

SUNVIC CHEMICAL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200406502E)

UPDATE ANNOUNCEMENT ON THE PROPOSED DISPOSAL OF JIANGSU JURONG PETROCHEMICALS CO., LTD

The Audit Committee (the “**AC**”) of Sunvic Chemical Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s previous announcements on 2 September 2016, 19 March 2020 and 25 March 2020 regarding the proposed disposal by the Company’s wholly owned 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**”) to Shenzhen Qianhai Gatsway Petrochemical Co., Ltd (the “**Purchaser**”) of the entire equity interest in Jiangsu Jurong Petrochemical Co., Ltd (“**JJP**”) held by the Vendors collectively (the “**JJP Proposed Disposal**”), pursuant to a framework agreement between the Vendors, the Purchaser and JJP dated 4 July 2016 (the “**Framework Agreement**”).

The AC wishes to announce that the AC was provided with a copy of a termination agreement in respect of the Framework Agreement (the “**Termination Agreement**”) by the management team of JJC on 18 September 2020, and the salient terms of the Termination Agreement are as follows:

- (1) the Framework Agreement shall be terminated effective from 10 July 2020;
- (2) pursuant to the Framework Agreement, JJC had previously received the amount of RMB 50 million from the Purchaser in full by 15 November 2017 being the first tranche payment of the sale consideration for the JJP Proposed Disposal (the “**First Tranche Consideration**”). In respect of the First Tranche Consideration:
 - (a) JJC shall refund the amount of RMB 44 million to the Purchaser (the “**Reduced First Tranche Consideration**”); and
 - (b) JJC shall retain absolutely the remaining amount of RMB 6 million;
- (3) pursuant to the Framework Agreement, the Purchaser had previously taken over the management and control rights of JJP from the Vendors and in this regard, had incurred certain costs and expenses towards the preparatory works done in relation to JJP. The Purchaser shall bear all such costs and expenses on its own account and shall have no right to claim or recover the same from JJP and/or the Vendors; and
- (4) effective from the date of the Termination Agreement, unless otherwise provided in the Termination Agreement, each party shall discharge and release the other parties from all rights, obligations and liabilities pursuant to the Framework Agreement or any other

agreements entered into prior to the execution of the Termination Agreement and any such other agreements shall be terminated, and each party shall waive any and all claims against any other party in respect of the same.

Upon being notified by the management team of JJC of the Termination Agreement, the AC has been conducting diligence checks on the same in discussion with the management team to verify the veracity of the information provided to the AC and to ascertain the relevant circumstances and surrounding facts and noted as follows:

- (A) the parties had agreed to terminate the Framework Agreement for the reasons as follows:
 - (i) the Purchaser could no longer proceed with the JJP Proposed Disposal due to its financial constraints;
 - (ii) as mentioned in the Company's previous announcements on 27 March 2019 and 8 April 2019, a severe explosion had occurred in the chemical zone where JJP's plants are located in Yancheng City, People's Republic of China ("**PRC**") on 21 March 2019 and consequently, the local government of Yancheng City had decided to completely shut down the chemical zone in April 2019; and
 - (iii) as advised by the PRC counsel of the Vendors, it is in the interest of the Vendors to terminate the Framework Agreement on the terms in the Termination Agreement as broadly set out above as the Vendors are unlikely to secure more favourable terms if the parties were to resolve the issues pertaining to the termination of Framework Agreement by way of court proceedings in the PRC;
- (B) further to the Termination Agreement, JJC had fully refunded the Reduced First Tranche Consideration to the Purchaser by 3 September 2020;
- (C) the Board of Directors of the Company (the "**Board**") had not been notified by the management team at the time when the Termination Agreement was signed by JJC and when the Reduced First Tranche Consideration was subsequently refunded by JJC to the Purchaser, and the Board had not authorised the same at the material time;
- (D) as directed by Mr. Sun Li Hua, the chief executive officer of the Company, Mr. Yang Guoqiang, the legal representative and director of JJC, had signed the Termination Agreement for and on behalf of JJC, and arranged the refund of the Reduced First Tranche Consideration to the Purchaser; and
- (E) notwithstanding that the Termination Agreement provided that the Framework Agreement shall be terminated effective from 10 July 2020 as mentioned at paragraph (1) above, the management team of JJC had informed the AC that the parties had verbally agreed that the termination of the Framework Agreement shall be effective from the date on which the Reduced First Tranche Consideration was fully refunded to the Purchaser, being 3 September 2020.

The Board, including the AC, after having considered the reasons set out in paragraph (A) above, in particular, paragraph (A)(iii), is of the opinion that the Termination Agreement was in the best interest of the Company and had accordingly, rectified the entering into of the Termination Agreement by JJC. Notwithstanding the foregoing, the AC has informed the Board of the non-compliance of the internal controls policies of the Group by the management team as noted above, and will continue to follow up with the management team to consider the appropriate actions to be recommended to the Board to prevent a repeat of such non-compliance including improving the communication channel between the management team and the Board.

The termination of the JJP Proposed Disposal will have a material and adverse impact on the financial position of the Group. Following the termination of the JJP Proposed Disposal, as mentioned above, JJC had refunded the Reduced First Tranche Consideration to the Purchaser in accordance with the Termination Agreement. In addition, JJC would not be able to receive the amount of RMB 400 million from the Purchaser as the settlement sum of all outstanding liabilities of JJP owed to JJC and third parties as contemplated pursuant to the Framework Agreement. With the continued shut down of the chemical zone where JJP's plants are located, the AC understands that the management team is not optimistic that the Company will be able to dispose of JJP in the foreseeable future.

FOR AND ON BEHALF OF THE AC

Koh Poh Beng
Lead Independent Director and Chairman of the AC
29 September 2020