

CIRCULAR DATED 29 JUNE 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the contents of this Circular (as defined herein) or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Sunvic Chemical Holdings Limited, you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



SUNVIC CHEMICAL HOLDINGS LIMITED

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

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

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	12 July 2019 at 10.00 am
Date and time of Extraordinary General Meeting	:	15 July 2019 at 10.00 am
Place of Extraordinary General Meeting	:	168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

“Acknowledgement of the Amount X”	:	The written notice by Taixing Jurong to the Purchasers to acknowledge receipt of the payment of the Amount X as further described in Section 2.4.6 of this Circular
“Acknowledgement of the Net Overdue Amount”	:	The written notice by Taixing Jurong to the Purchasers to acknowledge receipt of the payment of the Net Overdue Amount as further described in Section 2.4.6 of this Circular
“Act” or “Companies Act”	:	The Companies Act (Cap. 50) of Singapore, or any statutory modification or re-enactment thereof for the time being in force
“Amended JV Contract”	:	The amended and restated joint venture contract with respect to Taixing Sunke entered into by Taixing Jurong and Arkema Asie on 18 June 2016
“Amended PSA”	:	The amended and restated product supply agreement in respect of the sale and supply of acrylic acids and acrylate esters from Taixing Sunke to among others, Taixing Jurong entered into by Taixing Jurong, Dynix Pte Ltd, Arkema (Shanghai) Distribution Co., Ltd., Arkema (Taixing) Chemicals Co., Ltd., Arkema Company Limited and Taixing Sunke on 18 June 2016
“Amended Side Agreement”	:	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
“Amount X”	:	The amount which constitutes part of the Transfer Price and comprises of certain items payable by Taixing Jurong to Taixing Sunke pursuant to the Amended PSA as further described in Section 2.4.2 of this Circular
“Ancillary Agreements”	:	The Utilities and Service Agreement and the Supply Agreement collectively
“APO”	:	The written civil ruling order for asset preservation issued by the Taizhou Court on 3 September 2018 to freeze certain assets belonging to Taixing Jurong as further described in Section 2.4.7 of this Circular
“Arkema Asie”	:	Arkema Asie SAS
“Arkema (China)”	:	Arkema (China) Investment Co., Ltd.
“Board” or “Board of Directors”	:	The board of Directors
“business day”	:	Any day on which banks are generally open for business in the PRC and in France (excluding Saturdays, Sundays and statutory holidays) and “business days” shall be construed accordingly
“CDP” or “Depository”	:	The Central Depository (Pte) Limited
“CIETAC”	:	The China International Economic and Trade Arbitration Commission
“Circular”	:	This circular dated 29 June 2019 issued by the Company in relation to the Proposed Disposal

DEFINITIONS

“Completion”	:	The completion of the Proposed Disposal
“Completion Date”	:	The date on which Completion is duly consummated and the competent PRC registration authority issues the New Business Licence to Taixing Sunke
“Company”	:	Sunvic Chemical Holdings Limited
“Conditions Precedent to Completion”	:	The conditions precedent to Completion as set out in Section 2.4.4(i) to Section 2.4.4(vii) of this Circular
“Conditions Precedent to Effectiveness”	:	The conditions precedent to the effectiveness of the Equity Transfer Agreement as set out in Section 2.4.4(a) to Section 2.4.4(c) of this Circular
“CPF”	:	The Central Provident Fund
“CPF Approved Nominees”	:	Agent banks included under the CPFIS
“CPFIS”	:	Central Provident Fund Investment Scheme
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting to be convened and held at 168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912 on 15 July 2019 at 10.00 am, notice of which is set out on page 26 of this Circular
“Equity Transfer Agreement”	:	The equity transfer agreement in respect of the Proposed Disposal entered into by Taixing Jurong, the Purchasers and Taixing Sunke on 30 January 2019
“Escrow Account”	:	The escrow account to be opened by Taixing Jurong with a bank domiciled in the PRC to be operated jointly by the independent directors of the Company whom are residents in Singapore and into which the Transfer Price will be paid into pursuant to the directions by the SGX-ST set out in the Notice of Compliance as further described in Section 2.4.6 of this Circular
“Escrow Account Conditions”	:	The conditions to the Purchasers’ obligations to remit the Transfer Price to Taixing Jurong in relation to the Escrow Account as set out in Section 2.4.6(1) to Section 2.4.6(3) of this Circular
“Escrow Agent”	:	The escrow agent of the Escrow Account, being a bank domiciled in the PRC, as further described in Section 2.4.6 of this Circular
“Escrow Agreement”	:	The escrow agreement in respect of the Escrow Account between Taixing Jurong and the Escrow Agent which shall contain operating instructions that are in accordance with the SGX-ST Escrow Requirements as further described in Section 2.4.6 of this Circular
“First Instalment of Transfer Price”	:	The first instalment of the Transfer Price to be paid by the Purchasers to Taixing Jurong, which shall be in RMB and an aggregate amount equivalent to the Amount X

