

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

**RECEIPT OF LETTERS OF DEMAND BY THE COMPANY'S WHOLLY-OWNED
SUBSIDIARIES IN RELATION TO CORPORATE GUARANTEES PROVIDED TO
UNRELATED PARTIES**

The Board of Directors (the “**Board**”) of Sunvic Chemical Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Board has been notified by the Management that:

- (a) the Company's wholly-owned subsidiary, Yixing Yinyan Import & Export Co., Ltd (“**Yixing Yinyan**”), received a letter of demand dated 14 November 2018 (the “**YFC Letter of Demand**”) from the lawyers acting on behalf of Yixing City Futao Rural Micro Credit Co., Ltd (宜兴市富陶农村小额贷款有限公司) (“**Yixing Futao Credit**”) in respect of a loan agreement entered into between Yixing Futao Credit and Jiangsu Donglai Real Estate Development Co., Ltd (江苏东来房地产开发有限公司) (“**Jiangsu Donglai**”) dated 8 October 2018 for the loan amount of RMB180,000,000 (the “**YFC Loan**”); and
- (b) the Company's wholly-owned subsidiary, Jiangsu Jurong Chemical Co., Ltd (“**Jiangsu Jurong**”), received a letter of demand dated 15 December 2018 (the “**BOC Letter of Demand**”) from the lawyers acting on behalf of Bank of China Co., Ltd., Xiangshui County Sub-branch (“**Bank of China**”) in respect of a loan agreement entered into between Bank of China and Jiangsu Dahe Lvjian Chemical Co., Ltd (江苏大和绿碱化工有限公司) (“**Jiangsu Dahe**”) dated 10 January 2018 for the loan amount of RMB42,500,000 (the “**BOC Loan**”).

YFC Corporate Guarantee

In the YFC Letter of Demand, Yixing Futao Credit is seeking repayment of RMB183,700,000 (the “**YFC Claim Amount**”), comprising of RMB180,000,000 as principal repayment and RMB3,700,000 as accrued interest payable in respect of the YFC Loan, as Jiangsu Donglai has failed to make repayment of the YFC Claim Amount on the repayment date of 15 October 2018. Yixing Futao Credit is seeking repayment of the YFC Claim Amount from Yixing Yinyan pursuant to a third party guarantee agreement entered into by Yixing Futao Credit, Jiangsu Donglai and Yixing Yinyan dated 8 October 2018, under which Yixing Yinyan provided a corporate guarantee to Jiangsu Donglai, a party

unrelated to the Company, in favour of Yixing Futao Credit in respect of the YFC Loan (the “**YFC Corporate Guarantee**”).

The Board has been informed by the Management that Jiangsu Donglai is currently negotiating with Yixing Futao Credit to achieve an amicable resolution to the claim.

BOC Corporate Guarantee

In the BOC Letter of Demand, Bank of China is seeking repayment of RMB42,971,061.50 (the “**BOC Claim Amount**”), comprising of RMB42,500,000 as principal repayment and RMB471,061.50 as accrued interest payable in respect of the BOC Loan, as Jiangsu Dahe has failed to make repayment of the BOC Claim Amount on the repayment date of 9 December 2018. Bank of China is seeking repayment of the BOC Claim Amount from Jiangsu Jurong pursuant to a corporate guarantee entered into by Jiangsu Jurong and Bank of China dated 5 January 2018, under which Jiangsu Jurong provided a corporate guarantee to Jiangsu Dahe, a party unrelated to the Company, in favour of Bank of China in respect of the BOC Loan (the “**BOC Corporate Guarantee**”).

The Board has been informed by the Management that Jiangsu Jurong started to provide corporate guarantee as part of an arrangement with Jiangsu Dahe which commenced in 2011, under which Jiangsu Jurong and Jiangsu Dahe had respectively provided corporate guarantees up to the loan amount of RMB200,000,000 to facilitate the securing of the other party’s bank loans. The amount guaranteed under such an arrangement by Jiangsu Jurong has been progressively reduced over the years and the BOC Corporate Guarantee as described above represents the only outstanding corporate guarantee provided by Jiangsu Jurong for Jiangsu Dahe.

Apart from the BOC Corporate Guarantee by Jiangsu Jurong, the BOC Loan was also secured by eight other corporate and personal guarantees in favour of Bank of China entered into by parties unrelated to the Company (the “**Other BOC Guarantors**”).

The Board has been informed by the Management that the Other BOC Guarantors who are related to Jiangsu Dahe have expressed their willingness to repay the BOC Claim Amount.

Impact

Notwithstanding the above, in the event Yixing Futao Credit and/or Bank of China decides to enforce the corporate guarantees against Yixing Yinyan and Jiangsu Jurong, the Group will be unable to make payment for the YFC Claim Amount and BOC Claim Amount based on its current financial resources and without having to realise the Group’s assets. The

Group's cash and bank balances and unaudited net tangible assets as at 30 September 2018 are approximately RMB54.1 million and RMB856.9 million respectively.

The receipt of the YFC Letter of Demand and the BOC Letter of Demand may also be regarded as an event of default under the Group's existing banking facilities in the People's Republic of China, triggering among others, immediate repayment obligations and termination of such banking facilities, thereby resulting in a material adverse impact on the Group's cash flow.

The Management has confirmed to the Board that save for the YFC Corporate Guarantee and the BOC Corporate Guarantee, there is currently no other guarantee provided by the Group to secure the indebtedness of any unrelated party.

The Board will continue its investigations into matters relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee, including the circumstances leading to the provision of the YFC Corporate Guarantee and the BOC Corporate Guarantee.

The Company will keep its shareholders updated on material developments. The Board will also seek the legal advice necessary at the appropriate time to protect the Group in relation to the YFC Corporate Guarantee and/or the BOC Corporate Guarantee, including if the Board uncovers any wrongdoing by any member of the Management. The Board will further instruct the Management to actively manage the Group's relationships with its existing bankers to minimise to the greatest extent possible, any impact on the Group.

Shareholders should exercise caution when trading in the shares of the Company, and should consult their financial, tax, legal or other professional advisers if they have any doubt as to the action to take.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
10 January 2019