

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

RESPONSE TO SGX QUERIES ON UPDATE ON 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 following announcements of Sunvic Chemical Holdings Limited (the "**Company**"):* (1) the Company's announcement dated 10 January 2019 titled "Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in relation to Corporate Guarantees provided to Unrelated Parties"; (2) the Company's announcement dated 20 June 2019 titled "Update on Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in relation to Corporate Guarantees provided to Unrelated Parties"; (3) the Company's announcement dated 1 July 2019 titled "Response to SGX queries on Update on Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in relation to Corporate Guarantees provided to Unrelated Parties" ("**1 July 2019 Announcement**"); and (4) the Company's announcement dated 9 July 2019 titled "Response to SGX queries on Update on Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in relation to Corporate Guarantees provided to Unrelated Parties" ("**9 July 2019 Announcement**").

Referring to the 9 July 2019 Announcement, on 5 July 2019, the Company had received queries from the SGX-ST in relation to the 1 July 2019 Announcement. The Company's responses to the SGX-ST's queries are set out below:

1. Explain why the Company did not negotiate to remove itself as the guarantor;

The Company's response:

The Management had attempted to negotiate with Yixing Futao Credit to remove Yixing Yinyan as the guarantor, however this was rejected by Yixing Futao Credit. The YFC Supplemental Agreement represents a compromise reached with Yixing Futao Credit. Yixing Futao Credit has also expressed its willingness to resolve the situation amicably.

2. Disclose how likely is the borrower, Jiangsu Donglai able to repay by the Extended Repayment Date. If it is unlikely, please explain the purpose of the extension;

The Company's response:

Jiangsu Donglai's primary assets are its real estate properties. The real estate market condition in Yixing City has improved in the last year, thus improving the value of the real estate and property developments owned by Jiangsu Donglai. The Management believes that this is advantageous to Jiangsu Donglai as it attempts to realise its assets to repay its liabilities, thereby increasing the likelihood that it will be able to repay Yixing Futao Credit by the Extended Repayment Date.

3. Disclose if the Company intends to transfer the guarantee to the legal representative of Yixing Yinyan, Mr Liu Wen as guarantor instead of the Company as Mr Liu Wen had entered into an unauthorised guarantee;

The Company's response:

Yixing Futao Credit did not agree for the guarantee to be transferred to Mr Liu Wen.

4. Disclose if the Company intends to take legal actions against Mr Liu Wen for the unauthorised guarantee; and

The Company's response:

It was announced in the Company's announcement dated 19 February 2019 that the Board had temporarily suspended Mr Liu Wen's right as legal representative to enter into any agreement for and on behalf of Yixing Yinyan without the prior approval of Mr Sun Xiao. The Company will consider the appropriate disciplinary and/or legal actions to take against Mr Liu Wen pending the independent assessment and investigation by EY Advisory into the circumstances leading to and surrounding, amongst others, the YFC Corporate Guarantee. The Board will not hesitate to take such disciplinary and/or legal actions against any individual responsible for the unauthorised guarantee.

5. Disclose if the Company intends to take legal actions to protect itself against the validity of the unauthorised guarantee.

The Company's response:

The Board is currently evaluating the situation and will at the appropriate time take such measures as are necessary or advisable to protect the Company against any loss that it may suffer arising from or in connection with the unauthorised guarantee. At the same time, the Management's priority is to remove Yixing Yinyan as the guarantor or to transfer the guarantee to another party.

Statement by the Company's Audit Committee

Notwithstanding the above, in light of the recent findings provided by EY Advisory to the Company's Audit Committee ("AC") and the SGX-ST from their on-going independent assessment and investigation into the circumstances leading to and surrounding, amongst others, the YFC Corporate Guarantee, the AC noted that there are some potential discrepancies between such recent findings and the Company's aforementioned responses provided by the Management on queries 1 to 3. Such potential discrepancies include the AC being separately made aware of a notification issued by the People's Court of Yixing City, Jiangsu Province on 10 April 2019, whereby liquidation proceedings had commenced against Jiangsu Donglai on 21 March 2019 and a liquidator had been appointed on 10 April 2019. The date on which the liquidation proceedings had commenced against Jiangsu Donglai raised questions over the authenticity, validity and/or effectiveness of the YFC Supplemental Agreement. The potential discrepancies between EY Advisory's recent findings and the Company's aforementioned responses provided by the Management on queries 1 to 3 further cast doubts over the veracity and completeness of the latter. The AC wishes to emphasise that the independent assessment and investigation by EY Advisory is still on-going and the AC will continue to work closely with EY Advisory with regard to the Company's aforementioned responses

provided by the Management on queries 1 to 3, and will provide further updates to the shareholders in due course.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
10 July 2019