

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the First Quarter Ended 31 March 2016

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 2016	Q1 2015	+/(-)
	RMB'000	RMB'000	%
Revenue	422,298	577,528	(26.9)
Cost of sales	(423,725)	(583,268)	(27.4)
Gross loss	(1,427)	(5,740)	(75.1)
Other operating income	16,664	118,324	(85.9)
Distribution expenses	(12,230)	(19,473)	(37.2)
Administrative expenses	(28,743)	(56,437)	(49.1)
Other operating expenses	(11,131)	(108,607)	(89.8)
Loss from operations	(36,867)	(71,933)	(48.7)
Finance expenses	(21,967)	(25,760)	(14.7)
Loss before income tax	(58,834)	(97,693)	(39.8)
Income tax expense	(2,301)	(720)	219.6
Loss for the period	(61,135)	(98,413)	(37.9)
Other comprehensive income			
Translation difference relating to financial statements of foreign subsidiaries with functional currency other than RMB	(59)	110	(153.6)
Total comprehensive loss for the period	(61,194)	(98,303)	(37.7)
Attributable to:			
Owners of the Company	(60,862)	(95,806)	(36.5)
Non-controlling interests	(332)	(2,497)	(86.7)
Total comprehensive loss for the period	(61,194)	(98,303)	(37.7)

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

	Q1 2016 RMB'000	Q1 2015 RMB'000	+/(-) %
Interest income	(880)	(2,679)	(67.4)
Exchange loss, net	(166)	9,657	101.7
Depreciation of property, plant and equipment	85,987	72,506	18.6
Amortisation of land use rights	135	327	(58.7)
Amortisation of intangible assets	399	504	(20.8)
Interest paid and payable to banks	21,967	25,760	(14.7)
Reversal of write down of inventories	(15,601)	(35,575)	(56.1)

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 2016	As at 31 December 2015	As at 31 March 2016	As at 31 December 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,454,592	1,483,808	-	-
Intangible assets	9,947	10,346	-	-
Land use rights	50,013	50,148	-	-
Subsidiaries	-	-	342,623	342,623
Deposits paid for property, plant and equipment and land use rights	-	5,522	-	-
Deferred tax asset	24,430	24,430	-	-
	1,538,982	1,574,254	342,623	342,623
Current assets				
Inventories	151,909	133,286	-	-
Non-current assets held for sale	11,673	11,731	-	-
Trade and other receivables	1,464,119	1,664,757	39,565	38,652
Pledged deposits	129,713	183,933	-	-
Cash and bank balances	134,577	173,553	316	1,314
	1,891,991	2,167,260	39,881	39,966
Total assets	3,430,973	3,741,514	382,504	382,589
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	992,937	1,053,799	66,009	66,573
Total equity attributable to equity holders of the Company	1,284,453	1,345,315	357,525	358,089
Non-controlling interests	(54,134)	(53,802)	-	-
Total equity	1,230,319	1,291,513	357,525	358,089
Non-current liabilities				
Interest bearing liabilities	140,000	140,000	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	147,500	147,500	-	-
Current liabilities				
Trade and other payables	890,392	1,024,500	24,979	24,500
Interest-bearing liabilities	1,161,881	1,271,968	-	-
Current tax payable	881	6,033	-	-
Total current liabilities	2,053,154	2,302,501	24,979	24,500
Total equity and liabilities	3,430,973	3,741,514	382,504	382,589

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 2016		As at 31 December 2015	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
511,881	650,000	651,968	620,000

Amount repayable after one year

As at 31 March 2016		As at 31 December 2015	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
140,000	-	140,000	-

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 Mdm Hu Yan Ping, Mr and Mrs Sun Xiao, Jiangsu Yinyan Specialty Chemicals Co., Ltd group of companies, in which Mdm Hu Yan Ping and Mr Sun Xiao are deemed to have significant interest.

