

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the Second Quarter and Half Year Ended 30 June 2015

INFORMATION REQUIRED FOR ANNOUNCEMENT OF SECOND QUARTER AND HALF YEAR 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.

Statement of Comprehensive Income

	Q2 2015 RMB'000	Q2 2014 RMB'000	+/(-) %	1H 2015 RMB'000	1H 2014 RMB'000	+/(-) %
Revenue	690,122	1,429,896	(51.7)	1,267,650	2,992,335	(57.6)
Cost of sales	(725,136)	(1,307,185)	(44.5)	(1,308,404)	(2,698,987)	(51.5)
Gross (loss)/profit	(35,014)	122,711	(128.5)	(40,754)	293,348	(113.9)
Other operating income	324,464	6,920	NA	442,788	10,906	NA
Distribution expenses	(24,034)	(33,203)	(27.6)	(43,507)	(64,929)	(33.0)
Administrative expenses	(33,232)	(42,957)	(22.6)	(89,669)	(84,590)	6.0
Other operating expenses	(187,155)	(2,253)	NA	(295,762)	(3,034)	NA
Results from operating activities	45,029	51,218	(12.1)	(26,904)	151,701	(117.7)
Finance expenses	(27,629)	(41,773)	(33.9)	(53,389)	(91,584)	(41.7)
Profit/(loss) before income tax	17,400	9,445	84.2	(80,293)	60,117	(233.6)
Income tax expense	(1,125)	(12,168)	(90.8)	(1,845)	(26,261)	(93.0)
Profit/(loss) for the period	16,275	(2,723)	697.7	(82,138)	33,856	(342.6)
Other comprehensive income						
Translation differences relating to financial statements of subsidiaries with functional currencies other than RMB	(135)	9	NA	(25)	2,046	(101.2)
Total comprehensive income/(loss) for the period	16,140	(2,714)	694.7	(82,163)	35,902	(328.9)
Attributable to:						
Owners of the Company	16,816	(1,515)	NA	(78,990)	37,464	(310.8)
Non-controlling interests	(676)	(1,199)	(43.6)	(3,173)	(1,562)	103.1
Total comprehensive income/(loss) for the period	16,140	(2,714)	694.7	(82,163)	35,902	(328.9)

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

	Q2 2015	Q2 2014	+/(-)	1H 2015	1H 2014	+/(-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	(22,022)	(3,365)	554.4	(24,701)	(5,528)	346.8
Tax rebate	(90,000)	-	100.0	(90,000)	-	100.0
Reversal of write down of inventories	-	-	-	(35,575)	-	100.0
Exchange (gain)/loss, net	(1,149)	7,285	115.8	8,418	18,342	(54.1)
Depreciation of property, plant and equipment	60,670	72,165	(15.9)	133,176	147,873	(9.9)
Amortisation of intangible assets	294	139	111.5	798	203	293.1
Amortisation of lease prepayments	1,618	312	418.6	1,945	705	175.9
Interest paid and payable	27,629	41,773	(33.9)	53,389	91,584	(41.7)

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 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,598,295	1,658,244	-	-
Intangible assets	10,575	11,373	-	-
Land use rights	50,279	51,800	-	-
Subsidiaries	-	-	342,623	342,623
Deposits paid for property, plant and equipment and land use rights	47,887	56,754	-	-
Deferred tax asset	24,430	24,430	-	-
	<u>1,731,466</u>	<u>1,802,601</u>	<u>342,623</u>	<u>342,623</u>
Current assets				
Inventories	265,170	195,331	-	-
Non-current assets held for sale	685,527	705,061	-	-
Trade and other receivables	2,609,365	1,655,079	34,604	32,664
Pledged deposits	371,703	333,682	-	-
Cash and bank balances	198,471	486,881	544	230
	<u>4,130,236</u>	<u>3,376,034</u>	<u>35,148</u>	<u>32,894</u>
Total assets	<u>5,861,702</u>	<u>5,178,635</u>	<u>377,771</u>	<u>375,517</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	1,754,059	1,833,049	48,073	45,989
Total equity attributable to equity holders of the Company	<u>2,045,575</u>	<u>2,124,565</u>	<u>339,589</u>	<u>337,505</u>
Non-controlling interests	<u>(42,855)</u>	<u>(39,682)</u>	<u>-</u>	<u>-</u>
Total equity	<u>2,002,720</u>	<u>2,084,883</u>	<u>339,589</u>	<u>337,505</u>
Non-current liabilities				
Interest bearing liabilities	261,354	287,099	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	<u>268,854</u>	<u>294,599</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	2,022,592	1,558,304	38,182	38,012
Interest-bearing liabilities	1,562,366	1,221,136	-	-
Current tax payable	5,170	19,713	-	-
Total current liabilities	<u>3,590,128</u>	<u>2,799,153</u>	<u>38,182</u>	<u>38,012</u>
Total equity and liabilities	<u>5,861,702</u>	<u>5,178,635</u>	<u>377,771</u>	<u>375,517</u>

