transfer Agreement have been duly completed.

- (a) First instalment:

Within five (5) business days after the abovementioned governmental approvals are obtained and a special bank account is duly activated by Taixing Jurong, the Purchasers shall respectively pay to Taixing Jurong the first instalment of the Transfer Price in RMB (the “**First Instalment of Transfer Price**”), which shall be an aggregate amount equivalent to the Amount X, in the following manner:

| Purchasers  | First Instalment of Transfer Price payable to Taixing Jurong |
|-------------|--|
| Arkema Asie | 35/45 of Amount X  |

| <b>Purchasers</b> | <b>First Instalment of Transfer Price payable to Taixing Jurong</b> |
|-------------------|---|
| Arkema (China)    | 10/45 of Amount X   |

Within two (2) business days following the receipt of the First Instalment of Transfer Price by Taixing Jurong, Taixing Jurong shall pay the Amount X to Taixing Sunke in RMB as described in paragraph 3.2 above. Arkema Asie 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 Purchasers (the “**Acknowledgement of the Amount X**”).

(b) Second instalment:

Within two (2) business days following the receipt of the Acknowledgement of the Amount X by Taixing Jurong and the Purchasers, the Purchasers shall respectively pay to Taixing Jurong the second instalment of the Transfer Price in RMB (the “**Second Instalment of Transfer Price**”), which shall be an aggregate amount equivalent to the Net Overdue Amount, in the following manner:

| <b>Purchasers</b> | <b>Second Instalment of Transfer Price payable to Taixing Jurong</b> |
|-------------------|--|
| Arkema Asie       | 35/45 of Net Overdue Amount  |
| Arkema (China)    | 10/45 of Net Overdue Amount  |

Within two (2) business days following the receipt of the Second Instalment of Transfer Price by Taixing Jurong, Taixing Jurong shall repay the Net Overdue Amount to Taixing Sunke in RMB. Arkema Asie 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 Purchasers (the “**Acknowledgement of the Net Overdue Amount**”).

(c) Third instalment:

Within two (2) business days following the receipt of the Acknowledgement of the Net Overdue Amount, the Purchasers shall respectively pay to Taixing Jurong the third instalment of the Transfer Price in RMB (the “**Third Instalment of Transfer Price**”), which shall be an aggregate amount equivalent to the Transfer Price less the Amount X and the Net Overdue Amount, in the following manner:

| <b>Purchasers</b> | <b>Third Instalment of Transfer Price payable to Taixing Jurong</b> |
|-------------------|---|
| Arkema Asie       | 35/45 of Transfer Price less Amount X and Net Overdue Amount        |
| Arkema (China)    | 10/45 of Transfer Price less Amount X and Net Overdue Amount        |

### 3.7. Arbitration Proceedings and Asset Preservation Order

An application for arbitration was filed by Taixing Sunke against Taixing Jurong with the China International Economic and Trade Arbitration Commission (“**CIETAC**”) on 9 August 2018 based on the Amended PSA (the “**Jurong Arbitration**”), which was accepted by CIETAC on 27 August 2018.

An asset preservation proceeding was also launched by Taixing Sunke against, among others, Taixing Jurong with the Taizhou Intermediate People’s Court (“**Taizhou Court**”) on 29 August 2018. A written civil ruling order for asset preservation (“**APO**”) was issued by the Taizhou Court on 3 September 2018 to freeze certain assets belonging to Taixing Jurong (which includes the Sale Equity Interest).

Pursuant to the Equity Transfer Agreement, Arkema Asie shall procure Taixing Sunke to, within five (5) business days upon receipt by Taixing Jurong of the Acknowledgement of the Amount X issued by Taixing Sunke, reach a written settlement with Taixing Jurong on the Jurong Arbitration, and Arkema Asie shall procure Taixing Sunke to apply to the Taizhou Court and CIETAC to withdraw the asset preservation under the APO against Taixing Jurong (other than the asset preservation against the Sale Equity Interest which will be separately released from such APO in accordance with the Equity Transfer Agreement where, Arkema Asie shall, within two (2) business days after all Conditions Precedent to Effectiveness have been fulfilled or otherwise waived in accordance with the Equity Transfer Agreement, procure Taixing Sunke to apply to CIETAC and Taizhou Court to withdraw the APO against the Sale Equity Interest) and further apply to CIETAC to withdraw the Jurong Arbitration filed with CIETAC.

Please refer to the Company’s announcement dated 2 November 2018, the 8 November 2018 Announcement, the Company’s response to SGX-ST’s queries dated 12 November 2018 in relation to the Company’s announcement dated 12 November 2018 and the Company’s response to SGX-ST’s queries dated 16 November 2018 in relation to the 8 November 2018 Announcement for more information on the Jurong Arbitration.

## 4. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO THE SHAREHOLDERS

A circular to the 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.

## 5. 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.

**BY ORDER OF THE BOARD**

**Sun Xiao**  
**Executive Director and Chief Executive Officer**  
**4 February 2019**