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 2016 RMB'000	Q1 2015 RMB'000
Operating activities		
Loss profit before income tax	(58,834)	(97,693)
Adjustments for:		
Interest expense	21,967	25,760
Interest income	(880)	(2,679)
Amortisation of intangible assets	399	504
Amortisation of land use rights	135	327
Depreciation of property, plant and equipment	85,987	72,506
Reversal of write down of inventories	(15,601)	(35,575)
Exchange differences	(59)	110
Operating (loss)/profit before working capital changes	33,114	(36,740)
Changes in working capital:		
Inventories	(3,022)	(220,123)
Trade and other receivables	200,638	(551,125)
Trade and other payables	(85,512)	524,768
Cash generated from/(used in) operations	145,218	(283,220)
Income taxes paid	(7,453)	(19,595)
Cash flows from operating activities	137,765	(302,815)
Investing activities		
Interest received	880	2,679
Purchase of property, plant and equipment and land use rights	(99,787)	(12,747)
Cash flows used in investing activities	(98,907)	(10,068)
Financing activities		
Proceeds from interest-bearing liabilities	626,181	1,063,444
Repayments of interest-bearing liabilities	(736,268)	(1,008,709)
Interest paid	(21,967)	(25,760)
Deposits pledged	54,220	(13,177)
Cash flows from financing activities	(77,834)	15,798
Net decrease in cash and cash equivalents	(38,976)	(297,085)
Cash and cash equivalents at beginning of the period	173,553	486,881
Cash and cash equivalents at end of the period	134,577	189,796

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 2016	291,516	(1,575)	(499)	305,600	(15,979)	766,252	1,345,315	(53,802)	1,291,513
Total comprehensive income for the period	-	-	-	-	(59)	(60,803)	(60,862)	(332)	(61,194)
At 31 March 2016	291,516	(1,575)	(499)	305,600	(16,038)	705,449	1,284,453	(54,134)	1,230,319
At 1 January 2015	291,516	-	(499)	346,941	(17,798)	1,504,405	2,124,565	(39,682)	2,084,883
Total comprehensive loss for the period	-	-	-	-	110	(95,916)	(95,806)	(2,497)	(98,303)
At 31 March 2015	291,516	-	(499)	346,941	(17,688)	1,408,489	2,028,759	(42,179)	1,986,580

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 2016	291,516	(1,575)	68,149	358,090
Total comprehensive loss for the period	-	-	(565)	(565)
At 31 March 2016	291,516	(1,575)	67,584	357,525
At 1 January 2015	291,516	-	45,989	337,505
Total comprehensive loss for the period	-	-	(244)	(244)
At 31 March 2015	291,516	-	45,745	337,261

- 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 2016. Total number of ordinary shares bought back as at 31 March 2016 amounted to 1,650,000. These shares are held as treasury shares.

	As at 31 March 2016 (‘000)	As at 31 December 2015 (‘000)
Number of issued shares	533,651	533,651
Number of treasury shares	(1,650)	(1,650)
Number of issued shares excluding treasury shares	<u>532,001</u>	<u>532,001</u>

- 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 2016	As at 31 December 2015
Number of shares excluding treasury shares at the end of the period (‘000)	<u>532,001</u>	<u>532,001</u>

- 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 2016.

- 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 2016	Q1 2015
Earnings per share (RMB cents):-		
Basic and diluted	(11.4)	(17.9)

	Group	
	Q1 2016	Q1 2015
	RMB'000	RMB'000
Basic earnings per share is based on:		
Net (loss)/profit attributable to ordinary shareholders of the Company	(60,921)	(95,696)

	No. of shares	
	Q1 2016	Q1 2015
	('000)	('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	533,052	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 2016	As at 31 December 2015	As at 31 March 2016	As at 31 December 2015
Net assets attributable to the shareholders of the Company (RMB'000)	1,284,453	1,345,315	357,525	358,089
Net asset value per ordinary share (RMB cents)	241.4	252.9	67.2	67.3
Number of shares at the end of the period ('000)	532,001	532,001	532,001	532,001

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 2016 decreased by RMB155.2 million to RMB422.3 million compared to RMB577.5 million Q1 2015. This was mainly due to decrease in revenue from sales of AA and AE as well as PMIDA and glyphosate by RMB171.1 million and RMB33.0 million respectively which were partially offset by an increase in sales of other chemical products by RMB48.9 million.