DEFINITIONS

“general meeting”	:	A general meeting of the Company
“Group”	:	The Company and its subsidiaries
“Jiangsu Jurong”	:	Jiangsu Jurong Chemical Co., Ltd, a direct wholly-owned subsidiary of the Company and the holding company of Taixing Jurong
“Jurong Arbitration”	:	The arbitration proceedings filed by Taixing Sunke against Taixing Jurong with CIETAC on 9 August 2018 in relation to the Amended PSA
“Latest Practicable Date”	:	28 June 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“LOI”	:	The binding letter of intent entered into by Taixing Jurong and Arkema Asie in respect of the Proposed Disposal on 5 November 2018
“Member” or “Shareholder”	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” or “Members” shall, in relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares
“MOFCOM”	:	The Ministry of Commerce of the PRC
“Net Overdue Amount”	:	The aggregate overdue amounts (excluding the Amount X) owed by Taixing Jurong to Taixing Sunke (and/or Arkema Asie 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
“New Business Licence”	:	The new business licence to be issued to Taixing Sunke by the competent PRC registration authority evidencing that the Purchasers are the shareholders of Taixing Sunke
“Notice of Compliance”	:	The notice of compliance dated 13 February 2019 issued by the SGX-ST to the Company
“Notice of EGM”	:	The notice of the EGM set out on page 26 of this Circular
“PRC”	:	The People’s Republic of China
“Proposed Disposal”	:	The proposed disposal by Taixing Jurong of the Sale Equity Interest to the Purchasers
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Purchasers”	:	Arkema Asie and Arkema (China) collectively
“Purchasers Letter”	:	The letter from the Purchasers to the SGX-ST dated 17 June 2019 as further described in Section 2.4.6 of this Circular
“RMB”	:	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SAFE”	:	The State Administration of Foreign Exchange of the PRC
“Sale Equity Interest”	:	The 45% equity interest of Taixing Jurong in the share capital of Taixing Sunke
“SAMR”	:	The State Administration for Market Regulation of the PRC
“Second Instalment of Transfer Price”	:	The second instalment of the Transfer Price to be paid by the Purchasers to Taixing Jurong, which shall be in RMB and an aggregate amount equivalent to the Net Overdue Amount
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, or any statutory modification or re-enactment thereof for the time being in force
“SGD”	:	Singapore Dollars, the lawful currency of Singapore
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Simple Form ETA”	:	The simple form equity transfer agreement to ascertain the Transfer Price and in particular, the exact Amount X, and the adjustments for the purposes of determining the Net Overdue Amount, as further described in Section 2.4.3 of this Circular, and for the purpose of completing governmental registration/filing with competent authorities including without limitation the local branches of the MOFCOM, the SAMR and the SAFE
“Supply Agreement”	:	The supply agreement between Taixing Jurong and Taixing Sunke for the sale by Taixing Sunke and purchase by Taixing Jurong of crude acrylic acid, and the purchase by Taixing Sunke and sale by Taixing Jurong of crude acrylic acid residue
“SGX-ST Escrow Requirements”	:	In respect of the Escrow Agreement, the SGX-ST’s directions under the Notice of Compliance, such other directions or conditions as instructed by the SGX-ST from time to time to the satisfaction of the SGX-ST, and that the Escrow Agreement shall not be amended without the prior approval of the independent directors of the Company and the SGX-ST as further described in Section 2.4.6 of this Circular
“Taixing Jinyan”	:	Taixing Jinyan Chemical Technology Co., Ltd.
“Taixing Jurong”	:	Taixing Jurong Chemical Co., Ltd
“Taixing Jurong Letter”	:	The letter from Taixing Jurong to the Purchasers dated 17 June 2019 as further described in Section 2.4.6 of this Circular
“Taixing Sunke”	:	Taixing Sunke Chemicals Co., Ltd
“Taizhou Court”	:	The Taizhou Intermediate People’s Court of the PRC
“Third Instalment of Transfer Price”	:	The third instalment of the Transfer Price to be paid by the Purchasers to Taixing Jurong, which shall be in RMB and an aggregate amount equivalent to the Transfer Price less the Amount X and the Net Overdue Amount

DEFINITIONS

“Transaction Documents”	:	The Equity Transfer Agreement, the Simple Form ETA and the Ancillary Agreements collectively
“Transfer Price”	:	The consideration for the Proposed Disposal of the amount of RMB700.0 million plus the Amount X
“Utilities and Service Agreement”	:	The utilities and service agreement between Taixing Jinyan and Taixing Sunke in relation to the supply of utilities and services (such as steam, purified industrial water, compressed air, fire-fighting facilities and road access) by Taixing Sunke to Taixing Jinyan
“Yixing Yinyan”	:	Yixing Yinyan Import & Export Co., Ltd
“2 November 2018 Announcement”	:	The Company’s announcement dated 2 November 2018 in relation to the Jurong Arbitration
“8 November 2018 Announcement”	:	The Company’s announcement dated 8 November 2018 in relation to the Proposed Disposal
“10 January 2019 Announcement”	:	The Company’s announcement dated 10 January 2019 in relation to the corporate guarantees provided to unrelated parties
“18 January 2019 Announcement”	:	The Company’s announcement dated 18 January 2019 in relation to the corporate guarantees provided to unrelated parties
“19 February 2019 Announcement”	:	The Company’s announcement dated 19 February 2019 in relation to the corporate guarantees provided to unrelated parties

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term **“treasury shares”** shall have the meaning ascribed to it under Section 4 of the Act.

The terms **“associate”** and **“controlling shareholders”** shall have the meanings ascribed to them respectively in the Listing Manual.

The terms **“subsidiaries”** and **“Substantial Shareholders”** shall have the meanings ascribed to them respectively in the Act.

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Circular refer to the Group.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Act, the SFA, or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA, or such statutory modification thereof, as the case may be, unless otherwise provided.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

DEFINITIONS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the current expectations, beliefs, hopes, intentions or strategies of the party making the statements regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company undertakes no obligation to update publicly or revise any forward-looking statements.

LETTER TO SHAREHOLDERS

SUNVIC CHEMICAL HOLDINGS LIMITED

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

Directors:

Sun Xiao, *Executive Director and Chief Executive Officer*
Yang Guoqiang, *Executive Director*
Zhu Wuling, *Executive Director*
Koh Poh Beng, *Lead Independent Director*
Lua Poh Huat, *Independent Director*

Registered Office:

112 Robinson Road
#11-01 Robinson 112
Singapore 068902

29 June 2019

To : The Shareholders of Sunvic Chemical Holdings Limited

Dear Sir/Madam,

THE PROPOSED DISPOSAL OF 45% EQUITY INTEREST IN TAIXING SUNKE CHEMICALS CO., LTD**1. INTRODUCTION**

The Board of Directors is convening the EGM to seek the approval of the Shareholders for the proposed disposal by Taixing Jurong, a wholly-owned subsidiary of the Company through Jiangsu Jurong (being the holding company of Taixing Jurong and the direct wholly-owned subsidiary of the Company), of the Sale Equity Interest to the Purchasers (hereinafter referred to as the Proposed Disposal).

The purpose of this Circular is to provide the Shareholders with information pertaining to the Proposed Disposal, and to seek the Shareholders' approval in respect of the same at the EGM to be held at 168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912 on 15 July 2019 at 10.00 am, the notice of which is set out on page 26 of this Circular.

