

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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF LISTING MANUAL IN RESPECT OF DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Pursuant to Rule 704(5) of the Listing Manual, the Board of Directors (the “**Board**” or “**Directors**”) of Sunvic Chemical Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Foo Kon Tan LLP, has issued a disclaimer of opinion in their report dated 9 December 2020 (the “**Independent Auditor’s Report**”) on the financial statements of the Group for the financial year ended 31 December 2019 (the “**Audited FY2019 Financial Statements**”).

A copy of the Independent Auditor’s Report is annexed to this announcement.

The Audited FY2019 Financial Statements (which will include the Independent Auditor’s Report) will be released in due course. Shareholders of the Company are advised to read the Independent Auditor’s Report in conjunction with the Audited FY2019 Financial Statements.

Directors’ Responsibility Statement

The Directors (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement are fair and accurate, and that no material facts have been omitted from this announcement, the omission of which would make any statement in this announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement in its proper form and context.

The Directors jointly and severally accept full responsibility accordingly.

BY ORDER OF THE BOARD

Sun Lihua
Executive Director and Chief Executive Officer
14 December 2020

Independent auditor's report to the members of SunVic Chemical Holdings Limited

Report on the Audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of SunVic Chemical Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We did not express an audit opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2018. Similarly, for the financial year ended 31 December 2019, our audit report contained the following bases for the disclaimer of opinion:

1. Discrepancies surrounding the veracity of the YFC Agreements

As reported in the auditor's report for financial year ended 31 December 2018 and as detailed in Note 28(b) to the financial statements, the Company announced that it received legal claims for the principal amounts of RMB 222.5 million (consisting of two financial guarantee contracts of RMB 180 million (the “YFC Corporate Guarantee” transaction) and RMB 42.5 million (the “BOC Corporate Guarantee” transaction) plus interest for financial guarantees issued by certain of its subsidiaries in the People's Republic of China (“PRC”) on behalf of two unrelated parties.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

1. Discrepancies surrounding the veracity of the YFC Agreements (Cont'd)

The Company also announced in 2019 that the management did not obtain the Company's Board of directors' approval for the issuance of the financial guarantees. There was a lack of internal controls over the supervision and approval over the issuance of these financial guarantee transactions by the management as the legal representatives of the Group's subsidiaries, Yixing Yinyan Import and Export Co., Ltd. and Jiangsu Jurong Chemical Co., Ltd had signed the financial guarantee contracts at their own initiative without any formal authorisation and approval by the Board of Directors of the Company.

Despite the aforesaid announcement of the receipt of legal claims by the Company, special investigations by EY Advisory who reported their findings to the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2019, however, revealed discrepancies surrounding the veracity of the RMB 180.0 million YFC Agreements. In addition, our legal counsel in the PRC has reported that the RMB 180.0 million YFC Corporate Guarantee contract did not exist, and neither was there any legal demands made in respect of this financial guarantee contract. On this basis, the Company had reversed in full the provision of the YFC Contingent Liabilities of RMB 180.0 million from the financial statements of the Group for the year ended 31 December 2018.

During the financial year ended 31 December 2019, the Company has reversed in full the provision of the BOC Contingent liabilities of RMB 42.5 million to the consolidated profit or loss for the year then ended (refer to Note 5(b)). The reversal was made as the PRC management has advised the Board that the BOC Corporate Guarantee was settled by a third party. We were not provided with any documentary evidence as to the settlement of the RMB 42.5 million BOC Corporate Guarantee. Neither were we able to ascertain the veracity of the BOC Corporate Guarantee contract based on information available to us. We were also unable to carry out alternative procedures we consider necessary in this respect.

Owing to the discrepancies surrounding the veracity of the YFC Corporate Guarantee and BOC Corporate Guarantee that was reported in our auditor's report in fiscal year 2018, and due to a limitation of audit scope for the current financial year ended 31 December 2019 as discussed in the aforesaid paragraph, we were unable to ascertain the veracity of the YFC Corporate Guarantee and the BOC Corporate Guarantee transactions.