The decrease in revenue from AA and AE as well as PMIDA and glyphosate were mainly attributable to lower sale volume and average selling prices when compared to Q1 2015.

Sale volume of AA and AE decreased from 84,400 tonnes in Q1 2015 to 52,400 tonnes in Q1 2016 whilst their average selling prices also decreased from RMB7,200 to RMB5,400 per tonne during the respective period. All of these are due to over-supply situation of AA in the PRC.

Gross profit

The Group incurred a gross loss of RMB1.4 million in Q1 2016 compared to RMB5.7 million in Q1 2015. Sales of AA and AE as well as PMIDA and glyphosate contributed gross loss of RMB6.1 million and RMB1.5 million respectively which were partially offset by a gross profit contributed by sales of other chemical products amounted to RMB6.2 million in Q1 2016.

Overall gross profit margin increased from a negative of 1.0% in Q1 2015 to a negative of 0.3% in Q1 2016. This was a significant improvement from Q4 2015 of negative margin of 28.9%. We have seen a more stabilized material and product prices in Q1 2016 when compared to Q4 2015 which resulted in better margins.

Gross profit margins for AA and AE reduced from a negative of 0.7% for Q1 2015 to a negative of 1.8% in Q1 2016 whilst gross profit margins for PMIDA and glyphosate improved from a negative of 26.1% in Q1 2015 to a negative of 19.3% in Q1 2016.

Other operating income and other operating expenses

Included in other operating income in Q1 2016 was (i) revenue from sale of propylene and other chemical material to joint venture entity of Nil (Q1 2015: RMB111.2 million); (ii) interest income of RMB0.9 million (Q1 2015: RMB2.7 million); and (iii) sale of steam and waste water treatment fee of RMB10.6 million (Q1 2015: RMB1.8 million).

The corresponding costs from sale of propylene and other chemical material as well as sale of steam and waste water treatment were included in the other operating expenses. As there was no sale of propylene and other chemical products to the joint venture entity in Q1 2016, therefore no such cost incurred in Q1 2016 compared to RMB107.8 million in Q1 2015. The costs incurred for sale of steam and waste water treatment amounted to RMB9.8 million in Q1 2016.

Distribution expenses

Distribution expenses decreased by RMB7.2 million to RMB12.2 million in Q1 2016 compared to RMB19.5 million in Q1 2015. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses. These expenses decreased due to lower sale volume of all products in Q1 2016 when compared to Q1 2015.

Administrative expenses

In Q1 2015, administrative expenses decreased by RMB27.7 million to RMB28.7 million compared to RMB56.4 million in Q1 2015. This was mainly due to (i) a decrease in exchange differences from a net loss of RMB9.7 million in Q1 2015 to a net gain of RMB0.2 million in Q1 2016; and (ii) a decrease in overall administrative expenses.

Finance expenses

Finance expenses decreased by RMB3.8 million to RMB22.0 million in Q1 2016 compared to RMB25.8 million in Q1 2015. This was mainly due to lower interest bearing liabilities in Q1 2016 compared to Q1 2015.

Income tax expense

Income tax expense increased by RMB1.6 million to RMB2.3 million in Q1 2016 compared to RMB0.7 million in Q1 2015. Income tax expense was incurred notwithstanding the Group was in a loss position mainly due to income tax paid on profit incurred in the joint venture entity.

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 RMB29.2 million to RMB1,454.6 million as at 31 March 2016 compared to RMB1,483.8 million as at 31 December 2015. This was mainly due to depreciation charge for the period which was partially offset by additions of property, plant and equipment in Q1 2016.

Inventories increased by RMB18.6 million to RMB151.9 million as at 31 March 2016 compared to RMB133.3 million as at 31 December 2015. This was mainly due to an increase in raw material, propylene, to cater for our production plan for the month of April 2016.

