

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

**RESPONSE TO SGX FURTHER QUERIES ON ANNOUNCEMENT OF RECEIPT OF
LETTERS OF DEMAND BY THE COMPANY'S WHOLLY-OWNED SUBSIDIARIES IN
RELATION TO CORPORATE GUARANTEES PROVIDED TO UNRELATED PARTIES**

*Unless otherwise expressly specified, capitalised terms herein shall bear the same meanings as defined in the announcements of (1) Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in Relation to Corporate Guarantees Provided to Unrelated Parties (the "**Letters of Demand Announcement**") dated 10 January 2019; and (2) Response to SGX Queries dated 18 January 2019.*

On 13 February 2019, Sunvic Chemical Holdings Limited (the "**Company**") received queries from the Singapore Exchange Securities Trading Limited (the "**SGX**") regarding the Letters of Demand Announcement and the Response to SGX Queries dated 18 January 2019. The Company's responses to the queries of the SGX are set out below:-

1. The Exchange refers to the Company's announcements titled "Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries" dated 10 January 2019 and "Response to SGX Queries" dated 18 January 2019. In the response to SGX's queries dated 18 January 2019 (the "**Announcement**"), the Company announced that the Board was only informed by "Management" about the 14 November 2018 YFC Letter of Demand on 7 January 2019 and the 15 December 2018 BOC Letter of Demand on 3 January 2019. To disclose the names, identities and designations of "Management" referred to in the Announcement.

Company's response:

The Management which informed the Board of the YFC Letter of Demand and the BOC Letter of Demand refers to Mr Liu Wen (Vice President – Banking and Finance for China Operating Entities, legal representative of Yixing Yinyan).

2. The Company disclosed that none of the shareholders, directors, legal representatives, supervisors and key managements of the two borrowers of the two loans which were the subjects of the YFC Letter of Demand and the BOC Letter of Demand are connected to or have any relationship with the Sunvic Group's directors, substantial shareholders, legal representatives, key management, employees or their respective associates. The Management of Sunvic Group were not able to obtain information regarding the size and financial operations of the two borrowers of the YFC Letter of Demand and the BOC Letter of Demand (the "**Two Borrowers**") and no fee or commission was paid to Sunvic Group or anyone for extending guarantees to the 2 loans taken up by the Two Borrowers. If this was the case, please disclose the reason why "Management" extended the 2 Guarantees for each of the YFC loan of RMB 180 million and the BOC Loan of RMB 42.5 million respectively. Disclose whether any member of the Board is aware of these Guarantees and the identity of the Board member referred to in this respect. Was this member of the Board included in the "Management" who authorized these 2 Guarantees.

Company's response:

BOC Corporate Guarantee

Mr Yang Guoqiang represented that the BOC Corporate Guarantee was extended by Jiangsu Jurong to Jiangsu Dahe as part of a cross-guarantee arrangement which commenced in 2010, under which Jiangsu Jurong and Jiangsu Dahe had respectively provided corporate guarantees to facilitate the securing of the other party's bank loan (the "**Dahe Cross Guarantee Arrangement**"). The amount guaranteed under the Dahe Cross Guarantee Arrangement has been progressively reduced over the years via the entering into of fresh corporate guarantee at the then prevailing reduced amount and the BOC Corporate Guarantee represents the current and only outstanding corporate guarantee provided by Jiangsu Jurong for Jiangsu Dahe.

The independent directors, Mr Koh Poh Beng and Mr Lua Poh Huat, were aware of the Dahe Cross Guarantee Arrangement and the BOC Corporate Guarantee only after the BOC Letter of Demand was disclosed to them by Mr Liu Wen on 3 January 2019.

Mr Yang Guoqiang was aware of the Dahe Cross Guarantee Arrangement since 2010. Mr Yang Guoqiang was aware of the BOC Corporate Guarantee as he was the legal representative of Jiangsu Jurong and he was the signatory to the BOC Corporate Guarantee on behalf of Jiangsu Jurong.

Mr Sun Xiao was aware of the Dahe Cross Guarantee Arrangement since the date of his appointment as the Chief Executive Officer of the Company in early 2013, and was aware of the BOC Corporate Guarantee after the BOC Corporate Guarantee had been entered into by the legal representative of Jiangsu Jurong.