2. Financial guarantee contracts with related parties recorded with the banks under the banking arrangements

(i) Related party transactions with related parties

As reported in the auditor's report for the financial year ended 31 December 2018 on related party transactions, it was disclosed that there were no shareholders' mandate to approve the interested persons transactions under the Listing Manual of the SGX-ST Chapter 9.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

2. Financial guarantee contracts with related parties recorded with the banks under the banking arrangements (Cont'd)

(i) Related party transactions with related parties (Cont'd)

As detailed in Note 26(b), during the financial year, there were sales and purchases transactions noted in the respective books of certain PRC subsidiaries of the Group with related parties (the "Transactions"). The Transactions made to related parties during the year ended 31 December 2019 were RMB 1.3 billion (2018: RMB 2.7 billion). Such Transactions entered are a common practice carried out in the People's Republic of China (PRC). Management presented these transactions on a net basis for financial reporting purpose in the consolidated financial statements.

(ii) Banking

The liability owed to banks was RMB 397.4 million (2018 - RMB 471.4 million) as at 31 December 2019. As disclosed in Note 26(b), the bank facilities sum as at 31 December 2019 was RMB 646.0 million (2018: RMB 923.0 million) as reported under the facility arrangements in the PRC entered into during the year ended 31 December 2019.

Since 2011, there existed the related party arrangements. In so far as the sum drawn down under the financial guarantee facility arrangement with related parties, the amount of financial guarantees was RMB 1.4 billion and RMB 1.3 billion in FY2018 and FY2019 respectively (refer to Note 28(a)) although the Company did not obtain shareholders' mandate to approve the related party transactions, since 2011.

There were announcements made by the Company in 2019 whereby it was reported that there was a lack of effective internal control for the transactions purported to be entered into (known as the "Purported Transactions") which were not approved by the Board of the Company. This is despite that the fact the transaction as explained in Section 1 of the Basis for Disclaimer of Opinion - "Discrepancies surrounding the veracity of the YFC Agreements" was known to then Executive Director and Chief Executive Officer, Sun Xiao. In addition, no internal audit was carried out by the Company in fiscal years 2018 and 2019.

Because of the matters arising as explained in the aforesaid paragraphs, we were unable to ascertain the veracity of the financial guarantees of RMB 1.4 billion (2018 - RMB 1.6 billion) as at 31 December 2019 that were entered into amongst the related parties concerned. Owing to the discrepancies surrounding the veracity of the YFC Corporate Guarantee and BOC Corporate Guarantee as stated in our auditor's report in fiscal year 2018 and coupled with the lack of effective internal controls over the supervision and approval of the financial guarantee contracts, and the lack of supporting documentation for the settlement of the BOC Corporate Guarantee during the financial year ended 31 December 2019, and the reversal of the provision of the BOC Corporate Guarantee liabilities of RMB 42.5 million to consolidated profit or loss for the year then ended, we were also unable to ascertain the extent of the amount of any financial liabilities which may arise thereof nor the completeness of the disclosure in the financial statements relating to financial guarantees issued by the Group.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

3. Provision for restoration and accrued severance compensation

As stated in our auditor's report for the financial year ended 31 December 2018, the operations of the Group's subsidiaries, Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP") were affected by the shutdown following the chemical explosion ("Chemical Explosion") at the Xiangshui Chemical Industry Park in Yancheng, Jiangsu Province, PRC ("Xiangshui") in March 2019. In connection with the shutdown of Xiangshui, the Group made a provision for accrued severance compensation of RMB 12.7 million and a provision for restoration cost of RMB 45.6 million as at 31 December 2018.

As the Xiangshui area remained under shutdown with no physical access as at 31 December 2019 and as of the date of this report, the provision for accrued severance compensation of RMB 12.7 million and the provision for restoration cost of RMB 45.6 million made during the year ended 31 December 2018 were carried forward to 31 December 2019.

Provision for accrued severance compensation (Note 22)

Included in Trade and Other Payables as at 31 December 2019, the Group has accrued a severance compensation of RMB 12.7 million (2018 – RMB 12.7 million) related to compensation payable to the staffs due to the outbreak of fire from the Chemical Explosion at Xiangshui in which one of the subsidiary premises is located in. Due to the Chemical Explosion, the government has stepped in to review the employee compensation. As of the date of this report, we were not provided with any evidence to demonstrate how the employee compensation was subsequently dealt with.