2. PROPOSED DISPOSAL**2.1 Background**

The Company had previously announced in the 8 November 2018 Announcement that Taixing Jurong had entered into a binding letter of intent with Arkema Asie on 5 November 2018 (hereinafter referred to as the LOI). Pursuant to the LOI, Taixing Jurong has committed to sell, and Arkema Asie (or any of its affiliates) has agreed to acquire the Sale Equity Interest on the terms and subject to the conditions of the Transaction Documents.

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) the Equity Transfer Agreement; and
- (b) the Simple Form ETA.

The Simple Form ETA is a condensed version of the Equity Transfer Agreement in a format typical for the purpose of completing governmental registration/filing with competent authorities in the PRC including without limitation the local branches of the MOFCOM, the SAMR and the SAFE, and further for the purpose of the Proposed Disposal, the Simple Form ETA will set out certain components of the Transfer Price which can only be finalised as at the Completion Date.

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Pursuant to the Equity Transfer Agreement, the following agreements will also be entered into:

- (i) the supply agreement between Taixing Jurong and Taixing Sunke for the sale by Taixing Sunke and purchase by Taixing Jurong of crude acrylic acid, and the purchase by Taixing Sunke and sale by Taixing Jurong of crude acrylic acid residue (hereinafter referred to as the Supply Agreement). Pursuant to the terms of the Supply Agreement, for a 5-year period commencing on the day after the Completion Date, Taixing Sunke will be engaged by Taixing Jurong or its affiliates to process propylene into crude acrylic acid and sell to Taixing Jurong up to 80,000 tonnes of such crude acrylic acid per annum. In addition, Taixing Sunke will purchase crude acrylic acid residue from Taixing Jurong at a monthly price equivalent to 75% of the monthly crude acrylic acid purchase price with a total volume up to 20% of the monthly crude acrylic acid purchased by Taixing Jurong from Taixing Sunke and up to 16,000 tonnes of crude acrylic acid residue per annum; and
- (ii) the utilities and service agreement between Taixing Jinyan and Taixing Sunke in relation to the supply of utilities and services (such as steam, purified industrial water, compressed air, fire-fighting facilities and road access) by Taixing Sunke to Taixing Jinyan (hereinafter referred to as the Utilities and Service Agreement).

Taixing Jinyan is majority owned by Mr. Sun Xiao, the Executive Director and Chief Executive Officer of the Company and his mother, Mdm. Hu Yanping, the majority shareholder of the Company. The Supply Agreement and the Utilities and Service Agreement are referenced in the Equity Transfer Agreement as they relate to on-going arrangements with Taixing Sunke and it is in the interest of the respective parties to ensure that such arrangements continue for their respective benefit post-Completion.

As the Sale Equity Interest represents the entire interest of the Company in Taixing Sunke, following the completion of the Proposed Disposal, the Company will cease to have any interest in Taixing Sunke.

The Proposed Disposal constitutes a major transaction under Rule 1014 of the Listing Manual, and is subject to the approval of the Shareholders in a general meeting.

Further information on the Proposed Disposal and the requirement for shareholders' approval under Chapter 10 of the Listing Manual are set out below.

2.2 Information on Taixing Sunke

Taixing Sunke is a sino-foreign joint venture company incorporated in the PRC on 30 August 2013, and is a joint venture between Taixing Jurong and Arkema Asie under which Taixing Jurong holds 45% and Arkema Asie holds 55% of the equity interest of Taixing Sunke. Taixing Jurong and Arkema Asia each has the right to appoint three (3) directors to the board of Taixing Sunke for the joint management of the operations of Taixing Sunke, as per the terms and conditions of the Amended JV Contract. The cost of investment in Taixing Sunke recorded in the books of Taixing Jurong as at 31 March 2019 was RMB612.6 million.

The registered address of Taixing Sunke is at No. 58 Tong Yuan Road, Taixing Economic Development Zone, Jiangsu Province, the PRC. Taixing Sunke is principally engaged in the business of the manufacture and sale of acrylic acid and acrylate esters for the exclusive benefit of the wholly-owned subsidiaries of the Company (being Taixing Jurong and Dynix Pte Ltd), and Arkema Asie's affiliates (being Arkema (Shanghai) Distribution Co., Ltd., Arkema (Taixing) Chemicals Co., Ltd. and Arkema Company Limited).

The acrylic acid and acrylate esters purchased by Taixing Jurong and Dynix Pte Ltd from Taixing Sunke are then onward sold by Taixing Jurong and Dynix Pte Ltd to their customers respectively.

LETTER TO SHAREHOLDERS

2.3 Information on the Purchasers

Arkema Asie is a company incorporated in France and is listed on the Euronext Paris. It is a global chemical company and one of the leading chemical producers in France. Arkema (China) is a foreign investment holding company incorporated in the PRC, and is a wholly-owned subsidiary of Arkema Asie. Neither the Company nor its Directors has any interest in Arkema Asie or any of its affiliates.

The Purchasers are independent parties unrelated to the Company (save for Arkema Asie's equity holding in Taixing Sunke) or any of the Directors, the controlling shareholders of the Company, or their respective associates.

2.4 Principal Terms of the Proposed Disposal

2.4.1 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 Section 2.4.4 of this Circular, Taixing Jurong shall sell, and the Purchasers shall acquire, the Sale Equity Interest, together with all rights and obligations relating thereto, free from any lien, pledge or any kind of encumbrance as follows:

Purchasers	Sale Equity Interest	Consideration payable to Taixing Jurong
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

2.4.2 Consideration

Pursuant to the Equity Transfer Agreement, the consideration for the Proposed Disposal shall be RMB700.0 million plus the Amount X (referred to in this Circular as 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) the Sale Equity Interest constituting a minority stake in Taixing Sunke, and (d) the on-going arbitration and asset preservation proceedings as further described in Section 2.4.7 of this Circular.