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

Amount repayable in one year or less, or on demand

As at 30 June 2015		As at 31 December 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
402,153	1,160,213	460,441	760,695

Amount repayable after one year

As at 30 June 2015		As at 31 December 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
51,354	210,000	77,099	210,000

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.

	Q2 2015 RMB'000	Q2 2014 RMB'000	1H 2015 RMB'000	1H 2014 RMB'000
Operating activities				
Profit/(loss) before income tax	17,400	9,445	(80,293)	60,117
Adjustments for:				
Interest expense	27,629	41,773	53,389	91,584
Interest income	(22,022)	(3,365)	(24,701)	(5,528)
Amortisation of intangible assets	294	139	798	203
Amortisation of lease prepayments	1,618	312	1,945	705
Depreciation of property, plant and equipment	60,670	72,165	133,176	147,873
Reversal of write down of inventories	-	-	(35,575)	-
Exchange difference	(135)	9	(25)	2,046
Operating profit before working capital changes	85,454	120,478	48,714	297,000
Changes in working capital:				
Inventories	185,859	(49,126)	(34,264)	(119,069)
Trade and other receivables	(403,161)	35,709	(954,286)	17,275
Trade and other payables	(44,046)	259,061	480,722	419,021
Cash generated from operations	(175,894)	366,122	(459,114)	614,227
Income taxes refunded/(paid)	3,207	(22,820)	(16,388)	(45,024)
Cash flows from operating activities	(172,687)	343,302	(475,502)	569,203
Investing activities				
Interest received	22,022	3,365	24,701	5,528
Purchase of property, plant & equipment and land use rights	(48,937)	(104,321)	(61,684)	(336,359)
Purchase of intangible assets	-	(9,474)	-	(9,474)
Cash flows from investing activities	(26,915)	(110,430)	(36,983)	(340,305)
Financing activities				
Proceeds from bank loans	799,965	930,055	1,863,409	2,482,236
Repayments of bank loans	(539,215)	(1,457,385)	(1,547,924)	(2,893,160)
Proceeds from/(repayment of) factoring facilities	-	-	-	(15,608)
Interest paid	(27,629)	(41,773)	(53,389)	(91,584)
Deposits pledged	(24,844)	187,678	(38,021)	180,345
Cash flows from financing activities	208,277	(381,425)	224,075	(337,771)
Net increase/(decrease) in cash and cash equivalents	8,675	(148,553)	(288,410)	(108,873)
Cash and cash equivalents at beginning of the period	189,796	380,926	486,881	341,246
Cash and cash equivalents at end of the period	198,471	232,373	198,471	232,373

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 RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
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	-	-	-	(25)	(78,965)	(78,990)	(3,173)	(82,163)
At 30 June 2015	291,516	(499)	346,941	(17,823)	1,425,440	2,045,575	(42,855)	2,002,720
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/(loss) for the period	-	-	-	2,046	35,418	37,464	(1,562)	35,902
At 30 June 2014	291,516	(499)	282,822	(15,840)	1,733,786	2,291,785	53,145	2,344,930

Statement of Changes in Equity – The Company

	Share capital RMB'000	Accumulated profits RMB'000	Total equity RMB'000
At 1 January 2015	291,516	45,989	337,505
Total comprehensive income for the period	-	2,084	2,084
At 30 June 2015	291,516	48,073	339,589
At 1 January 2014	291,516	110,934	402,450
Total comprehensive loss for the period	-	(2,101)	(2,101)
At 30 June 2014	291,516	108,833	400,349

- 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 1H 2015. The Company does not have any treasury shares as at 30 June 2015.

