

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the First Quarter Ended 31 March 2014

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST QUARTER RESULTS

1(a) A statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q1 2014	Q1 2013	+ / (-)
	RMB'000	RMB'000	%
Revenue	1,562,439	1,470,403	6.3
Cost of sales	(1,391,802)	(1,285,293)	8.3
Gross profit	170,637	185,110	(7.8)
Other operating income	3,986	3,461	15.2
Distribution expenses	(31,726)	(29,761)	6.6
Administrative expenses	(41,633)	(25,935)	60.5
Other operating expenses	(781)	(1,654)	(52.8)
Profit from operations	100,483	131,221	(23.4)
Finance expenses	(49,811)	(33,156)	50.2
Profit before income tax	50,672	98,065	(48.3)
Income tax expense	(14,093)	(17,209)	(18.1)
Profit for the period	36,579	80,856	(54.8)
Other comprehensive income			
Translation difference relating to financial statements of foreign subsidiaries with functional currency other than RMB	2,037	(623)	427.0
Total comprehensive income for the period	38,616	80,233	(51.9)
Attributable to:			
Owners of the Company	38,979	80,314	(51.5)
Non-controlling interests	(363)	(81)	348.1
Total comprehensive income for the period	38,616	80,233	(51.9)

The following items have been included in arriving at profit before taxation:-

	Q1 2014 RMB'000	Q1 2013 RMB'000	+ / (-) %
Interest income	(2,163)	(2,640)	(18.1)
Exchange loss, net	11,057	4,117	168.6
Depreciation of property, plant and equipment	75,708	62,369	21.4
Amortisation of land use rights	393	413	(4.8)
Amortisation of intangible assets	64	133	(51.9)
Interest paid and payable to banks	49,811	33,156	50.2

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 31 March 2014	As at 31 December 2013	As at 31 March 2014	As at 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	2,935,068	2,942,224	-	-
Intangible assets	2,487	2,551	-	-
Land use rights	36,548	36,941	-	-
Subsidiaries	-	-	398,946	398,946
Deposits paid for property, plant and equipment and land use rights	390,656	204,555	-	-
	3,364,759	3,186,291	398,946	398,946
Current assets				
Inventories	399,713	329,770	-	-
Trade and other receivables	2,363,087	2,344,653	30,126	28,735
Pledged deposits	448,433	441,100	-	-
Cash and bank balances	380,926	341,246	1,147	2,787
	3,592,159	3,456,769	31,273	31,522
Total assets	6,956,918	6,643,060	430,219	430,468
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	2,001,784	1,962,805	110,303	110,934
Total equity attributable to equity holders of the Company	2,293,300	2,254,321	401,819	402,450
Non-controlling interests	54,344	54,707	-	-
Total equity	2,347,644	2,309,028	401,819	402,450
Non-current liabilities				
Interest bearing liabilities	494,194	248,035	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	501,694	255,535	-	-
Current liabilities				
Trade and other payables	1,594,887	1,412,332	27,558	27,202
Interest-bearing liabilities	2,497,048	2,642,409	-	-
Current tax payable	15,645	23,756	842	816
Total current liabilities	4,107,580	4,078,497	28,400	28,018
Total equity and liabilities	6,956,918	6,643,060	430,219	430,468

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 March 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
2,049,716	447,332	2,043,409	599,000

Amount repayable after one year

As at 31 March 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
494,194	-	248,035	-

Details of any collateral

The secured bank borrowings are secured by certain of the Group's leasehold buildings, plant and machinery, land use rights and trade receivables.

Unsecured bank loans are guaranteed by Mr and Mrs Sun Liping, Mr Sun Liping's son, Jiangsu Yinyan Specialty Chemicals Co., Ltd, a company in which Mr Sun Liping is deemed to have significant interest, and certain unrelated third parties.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q1 2014	Q1 2013
	RMB'000	RMB'000
Operating activities		
Profit before income tax	50,672	98,065
Adjustments for:		
Interest expense	49,811	33,156
Interest income	(2,163)	(2,640)
Amortisation of intangible assets	64	133
Amortisation of land use rights	393	413
Depreciation of property, plant and equipment	75,708	62,369
Exchange differences	2,037	(623)
Operating profit before working capital changes	176,522	190,873
Changes in working capital:		
Inventories	(69,943)	50,403
Trade and other receivables	(18,434)	(312,797)
Trade and other payables	159,960	483,680
Cash generated from operations	248,105	412,159
Income taxes paid	(22,204)	(23,394)
Cash flows from operating activities	225,901	388,765
Investing activities		
Interest received	2,163	2,640
Purchase of property, plant and equipment	(45,937)	(143,759)
Downpayments for property, plant and equipment	(186,101)	(41,025)
Cash flows used in investing activities	(229,875)	(182,144)
Financing activities		
Proceeds from interest-bearing liabilities	1,552,181	1,006,177
Repayments of interest-bearing liabilities	(1,435,775)	(594,688)
Net repayments of factoring facilities	(15,608)	(16,342)
Interest paid	(49,811)	(33,156)
Deposits pledged	(7,333)	(173,428)
Cash flows from financing activities	43,654	188,563
Net increase in cash and cash equivalents	39,680	395,184
Cash and cash equivalents at beginning of the period	341,246	326,610
Cash and cash equivalents at end of the period	380,926	721,794