In respect of the Amount X:

- (a) Taixing Jurong and Taixing Sunke, amongst others, had previously entered into the Amended PSA on 18 June 2016 in respect of the sale by Taixing Sunke and purchase by (i) the wholly-owned subsidiaries of the Company (being Taixing Jurong and Dynix Pte Ltd), and (ii) Arkema Asie's affiliates (being Arkema (Shanghai) Distribution Co., Ltd., Arkema (Taixing) Chemicals Co., Ltd. and Arkema Company Limited) of acrylic acids and acrylate esters. The Amended PSA was previously entered into to amend and restate the original product supply agreement for the main purpose of providing for a "Stop of Supply" mechanism to stop the provision of acrylic acids and acrylate esters by Taixing Sunke to any party under the Amended PSA in the event that such party fails to make due payment for the acrylic acids and acrylate esters provided by Taixing Sunke under the 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. The Stop of Supply order was implemented against Taixing Jurong by Taixing Sunke because Taixing Jurong had failed to make due payment to Taixing Sunke for the purchase by Taixing Jurong and sale by Taixing

LETTER TO SHAREHOLDERS

Sunke of acrylic acids and acrylate esters according to the agreed payment terms under the Amended PSA. Taixing Sunke's operations for the sale of acrylic acids and acrylate esters to Arkema Asie's affiliates (being Arkema (Shanghai) Distribution Co., Ltd., Arkema (Taixing) Chemicals Co., Ltd. and Arkema Company Limited) are still ongoing;

- (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 costs 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 costs and a mark-up fee of 10% accrued from 1 October 2018 until the Completion Date (items (i) and (ii) being collectively referred to as the Amount X).

Under the Amended PSA, the abovementioned fixed costs relate to all cash costs except for variable costs, necessary to operate Taixing Sunke and the main categories of fixed costs are salaries, maintenance, general and administration, financing costs for bank borrowings and others, whereas the abovementioned depreciation and amortisation costs relate to decrease or loss in value of the tangible assets of Taixing Sunke (including property, plant, manufacturing equipment and catalyst used for the manufacturing process of acrylic acids and acrylate esters) due to wear and tear or age, and amortisation of intangible assets and land use rights. In respect of the aforementioned fixed costs and depreciation and amortisation costs, they are payable by Taixing Jurong to Taixing Sunke as under the Amended PSA, such costs constitute the costs of production by Taixing Sunke and hence are to be shared equally between Taixing Jurong and Arkema Asie's affiliates (being Arkema (Shanghai) Distribution Co., Ltd., Arkema (Taixing) Chemicals Co., Ltd. and Arkema Company Limited) notwithstanding that the Stop of Supply order had been implemented by Taixing Sunke against Taixing Jurong.

The 10% mark-up fee on the abovementioned fixed costs and depreciation and amortisation costs was agreed by the parties under the Amended PSA as constituting the margin for Taixing Sunke under the Amended PSA, and accepted by the Taixing Tax Bureau.

The amount which Taixing Jurong has to pay to Taixing Sunke as its share of fixed costs and depreciation and amortisation costs during the Stop of Supply period (excluding the Amount X) are as follows:

- (A) fixed costs – RMB35.3 million; and
- (B) depreciation and amortisation costs – RMB24.6 million.

LETTER TO SHAREHOLDERS

For illustration purposes only, the estimated Amount X is approximately RMB101.1 million assuming the Completion Date was on 30 April 2019, and a breakdown of which is as follows:

AMOUNT X	RMB (Million)
October 2018 Depreciation	12.3
November 2018 Depreciation	11.3
December 2018 Depreciation	11.5
January 2019 Depreciation	12.3
February 2019 Fixed Costs & Depreciation	17.9
March 2019 Fixed Costs & Depreciation	17.9
April 2019 Fixed Costs & Depreciation	17.9
TOTAL	101.1 (approximately)

Accordingly, assuming the Completion Date was on 30 April 2019 and based on the above illustration of Amount X, the Transfer Price will be approximately RMB801.1 million (being RMB700.0 million plus the Amount X (RMB101.1 million)).

The actual amount of the Amount X will vary depending on when is the Completion Date and will be set out in the Simple Form ETA. Regardless of the actual amount of the Amount X, the Purchasers have agreed to pay Taixing Jurong the equivalent of the Amount X as part of the Transfer Price of which Taixing Jurong then has to onward pay to Taixing Sunke as part of its share of fixed costs and depreciation and amortisation costs during the Stop of Supply period under the Amended PSA.

2.4.3 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:

- (i) any and all overdue amounts 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 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) in relation to the purchase by Taixing Jurong and sale by Taixing Sunke of acrylic acids and acrylate esters. For reference purpose, such overdue amounts (excluding the accrued interest) amounted to approximately RMB403.5 million assuming the Completion Date was on 30 April 2019. This amount will be adjusted as at the actual Completion Date in the Simple Form ETA; and

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- (ii) the fixed costs and the depreciation and amortisation costs under the Amended PSA, and the respective mark-up fees of 10%, accrued during the Stop of Supply period (excluding the Amount X) amounting to approximately RMB59.9 million in aggregate.

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, which amounts to approximately RMB126.7 million;
- (B) the receivables owed by Taixing Sunke to Taixing Jurong in respect of the purchase of raw materials from Taixing Jurong, which amounts to approximately RMB1.0 million;
- (C) the difference between (1) all remaining amounts related to severance costs paid by Taixing Jurong and (2) 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 the termination of their employment with Taixing Sunke. For reference purpose, this amounted to approximately RMB3.8 million assuming the Completion Date was on 30 April 2019 and will be adjusted as at the actual Completion Date in the Simple Form ETA;
- (D) all remaining amounts related to the Prepaid Taxes, Fees and Expenses (as defined in the completion agreement entered into by Taixing Jurong, Arkema Asie and Taixing Sunke on 20 October 2014) paid by Taixing Jurong, which amounts to approximately RMB8.7 million;
- (E) interests related to advanced funding of severance costs and deed tax. For reference purpose, this amounted to approximately RMB0.39 million assuming the Completion Date was on 30 April 2019 and will be adjusted as at the actual Completion Date in the Simple Form ETA; 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 to based on the cumulative results of Taixing Sunke at the end of 2018 (which is of the amount of approximately RMB14.0 million), 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.