	As at 30 June 2015 (‘000)	As at 31 December 2014 (‘000)
Number of issued shares excluding treasury shares	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.**

	As at 30 June 2015 (‘000)	As at 31 December 2014 (‘000)
Number of issued shares excluding treasury shares	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 30 June 2015.

- 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.**

	Q2 2015	Q2 2014	1H 2015	1H 2014
Earnings per share (RMB cents):-				
Basic and diluted	<u>3.2</u>	<u>(0.3)</u>	<u>(14.8)</u>	<u>6.6</u>

	Q2 2015 RMB'000	Q2 2014 RMB'000	1H 2015 RMB'000	1H 2014 RMB'000
Basic earnings per share is based on:				
Net profit/(loss) attributable to ordinary shareholders	<u>16,951</u>	<u>(1,524)</u>	<u>(79,015)</u>	<u>35,418</u>

	Number of shares			
	Q2 2015 ('000)	Q2 2014 ('000)	1H 2015 ('000)	1H 2014 ('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	<u>533,651</u>	<u>533,651</u>	<u>533,651</u>	<u>533,651</u>

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 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
Net assets attributable to the shareholders of the Company (RMB'000)	2,045,575	2,124,565	339,589	337,505
Net asset value per ordinary share (RMB cents)	383.3	398.1	63.6	63.2
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

Our revenue in Q2 2015 decreased by RMB739.8 million to RMB690.1 million compared to RMB1,429.9 million Q2 2014. This was mainly due to decrease in revenue from sale of AA & AE as well as PMIDA & glyphosate by RMB701.2 million and RMB58.4 million respectively.

The decrease in revenue from AA and AE as well as PMIDA & glyphosate in Q2 2015 was mainly attributable to lower sale volume and average selling prices when compared to Q2 2014.

Sale volume of AA & AE decreased from 120,300 tonnes in Q2 2014 to 64,200 tonnes in Q2 2015 whilst their average selling prices also decreased from RMB10,300 per tonne in Q2 2014 to RMB7,400 per tonne in Q2 2015. All of these are due to over-supply situation of AA in the PRC.

Gross profit

The Group incurred a gross loss of RMB35.0 million in Q2 2015 compared to a gross profit of RMB122.7 million in Q2 2014. Sales of AA & AE contributed a gross loss of RMB40.6 million whilst sales of PMIDA & glyphosate contributed a gross loss of RMB7.0 million in Q2 2015. These are partially offset by gross profit contributed from sale of other chemical products of RMB12.6 million in the same period.

Overall gross profit margin decreased from 8.6% in Q2 2014 to a negative margin of 5.1% in Q2 2015. Gross profit margins for AA & AE reduced from a positive 7.2% for Q2 2014 to a negative 8.6% in Q2 2014 whilst gross profit margins for PMIDA & glyphosate reduced from a positive 17.5% in Q2 2014 to a negative 17.5% in Q2 2015. Selling prices for glyphosate decreased due to fierce competition in the market.

Other operating income and other operating expenses

In Q2 2015, other operating income included the following items:-

- Revenue from sale of propylene and other chemical material to joint venture entity amounted to RMB197.1 million and the corresponding cost amounted to RMB186.1 million. These two amounts were stated after elimination according to joint operations accounting treatment;
- Interest income amounted to RMB21.0 million from Arkema for extension of the First Call Option pursuant to the Joint Venture Agreement with Arkema; and
- Tax rebate amounted to RMB90.0 million as an incentive from local tax bureau for the Joint Venture with Arkema.

Distribution expenses

Distribution expenses decreased by RMB9.2 million to RMB24.0 million in Q2 2015 compared to RMB33.2 million in Q2 2014. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses.

Administrative expenses

Administrative expenses decreased by RMB9.7 million to RMB33.2 million in Q2 2015 compared to RMB43.0 million in Q2 2014. This was mainly due to a decrease in net exchange differences from a loss of RMB7.3 million in Q2 2014 to a gain of RMB1.1 million in Q2 2015.