Provision for restoration cost (Note 23)

The restoration occurs only when the Group returns the land use rights to the government on expiry. However, we have been unable to assess whether the provision is adequate or necessary. This is because based on legal advice of our PRC legal counsel, there is a lack of regulatory compliance of administration of law in the PRC to provide guidance as to how compensation can be made possible for the restoration and it is not considered to be the usual return of land in Xiangshui to the government arising from the Chemical Explosion incident, and the legal consequences arising thereof cannot be ascertained.

Due to limitation of audit scope, we were unable to determine the extent of the provision required for the provision for accrued severance compensation and provision for accrued severance compensation. There were no satisfactory alternative procedures that we could perform in this regard.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

4. Impairment of assets of Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP")

As stated in our auditor's report for the financial year ended 31 December 2018 and as disclosed in Note 29 to the financial statements, the operations of JJC and JJP were affected by the shutdown of Xiangshui following the Chemical Explosion in 2019.

In so far as impairment of non-financial assets including intangible assets is concerned for JJC and JJP, which are located at Xiangshui where the Chemical Explosion occurred, the basis to which the recoverable amount should be recognised is the higher of value in use and/or fair value less cost to sell.

In the former, the value in use is not possible to be determined due to the matters as explained in Section 3 of the Basis for Disclaimer of opinion – Provision for restoration and accrued severance compensation, and in Note 30 to the accompanying financial statements. As to the latter, the impairment assessment of the non-financial assets and intangible assets is also not possible as there is no comparison in the market for the nature of this catastrophic Chemical Explosion at Xiangshui. In addition, due to limited access to the assets located at Xiangshui which is sealed off and protected by the government authorities during the financial years ended 31 December 2018 and 2019 and as of the date of this report, it is not possible to perform an inspection of certain assets of JJC and JJP.

With regard to other assets such as advances and prepayments and value-added tax recoverable that are recorded in the books of JJC and JJP as at 31 December 2018 and 2019, it is also not possible to assess these assets for recoverability owing to the shutdown of the operations in Xiangshui following the Chemical Explosion and that certain suppliers, whose operations are based in the vicinity of Xiangshui, were similarly shutdown. There are also no practical alternative procedures that we could perform in this regard.

On this basis, we were unable to determine the extent of impairment required nor the appropriateness of the impairment loss made by the management, the existence of certain assets such as property, plant and equipment, inventories and the appropriateness of the valuation of the carrying amounts of JJC and JJP stated herein for the following assets of the Group as at 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

4. Impairment of assets of Jiangsu Jurong Chemical Co., Ltd. ("JJC") and Jurong Petrochemicals Co., Ltd. ("JJP") (Cont'd)

Asset	Note	Carrying amount at 31/12/2019	Impairment loss recognised for the year ended 31/12/2019	Carrying amount at 31/12/2018	Impairment loss recognised for the year ended 31/12/2018
		RMB 'millions	RMB 'millions	RMB 'millions	RMB 'millions
i. Property, plant and equipment ("PPE")	9(a) & 29 (a)(b)	8.9	Nil	76.3	166.6
ii. Right-of-use assets (comprising Leasehold buildings & Land-use right)	29 (b)	58.3	Nil	Nil	Nil
iii. Land use rights	29 (c)	Nil	Nil	10.4	Nil
iv. Intangible assets (comprising technology know-how and software)	29 (d)	7.2	Nil	7.9	Nil
v. Value-added tax recoverable	29 (e)	10.2	Nil	9.5	83.9
vi. Advances and prepayments to suppliers for the purchase of raw materials	29 (f)(g)	4.9	Nil	8.5	19.6
vii. Inventories	29 (h)	4.3	1.3	8.5	Nil

5. Impairment of assets of Taixing Jurong Chemical Co., Ltd. ("TXJC")

Property, plant and equipment and right-of-use assets

As at 31 December 2019, the Group's property, plant and equipment and right-of-use assets included those of its PRC subsidiary, TXJC, with a carrying amount of RMB 128.0 million (2018: RMB 260.9 million) and RMB 148.0 million (comprising leasehold buildings and land use rights) (2018: Nil) respectively.