Breakdown of trade and other receivables is as follows:-

	As at 31 March 2016 RMB'000	As at 31 December 2015 RMB'000
Trade receivables:		
- 3 rd parties	221,332	194,791
- Related parties	258,760	347,128
Receivable from joint venture entity	526,755	588,833
Notes receivables	55,165	163,159
Value added tax recoverable	156,438	161,265
Other taxes receivable	103,049	110,896
Prepayments and deposits	25,284	20,887
Deferred tax assets	15,871	15,871
Other receivables	101,465	61,927
	1,464,119	1,664,757

Trade and other receivables decreased by RMB200.6 million to RMB1,464.1 million as at 31 March 2016 compared to RMB1,664.8 million as at 31 December 2015. This was mainly attributable to a decrease in revenue in Q1 2016.

Breakdown of trade and other payables is as follows:-

	As at 31 March 2016 RMB'000	As at 31 December 2015 RMB'000
Trade payables:		
- 3rd parties	474,091	563,651
- Related parties	12,958	20,044
Payable to joint venture entity	97,442	143,847
Payable to joint venture partner	62,531	61,991
Notes payables	179,167	134,837
Accrued operating expenses	54,254	49,244
Other payables	9,949	50,886
	890,392	1,024,500

Trade and other payables decreased by RMB134.1 million to RMB890.4 million as at 31 March 2016 compared to RMB1,024.5 million as at 31 December 2015. This was mainly attributable to a decrease in payable to joint venture entity and other payables due to reduction in overall operational expenses.

Total non-current and current interest-bearing liabilities decreased by RMB110.1 million to RMB1,301.9 million as at 31 March 2016 compared to RMB1,412.0 million as at 31 December 2015. This was mainly due to repayments made in Q1 2016.

Cash Flow Statement

Our Group generated positive operating cash flow of RMB137.8 million in Q1 2016 mainly due to depreciation charge and interest expense as well as a decrease in trade and other receivables. These were partially offset by loss before income tax, reversal of write down of inventories as well as an increase in inventories and a decrease in trade and other payables.

Financing activities resulted in negative cash flow of RMB77.8 million in Q1 2016 mainly due to repayment of interest-bearing liabilities and interest paid. These were partially offset by proceeds from interest-bearing liabilities and a decrease in pledged fixed deposits.

There was a net cash outflow of RMB98.9 million in Q1 2016 from the Group's investing activities mainly due to acquisitions of property, plant and equipment.

As a result of the above, cash and cash equivalents decreased from RMB173.6 million as at 31 December 2015 to RMB134.6 million as at 31 March 2016.

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 conditions will remain challenging in the near future due to the current situation of oversupply and excess production capacity of AA in the PRC.

- 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 2015.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend has been declared/recommendeded, 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) ⁽¹⁾	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Yixing Danson Technology Co., Ltd (“ Yixing Danson ”)	Corporate guarantees in favour of Yixing Danson - RMB449,000,000 Sale of crude AA to Yixing Danson - RMB76,508,000 Purchase of residual crude AA from Yixing Danson - RMB12,410,000	-
Taixing Jinyan Chemical Technology Co., Ltd (“ Taixing Jinyan ”)	Corporate guarantees in favour of Taixing Jinyan - RMB361,000,000 Supply of chemical raw materials to Taixing Jinyan - RMB17,381,000	-
Jiaxing Jinyan Chemical Co., Ltd (“ Jiaxing Jinyan ”)	Corporate guarantees in favour of Jiaxing Jinyan - RMB70,000,000	-
Jiangsu Yinyan Specialty Chemical Co., Ltd (“ Jiangsu Yinyan ”)	-	Sales of chemical products to Jiangsu Yinyan - RMB14,228,000
Jiangsu Jurong Petrochemicals Co., Ltd (“ Jiangsu Jurong ”)	-	Sales of chemical products to Jiangsu Jurong - RMB1,897,000

Note:

- (1) The Company is in the process of preparing a circular to seek shareholders' ratification for past interested person transactions, and a shareholders' mandate for any on-going interested person transactions.
- (2) As at 31 March 2016, the aggregate amount of the corporate guarantees that the Group provided to Yixing Danson, Taixing Jinyan, Jiaying Jinyan and Jiangsu Yinyan was approximately RMB880,000,000, whilst the aggregate amount of corporate guarantees that these same entities provided to the Group was approximately RMB1,486,000,000.

- 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 2016 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
13 May 2016