For illustrative purpose only, assuming the Completion Date was on 30 April 2019, the Net Overdue Amount will be approximately RMB322.8 million and is derived as follows:

	RMB'000
<u>Amount owed by Taixing Jurong to Taixing Sunke</u> <u>(and/or Arkema Asie and/or any of its affiliates (if applicable)):</u>	
Refer to Section 2.4.3(i) above	403,510
Refer to Section 2.4.3(ii) above	59,900
	463,410
<u>Less overdue amount owed by Taixing Sunke to Taixing Jurong⁽¹⁾:</u>	
Refer to Section 2.4.3(A) above	(126,741)
Refer to Section 2.4.3(B) above	(1,016)
Refer to Section 2.4.3(C) above	(3,836)
Refer to Section 2.4.3(D) above	(8,662)
Refer to Section 2.4.3(E) above	(390)
	322,765

Note:

- (1) The declared but unpaid amount of dividends as referred to at Section 2.4.3(F) above is not part of the overdue amount owed by Taixing Sunke to Taixing Jurong under the Net Overdue Amount.

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Accordingly, assuming the Completion Date was on 30 April 2019 and based on the illustration of Amount X at Section 2.4.2 of this Circular and the above illustration of the Net Overdue Amount, the net sale proceeds to be received by Taixing Jurong from the Proposed Disposal will be approximately RMB377.2 million (being the Transfer Price (RMB801.1 million) less the Amount X (RMB101.1 million) and the Net Overdue Amount (RMB322.8 million)).

2.4.4 Conditions Precedent

Pursuant to the Equity Transfer Agreement, the effectiveness of the Equity Transfer Agreement shall be conditional upon the fulfilment and/or waiver of all of the Conditions Precedent to Effectiveness as follows:

- (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 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 fulfilment 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 fulfilment and/or waiver of all of the Conditions Precedent to Completion as follows:

- (i) Taixing Sunke having obtained 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;
- (ii) 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);
- (iii) the Purchasers having made merger control filings with SAMR and other competent authorities and having received the necessary clearances with respect to the Proposed Disposal in accordance with the Equity Transfer Agreement;
- (iv) the Sale Equity Interest having been released from the written civil ruling order for asset preservation issued by the Taizhou Court on 3 September 2018 to freeze certain assets belonging to Taixing Jurong (hereinafter referred to as the APO) in accordance with the Equity Transfer Agreement;
- (v) Taixing Jurong, the Purchasers and Taixing Sunke having executed the Simple Form ETA;
- (vi) the Ancillary Agreements (being the Utilities and Services Agreement and the Supply Agreement collectively) having been executed, with the signed originals exchanged; and
- (vii) Taixing Jurong having not been subject to any insolvency or liquidation proceedings.

Taixing Jurong, the Purchasers and Taixing Sunke shall use all reasonable endeavours 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

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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 endeavours 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 favour 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 competent 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.

In relation to the condition mentioned in Section 2.4.4(iii) of this Circular, merger control filings have to be made with the SAMR as the Proposed Disposal met the applicable thresholds under the Anti-monopoly Law of the PRC. In this regard, the Purchasers had made such merger control filings with the SAMR on 1 February 2019 and SAMR had given the necessary clearance for the Proposed Disposal on 4 March 2019.

2.4.5 Completion

Pursuant to the Equity Transfer Agreement, the following steps for Completion shall (a) commence within five (5) business days following: (i) fulfilment of all Conditions Precedent to Effectiveness or otherwise waived in writing in accordance with the Equity Transfer Agreement, and (ii) fulfilment of all Conditions Precedent to Completion 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:

- (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 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 the MOFCOM as required under the laws of the PRC, so as to obtain a Foreign Investment Enterprise Filing Notice issued to Taixing Sunke evidencing that Arkema Asie 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):
 - (1) Taixing Jurong shall deliver to the Purchasers: (y) a copy of the resignation letters of the directors of Taixing Sunke which were appointed by Taixing Jurong (being Mr. Sun Xiao, Mr. Zhou Jian Bin and Mr. Li Shu Xin) and the general manager of Taixing Sunke, and (z) 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
 - (2) 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.

On the Completion Date, the Amended JV Contract shall cease to be effective.

2.4.6 Payment Terms

Within five (5) business days after Taixing Sunke's receipt of the New Business Licence in accordance with Section 2.4.5 of this Circular, Taixing Jurong, the Purchasers and Taixing Sunke shall respectively and cooperate with each other (if necessary) to obtain all governmental approvals for the Purchasers to remit and Taixing Jurong to receive any portion of the Transfer

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Price through a special bank account as per applicable laws and regulations in the PRC, and Taixing Jurong shall then activate such special bank account to receive the Transfer Price in RMB.

Pursuant to the Equity Transfer Agreement and the applicable laws and regulations in the PRC, including the Measures on Administration of Renminbi Settlement for Foreign Direct Investment (Announcement of the People's Bank of China [2011] No.23) (外商直接投资人民币结算业务管理办法(中国人民银行公告 [2011] 第23号)) and the Measures on Administration of Renminbi Bank Settlement Accounts (Decree of the People's Bank of China No.5, 2003) (人民币银行结算账户管理办法(中国人民银行令2003第5号)) of the People's Bank of China, and the Notice on Further Improvements and Adjustments to Foreign Exchange Control Policies for Direct Investments (Hui Fa [2012] No. 59) (国家外汇管理局关于进一步改进和调整直接投资外汇管理政策的通知(汇发 [2012] 59号)) of the SAFE:

- (a) such special bank account is required to be opened by Taixing Jurong with a bank domiciled in the PRC;
- (b) the Purchasers are required to remit the Transfer Price only into such special bank account;
- (c) such special bank account can only be opened by Taixing Jurong after all approvals required under the Equity Transfer Agreement and the applicable laws and regulations in the PRC have been duly obtained, including without limitation the approval of the Shareholders to the Proposed Disposal, and the approvals of the People's Bank of China and the SAFE respectively; and
- (d) the Purchasers shall not be obligated to remit any Transfer Price unless and until all Conditions Precedent to Completion have been duly fulfilled or otherwise waived in writing in accordance with the Equity Transfer Agreement, and 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.

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.

- (i) 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 Transfer Price in RMB, which shall be an aggregate amount equivalent to the Amount X (i.e. the estimated amount of approximately RMB101.1 million as further discussed at Section 2.4.2 of this Circular), in the following proportion:

Purchasers	First Instalment of Transfer Price payable to Taixing Jurong
Arkema Asie	35/45 of Amount X
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 Section 2.4.2 of this Circular. 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 (hereinafter referred to as the Acknowledgement of the Amount X).