During the financial year ended 31 December 2019, TXJC recorded a decrease in revenue from RMB 1.1 billion in 2018 to RMB 490.0 million in 2019 and incurred a gross loss margin of RMB 2.7 million for the year ended 31 December 2019. Notwithstanding the indicators of impairment, management determined that no impairment is required on the Group's property, plant and equipment and right-of-use assets as it is of the view that the recoverable amounts exceeded the net carrying values as at 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

5. Impairment of assets of Taixing Jurong Chemical Co., Ltd. ("TXJC") (Cont'd)

Property, plant and equipment and right-of-use assets (Cont'd)

We were not provided with sufficient appropriate audit evidence as to the basis of management's impairment assessment. In addition, no formal valuation has been performed on the property, plant and equipment and the right-of-use assets. On the basis of the matters referred to above, we were unable to obtain sufficient evidence to satisfy ourselves as to the extent of the impairment required for the year ended 31 December 2019 or as to the appropriateness of the carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2019.

6. Impairment assessment of freehold land at Link Way Louisiana LLC

As at 31 December 2019, the freehold land of a subsidiary, Link Way Louisiana LLC, (Note 12) that was included in the Group's consolidated statement of financial position was carried at a historical cost of RMB 12.6 million (2018: RMB12.4 million).

As stated in our auditor's report for the year ended 31 December 2018, no impairment assessment on the above freehold land was carried out by management. Similarly, no impairment assessment was carried out by the management for the year ended 31 December 2019 as management is of the view that the carrying amount represents fair value as at that date. In the absence of information from management on the impairment assessment, we were unable to carry out the procedures necessary to satisfy ourselves as to the extent of the impairment required or as to the appropriateness of the carrying amount of the freehold land as of and for the year then ended.

7. Impairment assessment of the cost investment held by and trade receivables due by JJC to the Company

Included in the statement of financial position of the Company as at 31 December 2019 were investments in a subsidiary, JJC, with a carrying amount of RMB 340.2 million (2018 - RMB 340.2 million) and trade receivable amounts due from JJC of RMB 42.1 million (2018 - RMB 37.7 million). As discussed in the preceding paragraphs, the operations of JJC in the Xiangshui Chemical Industry Park have been shut down by the local government.

As at 31 December 2019, JJC has reported net assets of RMB 773.2 million (2018 - 809.4 million) and profit of RMB 5.4 million (2018 - losses of RMB 175.5 million) for the financial year then ended. No impairment assessment has been made by the management. As there were no other practicable alternative audit procedures that we could perform, we were not able to conclude on the recoverability of the investment in the subsidiary and the trade receivables due from the subsidiary. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the investment in the subsidiary and the trade receivable due from the subsidiary for the financial year ended 31 December 2019.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

8. Amount owed by a related party, Jiangsu Yinyan

The transactions between the Group and Jiangsu Yinyan Specialty Chemical Co., Ltd. ("Jiangsu Yinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Lihua (Chief Executive Officer and Executive Director of the Company) and Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) own in aggregate 96.0% of the equity interest in Jiangsu Yinyan. The transactions by the Group with Jiangsu Yinyan consist of the sale of chemical products of RMB 67,000 (2018 – RMB 71.6 million) and the purchase of inventories of RMB 5.2 million (2018 - RMB 18.0 million). As at 31 December 2019, the amount owed by Jiangsu Yinyan was RMB 131.1 million (2018: RMB 131.1 million). No impairment allowance has been made. We are unable to ascertain the recoverability of this debt. Consequently, we were unable to determine whether any adjustments might be necessary to the financial statements.

9. Going concern

As at 31 December 2019, the Group has net current liabilities of RMB 32.0 million (2018 – net current liabilities of RMB 544.9 million, excluding assets and liabilities held for sale) and recorded a cash outflow from operating activities of RMB 271.3 million (2018 – cashflow inflow of RMB 376.4 million).