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity – The Group

	Share capital	Treasury shares	Merger reserve	Other reserves	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	291,516	-	(499)	282,822	(17,886)	1,698,368	2,254,321	54,707	2,309,028
Total comprehensive income for the period	-	-	-	-	2,037	36,942	38,979	(363)	38,616
At 31 March 2014	291,516	-	(499)	282,822	(15,849)	1,735,310	2,293,300	54,344	2,347,644
At 1 January 2013	291,516	-	(499)	235,946	(10,345)	1,360,464	1,877,082	57,182	1,934,264
Total comprehensive income for the period	-	-	-	-	(623)	80,937	80,314	(81)	80,233
At 31 March 2013	291,516	-	(499)	235,946	(10,968)	1,441,401	1,957,396	57,101	2,014,497

Statement of Changes in Equity – The Company

	Share capital	Treasury shares	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	291,516	-	110,933	402,449
Total comprehensive income for the period	-	-	(630)	(630)
At 31 March 2014	291,516	-	110,303	401,819
At 1 January 2013	291,516	-	111,156	402,672
Total comprehensive loss for the period	-	-	(1,468)	(1,468)
At 31 March 2013	291,516	-	109,688	401,204

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the numbers of shares held as treasury shares, if any, against the number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company did not buy back any shares in Q1 2014. The Company does not have any treasury shares as at 31 March 2014.

	Company	
	As at 31 March 2014	As at 31 December 2013
Number of shares excluding treasury shares at the end of the period ('000)	533,651	533,651

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	As at 31 March 2014	As at 31 December 2013
Number of shares excluding treasury shares at the end of the period ('000)	533,651	533,651

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 31 March 2014.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period and the previous financial year.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Point 4 above.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Q1 2014	Q1 2013
Earnings per share (RMB cents):-		
Basic and diluted	6.9	15.2
	Group	
	Q1 2014	Q1 2013
	RMB'000	RMB'000
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders of the Company	36,942	80,937
	No. of shares	
	Q1 2014	Q1 2013
	('000)	('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	533,651	533,651

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) **Current financial period reported on; and**
(b) **Immediately preceding financial year.**

	Group		Company	
	As at 31 March 2014	As at 31 December 2013	As at 31 March 2014	As at 31 December 2013
Net assets attributable to the shareholders of the Company (RMB'000)	2,293,300	2,254,321	401,819	402,450
Net asset value per ordinary share (RMB cents)	429.7	422.4	75.3	75.4
Number of shares at the end of the period ('000)	533,651	533,651	533,651	533,651

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) **Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

Revenue

Total revenue in Q1 2014 increased by RMB92.0 million to RMB1,562.4 million compared to RMB1,470.4 million Q1 2013. This was mainly due to increase in revenue from sales of glyphosate and other chemical products by RMB27.0 million and RMB164.6 million respectively. The increase was partially offset by a decrease in revenue from sales of AA and AE amounting to RMB99.6 million.

Sales of AA and AE decreased mainly due to lower sales volume as a result of major upgrading works carried out at our Yancheng plant. Sales volume for AA and AE in Q1 2014 stood at 121,600 tonnes compared to 135,800 tonnes in Q1 2013.

Sales of glyphosate increased due to an increase in sales volume.

Gross profit

Total gross profit for Q1 2014 amounted to RMB170.6 million compared to RMB185.1 million in Q1 2013. Sales of AA and AE contributed RMB149.9 million to the total gross profit in Q1 2013 whilst sales of glyphosate and other chemical products contributed RMB9.4 million and RMB11.4 million respectively.

Overall gross profit margin decreased from 12.6% in Q1 2013 to 10.9% in Q1 2014. Gross profit margins for AA and AE maintained at around 12.0% for Q1 2014 and Q1 2013 whilst gross profit margins for glyphosate decreased from 32.2% in Q1 2013 to 10.0% in Q1 2014. Selling prices for AA and AE increased marginally whilst cost of propylene also increased. Selling prices for glyphosate decreased due to cooling down of the market.

Distribution expenses

Distribution expenses increased by RMB2.0 million to RMB31.7 million in Q1 2014 compared to RMB29.8 million in Q1 2013. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses.

Administrative expenses

In Q1 2014, administrative expenses increased by RMB15.7 million to RMB41.6 million compared to RMB25.9 million in Q1 2013. This was mainly due to an increase of net exchange loss from RMB4.1 million in Q1 2013 to RMB11.1 million in Q1 2014.

Finance expenses

Finance expenses increased by RMB16.7 million to RMB49.8 million in Q1 2014 compared to RMB33.2 million in Q1 2013. This was mainly due to drawn down of additional banking facilities in Q1 2014.