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(ii) 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 Transfer Price in RMB, which shall be an aggregate amount equivalent to the Net Overdue Amount (i.e. the estimated amount of approximately RMB322.8 million as further discussed at Section 2.4.3 of this Circular), in the following proportion:

Purchasers	Second Instalment of Transfer Price payable to Taixing Jurong
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 (hereinafter referred to as the Acknowledgement of the Net Overdue Amount).

(iii) 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 Transfer Price in RMB, which shall be an aggregate amount equivalent to the Transfer Price less the Amount X and the Net Overdue Amount (i.e. the estimated amount of approximately RMB377.2 million), in the following proportion:

Purchasers	Third Instalment of Transfer Price payable to Taixing Jurong
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

On 13 February 2019, the SGX-ST issued the Notice of Compliance to the Company following serious concerns of the SGX-ST over the questionable circumstances surrounding the unauthorised corporate guarantees extended by two of the Company's wholly-owned subsidiaries, Yixing Yinyan and Jiangsu Jurong, for loans made by Yixing City Futao Rural Micro Credit Co., Ltd (宜兴市富陶农村小额贷款有限公司) and Bank of China, Xiangshui County Sub-branch respectively to unrelated parties. The Company had previously in the 10 January 2019 Announcement, the 18 January 2019 Announcement and the 19 February 2019 Announcement disclosed that Yixing Yinyan and Jiangsu Jurong had received letters of demand amounting to RMB226 million in respect of such unauthorised corporate guarantees. Consequently, trading in the Company's Shares was halted on 8 January 2019 and converted into a trading suspension on 14 January 2019.

Pursuant to the Notice of Compliance, subject to the conditions as stated therein, the SGX-ST had directed the Company as follows:

- (A) place the Transfer Price in an escrow account to be operated jointly by the independent directors of the Company, resident in Singapore (hereinafter referred to as the Escrow Account);
- (B) all receipts from the Proposed Disposal must be paid into the Escrow Account; and

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- (C) the amounts in the Escrow Account cannot be withdrawn until the completion of the investigations on the subject matter stated in the Notice of Compliance and agreed by the SGX-ST, save for the settlement of expenses and intercompany debts as set out in the payment terms of the Equity Transfer Agreement (as set out in this Section 2.4.6).

Please refer to the announcement by the Company on 13 February 2019 for further information on the Notice of Compliance. The Purchasers were also notified by the SGX-ST of its directions in the Notice of Compliance.

Accordingly, in compliance with the Notice of Compliance and subsequent to further discussions between the Company and the SGX-ST, it is a requirement for the aforementioned special bank account to be the Escrow Account. The Escrow Account shall be governed by an escrow agreement (hereinafter referred to as the Escrow Agreement) between Taixing Jurong and a bank domiciled in the PRC as the escrow agent (hereinafter referred to as the Escrow Agent). The Escrow Agreement shall contain operating instructions that are in accordance with the SGX-ST's directions under the Notice of Compliance including having only the independent directors of the Company, resident in Singapore, as the exclusive joint bank account signatories to the Escrow Account, such other directions or conditions that may be necessary to safeguard the Transfer Price to be remitted into and held in the Escrow Account as instructed by the SGX-ST from time to time to the satisfaction of the SGX-ST, and the Escrow Agreement shall not be amended without the prior approval of the independent directors of the Company and the SGX-ST (hereinafter referred to as the SGX-ST Escrow Requirements). For avoidance of doubt, all references to the "special bank account" in this Section 2.4.6 shall mean the Escrow Account.

As a safeguard to ensure the compliance with the Notice of Compliance and such other directions of the SGX-ST with regard to the Escrow Account, by way of a letter from Taixing Jurong to the Purchasers dated 17 June 2019 (hereinafter referred to as the Taixing Jurong Letter) and with a copy provided to the SGX-ST, Taixing Jurong had requested, agreed and acknowledged that, notwithstanding any provisions in the Equity Transfer Agreement, the Purchasers shall not be obliged to remit the Transfer Price to Taixing Jurong unless and until the following conditions are satisfied:

- (1) the SGX-ST has given its approval or its no objection in writing to the Purchasers with respect to the selection of the Escrow Agent and terms and conditions of the Escrow Agreement;
- (2) the Escrow Agreement has been duly signed by the parties thereto; and
- (3) the Escrow Account has been opened in compliance with applicable laws and regulations in the PRC and the Escrow Agreement and to the satisfaction of all the SGX-ST Escrow Requirements,

(collectively, hereinafter referred to as the Escrow Account Conditions). Such request, agreement and acknowledgement by Taixing Jurong to the Purchasers are irrevocable save with the prior approval of the SGX-ST in writing.

In addition, by way of a letter from the Purchasers to the SGX-ST dated 17 June 2019 (hereinafter referred to as the Purchasers Letter) and with a copy provided to Taixing Jurong, the Purchasers had provided their undertaking to the SGX-ST that they shall not remit the Transfer Price to Taixing Jurong unless and until the Escrow Account Conditions are satisfied, provided however that:

- (x) the SGX-ST's Escrow Requirements are conformant with all applicable laws and regulations and the terms and conditions of the Equity Transfer Agreement as it currently stands (save for necessary amendments to extend the dates in certain clauses in the Equity Transfer Agreement);
- (y) the Shareholders have approved the Proposed Disposal before 15 July 2019 at the EGM; and
- (z) the Purchasers' undertaking and actions shall be subject to all applicable laws, regulations, and binding and final arbitration award and court judgments.

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Such undertaking by the Purchasers to the SGX-ST is irrevocable save with the prior approval of the SGX-ST in writing.

Further, by way of a letter from the Company to the SGX-ST dated 27 June 2019, the Company had provided their undertaking to the SGX-ST that the Company shall:

- (I) procure that Taixing Jurong complies with the terms of the Taixing Jurong Letter, including without limitation the request, agreement and acknowledgement by Taixing Jurong that, notwithstanding any provisions in the Equity Transfer Agreement, the Purchasers shall not be obliged to remit the Transfer Price to Taixing Jurong unless and until the Escrow Account Conditions are satisfied; and
- (II) use their best endeavours to ensure that the Transfer Price will be fully remitted by the Purchasers to only the Escrow Account in accordance with the Purchasers Letter.

Such undertaking by the Company to the SGX-ST is irrevocable save with the prior approval of the SGX-ST in writing.