YFC Corporate Guarantee

Mr Liu Wen represented that the YFC Loan was a bridging loan to allow Jiangsu Donglai to repay its bank, and that Jiangsu Donglai had expected its bank to release the same amount back to Jiangsu Donglai within one week of such repayment to repay the YFC Loan (the “**Donglai Bridging Loan Arrangement**”).

Mr Liu Wen further represented that the YFC Corporate Guarantee was extended by Yixing Yinyan to Jiangsu Donglai at the verbal request of Jiangsu Donglai and its bank to facilitate the grant of the YFC Loan to Jiangsu Donglai, as coordinated by the local government, with the intent to enhance and promote the relationship between Yixing Yinyan and Jiangsu Donglai's bank.

The independent directors, Mr Koh Poh Beng and Mr Lua Poh Huat, as well as Mr Yang Guoqiang, were aware of the YFC Corporate Guarantee and the Donglai Bridging Loan Arrangement only after the YFC Letter of Demand was disclosed to them by Mr Liu Wen on 7 January 2019.

Mr Sun Xiao was aware of YFC Corporate Guarantee and the Donglai Bridging Loan Arrangement after the YFC Corporate Guarantee had been entered into by the legal representative of Yixing Yinyan.

3. The Company did not respond to Query 1(e) and Query 2(e) in the Announcement. We had requested for the following information in our previous queries but the Company did not provide the information. Kindly disclose:
 - (a) What specific due diligence had the Management of the Sunvic Group undertaken on the Lender and the Borrower before agreeing to the guarantee for each of the YFC Loan and the BOC Loan. Disclose the specific identity of the Management who undertook the due diligence;
 - (b) Disclose the specific identity of who is the Management who authorized the sign-off by the legal representative on each of the 2 guarantees. Please elaborate specifically for each of the 2 loans how has the Management who authorized the sign-off acted in the best interest of the Company;

- (c) In the Announcement, in relation to the YFC Corporate Guarantee the Company disclosed that the Management is in the process of preparing a response to update the Board. To disclose the identity of the Management and the response prepared for the Board; and
- (d) In the Announcement, in relation to the BOC Corporate Guarantee the Company disclosed that the Management is in the process of preparing a response to update the Board. To disclose the identity of the Management and the response prepared for the Board.

Company's response:

(a) BOC Corporate Guarantee

Mr Yang Guoqiang represented that he is familiar with and has known Jiangsu Dahe for many years, and that he has been monitoring closely the Dahe Cross Guarantee Arrangement since its commencement through monthly meetings with the representatives of Jiangsu Dahe. Accordingly, no specific due diligence was conducted in respect of the BOC Corporate Guarantee.

YFC Corporate Guarantee

Mr Liu Wen represented that he had performed a basic assessment on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018.

(b) BOC Corporate Guarantee

Mr Yang Guoqiang, a member of the Board, executed the BOC Corporate Guarantee as the legal representative of Jiangsu Jurong at his own initiative for the reason and under the circumstances set out in the Company's response at paragraph 2 above.

YFC Corporate Guarantee

Mr Liu Wen executed the YFC Corporate Guarantee as the legal representative of Yixing Yinyan at his own initiative for the reason and under the circumstances set out in the Company's response at paragraph 2 above.

- (c) The Management refers to Mr Sun Xiao and Mr Liu Wen. The YFC Corporate Guarantee was provided for the reason and under the circumstances as set out in the Company's response at paragraph 2 above.
 - (d) The Management refers to Mr Sun Xiao and Mr Yang Guoqiang. The BOC Corporate Guarantee was provided for the reason and under the circumstances as set out in the Company's response at paragraph 2 above.
4. In response to Query 1(h) of the Announcement, the Company responded that "the Management did not obtain the Board's approval prior to signing of the YFC Corporate Guarantee". Disclose the identity of the Management and whether any member of the Board was aware of and approved the signing of YFC Corporate Guarantee by the Legal Representative.

Company's response:

The Management refers to Mr Liu Wen. As set out in the Company's response at paragraph 3(b) above, Mr Liu Wen executed the YFC Corporate Guarantee at his own initiative as the legal representative of Yixing Yinyan. The execution of the YFC Corporate Guarantee was not expressly authorised by any member of the Board. No member of the Board was aware of the execution of the YFC Corporate Guarantee at the time the YFC Corporate Guarantee was entered into.