Income tax expense

Income tax expense decreased by RMB3.1 million to RMB14.1 million in Q1 2014 compared to RMB17.2 million in Q1 2013 due to lower profit in Q1 2014.

8. (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Balance sheet

Property, plant and equipment decreased by RMB7.2 million to RMB2,935.1 million as at 31 March 2014 compared to RMB2,942.2 million as at 31 December 2013. This was mainly due to depreciation charge for the period which was partially offset by additions of property, plant and equipment in Q1 2014.

We refer to the qualified independent auditor's report dated 11 April 2014. In respect of the idle assets and the MTBE plant mentioned in the said report, we are in the process of appointing professional valuer to value these assets. We will make the necessary announcement to update shareholders in due course.

Deposits paid for property, plant and equipment increased by RMB186.1 million to RMB390.7 million as at 31 March 2014 compared to RMB204.6 million as at 31 December 2013. This was mainly due to an increase in deposits paid for our new Line 3 AA plant in Taixing City.

Inventories increased by RMB69.9 million to RMB399.7 million as at 31 March 2014 compared to RMB329.8 million as at 31 December 2013. This was mainly due to an increase in raw material, propylene.

Trade and other receivables increased by RMB18.4 million to RMB2,363.1 million as at 31 March 2014 compared to RMB2,344.7 million as at 31 December 2013.

Trade and other payables increased by RMB182.6 million to RMB1,594.9 million as at 31 March 2014 compared to RMB1,412.3 million as at 31 December 2013. This was mainly due to higher trade and notes payables.

Total non-current and current interest-bearing liabilities increased by RMB100.8 million to RMB2,991.2 million as at 31 March 2014 compared to RMB2,890.4 million as at 31 December 2013. This was mainly due to drawn down of new banking facilities in Q1 2014.

Cash Flow Statement

Our Group generated positive operating cash flow of RMB225.9 million in Q1 2014 mainly due to profit before income tax, depreciation charge and interest expense as well as an increase in trade and other payables. These were partially offset by interest income as well as increase in trade and other receivables and inventories.

Financing activities resulted in positive cash flow of RMB43.7 million in Q1 2014 mainly due to proceeds from interest-bearing liabilities. These were partially offset by repayment of interest-bearing liabilities, repayments of factoring facilities, interest paid and an increase in pledged fixed deposits.

There was a net cash outflow of RMB229.9 million in Q1 2014 from the Group's investing activities mainly due to acquisitions and downpayments made for the property, plant and equipment.

Cash and cash equivalents increased from RMB341.2 million as at 31 December 2013 to RMB380.9 million as at 31 March 2014 due to the above reasons.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

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10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

We anticipate that margins for AA and AE will likely to be under pressure due to the new supplies of AA in the PRC and temporary higher raw material costs because of maintenance shutdown by suppliers of propylene.

Commissioning was performed on the MTBE plant in mid April 2014. However, we are now making further technical improvements to the plant and the production process. This is expected to take a further 3 to 4 months.

11. **Dividend**

(a) Current Financial Period Reported On

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared or recommended in Q1 2013.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. **If no dividend has been declared/recommendedd, a statement to that effect.**

No dividend has been declared or recommended.

13. Interested Person Transactions

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the Group discloses the aggregate value of interested person transactions as follows:

Name of Interested Person	Aggregate value of all interested person transactions during financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000
Sales of chemical products:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	31,817
Sales of chemical products:-		
- Jiangsu Jurong Petrochemicals Co., Ltd	-	3,770
Purchase of inventories:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	2,415
Purchase of raw materials:-		
- Jiaxing Jinyan Chemical Co., Ltd	-	18,106

The Company refers to the announcement released on 30 April 2013 in relation to Interested Person Transactions (“IPTs”) entered into with Yixing Danson Technology Co., Ltd (“Yixing Danson”). Sales of chemical products to Yixing Danson in Q1 2014 amounted to RMB131.4 million.

The Group also has new IPTs with Taixing Jinyan Chemical Technology Co., Ltd (“Taixing Jinyan”). In Q1 2014, the Group entered into the following IPTs with Taixing Jinyan:-

- Purchase of equipment on behalf: RMB19.8 million; and
- Purchase of raw material on behalf: RMB35.6 million.

The transactions with Yixing Danson and Taixing Jinyan are regarded as IPTs within the meaning of the listing manual (the “Listing Manual”) of Singapore Exchange Securities Trading Limited.

The Company is in the process of seeking ratification from its shareholders (the “Shareholders”) of such transactions in accordance with the requirements of Chapter 9 of the Listing Manual. As such, the Audit Committee shall be seeking advice from an Independent Financial Advisor (to be appointed) in relation to the Past Recurring IPTs and the Company will be convening the extraordinary general meeting (the “EGM”) in due course to seek Shareholders’ ratification for the Past Recurring IPTs.

In addition, the Group anticipates that as those IPTs with Yixing Danson and Taixing Jinyan will continue in the future and thus proposes to seek Shareholders’ approval for a general mandate for this purpose at the EGM.

- 13. The Directors of the Company do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial statements ended 31 March 2014 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
15 May 2014