Accordingly, any withdrawal of the Transfer Price paid into the Escrow Account will be subject to the approval of the independent directors of the Company. The independent directors of the Company will use their best endeavours to be involved in the remittance of the Transfer Price by the Purchasers into the Escrow Account pursuant to the Purchasers Letter and ensure that the Transfer Price will not be withdrawn from the Escrow Account until the completion of the investigations on the subject matter stated in the Notice of Compliance and agreed by the SGX-ST, save for the settlement of expenses and intercompany debts as set out in the payment terms of the Equity Transfer Agreement (as set out in this Section 2.4.6).

The Audit Committee of the Company is of the view that such safeguards are sufficient to ensure that the Transfer Price shall remain in the Escrow Account in compliance with the Notice of Compliance.

2.4.7 Arbitration Proceedings and Asset Preservation Order

The Company had previously announced in the 2 November 2018 Announcement that an application for the Jurong Arbitration was filed by Taixing Sunke against Taixing Jurong with the China International Economic and Trade Arbitration Commission (hereinafter referred to as CIETAC) on 9 August 2018, and such application was accepted by CIETAC on 27 August 2018. The Jurong Arbitration was commenced by Taixing Sunke against Taixing Jurong for monies amounting to approximately RMB404 million which were due and owing by Taixing Jurong to Taixing Sunke in respect of acrylic acids and acrylate esters sold by Taixing Sunke to Taixing Jurong under the Amended PSA. Leading up to the 2 November 2018 Announcement, as the applicant of the Jurong Arbitration was Taixing Sunke (the joint venture company between Taixing Jurong and Arkema Asia), Mr. Sun Xiao, the Executive Director and Chief Executive Officer of the Company had been actively engaging in discussions with Taixing Sunke since the end of August 2018 in an attempt to resolve the matter.

Based on publicly available information, CIETAC was established in 1956 under the China Council for the Promotion of International Trade and is an established arbitration institution in the PRC.

As announced in the 2 November 2018 Announcement, an asset preservation proceeding was also launched by Taixing Sunke against, among others, Taixing Jurong with the Taizhou Court on 29 August 2018 to freeze the assets of Taixing Jurong up to the amount claimed under the Jurong Arbitration. On 3 September 2018, the Taizhou Court issued the APO and under which, the following assets of Taixing Jurong are frozen:

- (a) the Sale Equity Interest;
- (b) Taixing Jurong's bank account with the Bank of China which holds the amount of RMB72,000; and

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- (c) Taixing Jurong's bank account with the Industrial and Commercial Bank of China which holds the amount of RMB16.8 million.

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 asset preservation under the APO against the Sale Equity Interest) and further apply to CIETAC to withdraw the Jurong Arbitration filed with CIETAC.

2.5 Rationale for the Proposed Disposal

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

- (a) since the commencement of the joint venture with Arkema Asie, there have been divergence of views with regard to the management and operations of Taixing Sunke, and the Proposed Disposal will bring about an amicable end to the joint venture; and
- (b) the net sale proceeds can then be utilised for the purposes set out in Section 2.8 of this Circular.

2.6 Valuation of the Sale Equity Interest

Based on the latest announced unaudited consolidated accounts of the Group for the financial period ended 31 March 2019, as at 31 March 2019, the unaudited book value of the Sale Equity Interest was approximately RMB746.4 million.

2.7 Net gain/loss attributable to the Proposed Disposal

The Company expects to incur a loss of approximately RMB46.4 million, after the deduction of estimated costs and expenses to be incurred in connection with the Proposed Disposal, from the Proposed Disposal representing a deficit of the proceeds over the unaudited book value of the Sale Equity Interest of approximately RMB746.4 million as at 31 March 2019.

2.8 Use of Sale Proceeds

Subject to the directions from the SGX-ST and the conditions stated in the Notice of Compliance, the Company intends to use up to 80% of the net sale proceeds from the Proposed Disposal for repayment of bank borrowings (as at 31 March 2019, the total amount of outstanding bank borrowings was RMB644.0 million) and the remaining 20% of the net sale proceeds for working capital purposes.

2.9 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 figures derived from the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and the Group's latest announced unaudited consolidated financial statements for the financial period ended 31 March 2019. The pro forma effects are purely for illustrative purposes only and do not reflect the actual financial position of the Group after completion of the Proposed Disposal.

- (a) Effect on net tangible assets ("NTA") per share

For illustrative purposes only, based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and latest announced unaudited consolidated financial statements for the financial period ended 31 March 2019, and assuming that the completion of the Proposed Disposal had been effected on 31 December

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2017 and 31 March 2019 respectively, the completion of the Proposed Disposal would have had the following impact on the Group's NTA:

31 December 2017

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	983,279	907,077
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	184.8	170.5

31 March 2019

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB '000)	80,998	23,962 ⁽¹⁾
Number of issued shares (excluding treasury shares) ('000)	532,001	532,001
NTA per share (cents)	15.2	4.5

Note:

- (1) The amount is stated after taking into consideration the approximate net loss on disposal of RMB46.4 million and the net profit amounting to RMB10.7 million from Taixing Sunke for the financial period ended 31 March 2019.

(b) Effect on the loss per share ("LPS")

For illustrative purposes only, based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2017 and latest announced unaudited consolidated financial statements for the financial period ended 31 March 2019, and assuming that the completion of the Proposed Disposal had been effected on 1 January 2017 and 1 January 2019 respectively, the completion of the Proposed Disposal would have had the following impact on the Group's LPS:

31 December 2017

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to the equity holders of the Group (RMB '000)	(20,322) ⁽¹⁾	(96,524) ⁽²⁾
Weighted average number of ordinary shares outstanding ('000)	532,001	532,001
LPS (cents)	(3.8)	(18.1)

Notes:

- (1) The amount is stated after taking into consideration the net profit amounting to RMB16.1 million from Taixing Sunke for the financial year ended 31 December 2017.
- (2) The LPS after the Proposed Disposal is stated after taking into consideration the profit incurred for Taixing Jurong and the net loss on disposal amounting to approximately RMB60.1 million for the financial year ended 31 December 2017.