5. In response to Query 2(h) of the Announcement, the Company responded that "the Management did not obtain the Board's approval prior to signing of the BOC Corporate Guarantee". Disclose the identity of the Management and whether any member of the Board was aware and approved the signing of BOC Corporate Guarantee by the Legal Representative.

Company's response:

The Management refers to Mr Yang Guoqiang. As set out in the Company's response at paragraph 3(b) above, Mr Yang Guoqiang, a member of the Board, executed the BOC Corporate Guarantee at his own initiative as the legal representative of Jiangsu Jurong. The execution of the BOC Corporate Guarantee was not expressly authorised by any other member of the Board. No other member of the Board was aware of the execution of the BOC Corporate Guarantee at the time the BOC Corporate Guarantee was entered into.

6. In response to Query 1(i) of the Announcement, the Company disclosed that “the Board has not been informed about the circumstances in which the YFC Corporate Guarantee was extended” and “the Management is in the process of preparing a response to update the Board”. To disclose the identity of the Management referred to and disclose the response prepared for the Board.

Company’s response:

The Management refers to Mr Sun Xiao and Mr Liu Wen. The YFC Corporate Guarantee was provided for the reason and under the circumstances as set out in the Company’s response at paragraph 2 above.

7. In response to Query 2(i) of the Announcement, the Company disclosed that “the Board has not been informed about the circumstances in which the BOC Corporate Guarantee was extended” and “the Management is in the process of preparing a response to update the Board”. To disclose the identity of the Management referred to and disclose the response prepared for the Board.

Company’s response:

The Management refers to Mr Sun Xiao and Mr Yang Guoqiang. The BOC Corporate Guarantee was provided for the reason and under the circumstances as set out in the Company’s response at paragraph 2 above.

8. SGX Regco required the Company to provide information in Query 2(j) of the Announcement. The Company did not provide a response. Kindly disclose what are the circumstances which led to the Introduction of the Lender and the Borrower of the BOC Loan to the Company. Please identify the person who introduced them to the Company, and the person in the Sunvic Group responsible for deciding on the provision of the Guarantee. Please identify the introducer and disclose the relationship of the introducer and disclose the relationship of the introducer to the Company/Group, its directors, substantial shareholders or key management.

Company’s response:

There was no introducer in respect of the BOC Corporate Guarantee which was a continuation of the Dahe Cross Guarantee Arrangement which commenced in 2010. Jiangsu Jurong is familiar with Jiangsu Dahe as Jiangsu Jurong and Jiangsu Dahe have been operating in the same chemical industrial zone for many years.

9. In response to Query 1(a) and 2(a) please explain why Management only informed the Board of the YFC Letter of Demand dated 14 November 2018 only on 7 January 2019 and the BOC Letter of Demand dated 15 December 2018 only on 3 January 2019. To disclose the identity of the Management referred to in these 2 instances.

Company's response:

The YFC Letter of Demand and the BOC Letter of Demand were forwarded to the Board by Mr Liu Wen. Mr Sun Xiao, Mr Liu Wen and Mr Yang Guoqiang explained that upon receipts of the 2 letters of demand, they took some time to clarify the demands with the borrowers and the lenders involved. This resulted in a delay in informing the Board of the 2 letters of demand.

In addition to the steps taken by the Board so far in investigating the matters in relation to the BOC Corporate Guarantee and the YFC Corporate Guarantee, the Board at the request of the independent directors intends to appoint a special investigative committee comprising of external and independent audit and legal advisers to conduct further investigations relating to the BOC Corporate Guarantee and the YFC Corporate Guarantee.

Pending the outcome of further investigations, given the involvement by Mr Yang Guoqiang and Mr Liu Wen in relation to the BOC Corporate Guarantee and the YFC Corporate Guarantee respectively, the Board has decided to temporarily suspend their right as legal representatives to enter into any agreement for and on behalf of Jiangsu Jurong and Yixing Yinyan respectively without the prior approval of Mr Sun Xiao, and to temporarily suspend Mr Yang Guoqiang from his office as a director of the Company.

The Board will provide updates to the shareholders on the developments of matters in relation to the BOC Corporate Guarantee and the YFC Corporate Guarantee in due course.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
19 February 2019