Finance expenses

Finance expenses decreased by RMB14.1 million to RMB27.6 million in Q2 2015 compared to RMB41.8 million in Q2 2014. This was mainly due to lower interest bearing liabilities in Q2 2015 compared to Q2 2014.

Income tax expense

Income tax expense decreased by RMB11.0 million to RMB1.1 million in Q2 2015 compared to RMB12.2 million in Q2 2014 due to losses incurred in Q2 2015.

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.

Property, plant and equipment decreased by RMB59.9 million to RMB1,598.3 million as at 30 June 2015 compared to RMB1,658.2 million as at 31 December 2014. This was mainly due to depreciation charge for the period which was partially offset by additions of property, plant and equipment in 1H 2015.

Inventories increased by RMB69.8 million to RMB265.2 million as at 30 June 2015 compared to RMB195.3 million as at 31 December 2014. This was mainly due to an increase in raw material, propylene, which will be sold to the joint venture entity.

Trade and other receivables increased by RMB954.3 million to RMB2,609.4 million as at 30 June 2015 compared to RMB1,655.1 million as at 31 December 2014. This was mainly due to increase in Value Added Tax receivable (relating to purchase of materials and property, plant & equipment under the joint venture entity) and increase in receivables from related companies as well as the joint venture entity due to higher sales to them in Q2 2015.

Trade and other payables increased by RMB464.3 million to RMB2,022.6 million as at 30 June 2015 compared to RMB1,558.3 million as at 31 December 2014. This was mainly due to higher trade and notes payables for purchase of propylene for our own production needs as well as sale to joint venture entity.

Total non-current and current interest-bearing liabilities increased by RMB315.5 million to RMB1,823.7 million as at 30 June 2015 compared to RMB1,508.2 million as at 31 December 2014. This was mainly due to drawn down of banking facilities in 1H 2015.

Cash Flow Statement

Our Group generated negative operating cash flow of RMB172.7 million in Q2 2015 mainly due to interest income as well as increase in trade & other receivables and decrease in trade & other payables. These were partially offset by profit before income tax, depreciation charge and interest expense as well as an decrease in inventories.

Financing activities resulted in positive cash flow of RMB208.3 million in Q2 2015 mainly due to proceeds from interest-bearing liabilities. These were partially offset by repayment of interest-bearing liabilities, interest paid and an increase in pledged fixed deposits.

There was a net cash outflow of RMB26.9 million in Q2 2015 from the Group's investing activities mainly due to acquisitions of property, plant and equipment as well as land use rights, which was partially offset by interest received.

As a result of the above, cash and cash equivalents increased from RMB189.8 million as at 31 March 2015 to RMB198.5 million as at 30 June 2015.

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

-

- 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. Our profit margin for AA and AE will continue to be under pressure.

We have successfully injected Line 3 AA facility into the joint venture entity pursuant to the JV Agreement with Arkema. The Group expects to record a gain (after income tax) on disposal of approximately RMB68.5 million from this injection.

- 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 Q2 2014.

(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) 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	-	21,860
- Jiangsu Jurong Petrochemicals Co., Ltd	-	5,961
Purchase of inventories:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	8,636
Purchase of raw materials:-		
- Jiaxing Jinyan Chemical Co., Ltd	-	8,580

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 for the 6-months ended 30 June 2015 amounted to RMB189.1 million. In addition, the Group purchased chemical material from Yixing Danson amounted to RMB19.7 million in 1H 2015.

The Group also entered into new IPTs with the following companies for the 6-months ended 30 June 2015:

Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan")

- Purchase of raw material on behalf: RMB173.1 million

Taixing Yumeng Wuzhi Co., Ltd ("Taixing Yumeng")

- Purchase of spare parts and equipment: RMB0.2 million

The transactions with Yixing Danson, Taixing Jinyan and Taixing Yumeng 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 preparing a circular providing the necessary disclosures and to seek shareholders' approval in accordance with the requirements of Chapter 9 of the Listing Manual for, inter alia, the interested person transactions with Yixing Danson and Taixing Jinyan. The Company will announce any material updates in due course.

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.

- 14. 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 second quarter financial statements ended 30 June 2015 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
14 August 2015