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31 March 2019

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to the equity holders of the Group (RMB '000)	(80,870)	(137,906) ⁽¹⁾
Weighted average number of ordinary shares outstanding ('000)	532,001	532,001
LPS (cents)	(15.2)	(25.9)

Note:

- (1) The amount is stated after taking into consideration the approximate net loss on disposal of RMB46.4 million and the net profit amounting to RMB10.7 million from Taixing Sunke for the financial period ended 31 March 2019.

2.10 Relative figures under Rule 1006 of the Listing Manual

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 of RMB746.4 million to be disposed of, compared with the Group's net asset value of RMB81.0 million as at 31 March 2019 ⁽¹⁾	921.5
<u>Rule 1006(b)</u> Net profit of RMB10.7 million attributable to the assets to be disposed of (i.e. the Sale Equity Interest), compared with the Group's net loss of RMB80.9 million for the financial period ended 31 March 2019 ⁽¹⁾	(13.2)
<u>Rule 1006(c)</u> Aggregate value of the consideration received of RMB801.1 million (being RMB700.0 million plus the Amount X of RMB101.1 million assuming the Completion Date was on 30 April 2019), compared with the Company's market capitalisation (based on the total number of issued shares excluding treasury shares) of RMB56.9 million ⁽²⁾	1,408.7
<u>Rule 1006(d)</u> Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the Proposed Disposal is not an acquisition by the Company and there is no issuance of equity securities by the Company.
<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	Not applicable, as the Company is not a mineral, oil and gas company.

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Notes:

- (1) The figures computed here are based on the Company's latest announced unaudited consolidated financial statement for the financial period ended 31 March 2019.
- (2) Pursuant to Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of Shares in issue excluding treasury shares (being 532,000,641 Shares) by the weighted average price (being SGD0.022 or RMB0.11 at an exchange rate of SGD1 to RMB4.8589) of such Shares transacted on the market day on 4 January 2019 (being the last market day on which Shares were transacted prior to the suspension of the Shares on 14 January 2019).

As the relative figures under Rule 1006(a) and Rule 1006(c) of the Listing Manual exceed 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 Shareholders in a general meeting.

2.11 Interests of Directors and Controlling Shareholders

Save for their shareholdings in the Company and save as disclosed in this Circular, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Sun Xiao ⁽²⁾	—	—	—	—	—	—
Yang Guoqiang	190,000	0.04	—	—	190,000	0.04
Zhu Wuling	356,000	0.07	—	—	356,000	0.07
Koh Poh Beng	—	—	—	—	—	—
Lua Poh Huat	2,504,000	0.47	—	—	2,504,000	0.47
Substantial Shareholders						
Whitefield Capital Inc.	329,152,241	61.87	—	—	329,152,241	61.87
Hu Yanping ⁽²⁾	—	—	329,152,241 ⁽³⁾	61.87	329,152,241	61.87

Notes:

- (1) Based on 532,000,641 Shares as at the Latest Practicable Date.
- (2) Mdm. Hu Yanping is the mother of Mr Sun Xiao.
- (3) Deemed interest in 329,152,241 Shares held by Whitefield Capital Inc. pursuant to Section 7 of the Companies Act.

2.12 Directors' service contracts

No person is proposed to be appointed as a director of the Company 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.

LETTER TO SHAREHOLDERS

3. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 26 of this Circular, will be held at 168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912 on 15 July 2019 at 10.00 am (or any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without any modification) the ordinary resolution set out in the notice of EGM.

4. DIRECTORS' RECOMMENDATION

The Board of Directors, having considered the rationale and benefit of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the resolution relating to the Proposed Disposal to be proposed at the EGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on his behalf, should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898, not later than 72 hours before the time fixed for holding the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the EGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available source or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the LOI and the Equity Transfer Agreement are available for inspection during normal business hours at the Company's registered office at 112 Robinson Road, #11-01 Robinson 112, Singapore 068902 for a period commencing from the date of this Circular up to and including the date of the EGM.

Yours faithfully

For and on behalf of the Board of Directors

SUNVIC CHEMICAL HOLDINGS LIMITED

Sun Xiao

Executive Director and Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING

SUNVIC CHEMICAL HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of **SUNVIC CHEMICAL HOLDINGS LIMITED** (the “Company”) will be held at 168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912 on 15 July 2019 at 10.00 am, for the purpose of considering, and if thought fit, passing with or without modification(s) the following resolution:

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the circular to shareholders of the Company dated 29 June 2019.

ORDINARY RESOLUTION: THE PROPOSED DISPOSAL

THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 10 of the Listing Manual, for the Proposed Disposal on the terms and subject to the conditions of the Transaction Documents; and
- (b) the Directors and any of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as he or they may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Disposal and this Resolution and the transactions contemplated by the Proposed Disposal and/or authorised by this Resolution (including any amendment to the Transaction Documents or the execution of any other agreements or documents and procurement of third party consents in relation to the Proposed Disposal as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company).

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer

29 June 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTES:

1.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898, not less than 72 hours before the time fixed for holding the EGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy(ies) and/or representative(s) appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

SUNVIC CHEMICAL HOLDINGS LIMITED

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

EXTRAORDINARY GENERAL MEETING PROXY FORM

Important:

1. Relevant intermediaries as defined in Section 181 of the Companies Act may appoint more than two (2) proxies to attend, speak and vote at the EGM.
2. For CPF/SRS investors who have used their CPF monies to buy Sunvic Chemical Holdings Limited shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 29 June 2019.

*I/We, _____ (name)

of _____ (address)

being a *member/members of SUNVIC CHEMICAL HOLDINGS LIMITED (the “Company”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company (“EGM”) to be held at 168 Robinson Road, Level 9, Right Brain Room, Capital Tower, Singapore 068912 on 15 July 2019 at 10.00 am and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the resolution(s) to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

ORDINARY RESOLUTION	FOR	AGAINST
To approve the Proposed Disposal		

* Delete accordingly

** If you wish to exercise all your votes “For” or “Against” the relevant resolution, please tick [✓] within the relevant box. Otherwise, please indicate the number of votes as appropriate.

Date this _____ day of _____ 2019

Total number of Shares held in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ THE NOTES OVERLEAF CAREFULLY



PROXY FORM

NOTES TO PROXY FORM:

1. Please insert the total number of shares in the share capital of the Company held by the member. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898, not less than 72 hours before the time fixed for holding the EGM.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its board of directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
10. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.