As at 31 December 2019, the Group has cash and cash equivalents of RMB 7.8 million (2018 – RMB 25.4 million). As announced on 27 September 2019 by the Company, the joint operation company of the Group, Taixing Sunke Chemicals Co Ltd, was disposed of and approved by the Board. However, as fully disclosed in Note 13(c), due to the technicality as to the remittance of the net sale proceeds of RMB 377.4 million (restricted cash including interest income) as at 31 December 2019 following the disposal of Taixing Sunke Chemicals Co Ltd, we were unable to ascertain when this fund can be made available to disburse for the use of paying the liabilities owing by the Group to the banks for RMB 397.4 million (2018: RMB 471.4 million) as at 31 December 2019.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As at the date of this auditor's report, we are unable to obtain sufficient appropriate audit evidence regarding the likely outcome of the Group's ability to generate sufficient cash flows from its operations to improve the working capital position of the Group and to repay its liabilities when due. We are, therefore, unable to conclude whether the use of the going concern assumption, which has been adopted in the preparation of the accompanying financial statements, is appropriate.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and Singapore Financial Reporting Standards International ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Other Matters

Related party transactions

As disclosed in Note 26(a) to the financial statement the transactions with related parties were as follows:

Yixing Danson

On 30 April 2013, the Company announced that (i) the transactions between the Group and Yixing Danson Technology Co., Ltd. ("Yixing Danson") were interested person transactions which exceeded 5% in FY2011, 2012, first quarter 2013 ("Past Interested Person Transactions") and (ii) the Company would be seeking approval from shareholders to ratify the Past Interested Person Transactions at an extraordinary general meeting to be convened. During the financial year ended 31 December 2019, the transactions consist of the sale of chemical products of RMB 259.1 million (2018 - RMB 224.2 million) and purchase of inventories of RMB 4.4 million (2018 - RMB 35.1 million).

Taixing Jinyan

The transactions between the Group and Taixing Jinyan Chemical Technology Co., Ltd. ("Taixing Jinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the former Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan Chemical Co., Ltd. ("Jiaying Jinyan"), while Taixing Jinyan is a 100% owned subsidiary company of Jiaying Jinyan.

The transactions consist of the sale of chemical products of RMB 145.2 million (2018 – RMB 260.6 million), purchase of inventories of RMB 296.8 million (2018 – RMB 14.4 million) and rental income of RMB 3.6 million (2018 – RMB Nil).

Independent auditor's report to the members of SunVic Chemical Holdings Limited (Cont'd)

Other Matters (Cont'd)

Related party transactions (Cont'd)

Jiaxing Jinyan

The transactions between the Group and Jiaxing Jinyan Chemical Technology Co., Ltd. ("Jiaxing Jinyan") were interested person transactions. Ms. Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) and their associates own in aggregate 100% of the equity interest in Jiaxing Jinyan. The transactions consist of the purchase of inventories of RMB Nil (2018 - RMB 164,000).

Jiangsu Yinyan

The transactions between the Group and Jiangsu Yinyan Specialty Chemical Co., Ltd. ("Jiangsu Yinyan") were interested person transactions. Ms Hu Yanping, the substantial shareholder of the Group, Mr Sun Lihua (Chief Executive Officer and Executive Director of the Company) and Mr Sun Xiao (the former Chief Executive Officer and Executive Director of the Company) own in aggregate 96.0% of the equity interest in Jiangsu Yinyan. The transactions consist of the sale of chemical products of RMB 67,000 (2018 - RMB 71.6 million), purchase of inventories of RMB 5.2 million (2018 - RMB 18.0 million). As at 31 December 2019, the amount owing by Jiangsu Yinyan was RMB 131.1 million (2018: RMB 131.1 million). No impairment allowance has been made. We are unable to ascertain the recoverability of this debt.

We understand that the Company has appointed the relevant professional advisers to assist in compliance. The Company has not convened the extraordinary general meeting as at the date of this report. We draw your attention to the uncertainty related to the outcome of this convening of the extraordinary general meeting or the non-compliance of the SGX listing rules.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,