

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

RELEASE OF SPECIAL AUDIT REPORT ON LETTERS OF DEMAND RECEIVED BY THE COMPANY'S WHOLLY-OWNED SUBSIDIARIES IN RELATION TO CORPORATE GUARANTEES PROVIDED TO UNRELATED PARTIES

1. INTRODUCTION

- 1.1. The Audit Committee (“**AC**”) of Sunvic Chemical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Sunvic Group**”) refers to the announcements released by the Company on 10 January 2019, 18 January 2019, 19 February 2019, 15 April 2019, 16 April 2019, 20 June 2019, 1 July 2019, 9 July 2019 and 10 July 2019 on the receipt of letters of demand by the Company's wholly-owned subsidiaries in relation to corporate guarantees provided to unrelated parties.

2. UPDATE ON THE SPECIAL AUDIT

- 2.1. As announced by the Company on 15 April 2019, on 2 April 2019, the Company appointed Ernst & Young Advisory Pte. Ltd. (the “**Special Auditor**”) to conduct an independent assessment and investigation into the circumstances leading to and surrounding the BOC Corporate Guarantee and the YFC Corporate Guarantee (the “**Special Audit**”).
- 2.2. The Special Auditor had completed the Special Audit and had on 6 November 2019 submitted the full report on its findings to the SGX-ST and the AC. The redacted report of the Special Audit (with the appendices and exhibits omitted) is attached to this announcement as Annex A (the “**Redacted Special Audit Report**”).
- 2.3. A summary of the key findings and observations of the Special Auditor is set out below.
- 2.4. Unless otherwise defined herein, capitalised terms used herein shall bear the same meanings as defined in the Redacted Special Audit Report.

3. SUMMARY OF THE SPECIAL AUDITOR'S KEY FINDINGS

A. YFC Corporate Guarantee

- 3.1. Based on the terms of the YFC Loan and the YFC Corporate Guarantee dated 7 and 8 October 2018 respectively, Yixing Futao Credit agreed to provide a loan of RMB180.00 million to Jiangsu Donglai for a period of seven days from 8 October 2018 to 15 October 2018, with Yixing Yinyan as the guarantor.
- 3.2. Based on the Special Auditor's interviews with Sun Xiao and Liu Wen:
- (a) Sunvic Group has no current business relationship with Jiangsu Donglai or Yixing Futao Credit.
 - (b) Sun Xiao received a verbal request from a “certain leader of Yixing City government” (“**Yixing City's Official**”) via a phone call around 23 or 24 September 2018. Yixing City's

Official informed Sun Xiao that Jiangsu Donglai required a bridging loan for one week to repay an outstanding loan due to China Construction Bank Corporation (Yixing County sub-branch) ("**China Construction Bank**"), and that such bridging loan would require a corporate guarantee from a "listed company".

- (c) Yixing City's Official also informed Sun Xiao that Jiangsu Donglai had applied for a new loan from China Construction Bank for the purpose of repaying the bridging loan.
 - (d) Sun Xiao then instructed Liu Wen to "understand about the situation, if there's no problem then just help them and if there's any problem, please report to me".
 - (e) Liu Wen stated that he executed the YFC Corporate Guarantee on 8 October 2018 without obtaining further confirmation from Sun Xiao.
 - (f) Liu Wen informed the Special Auditor that he had misunderstood Sun Xiao's instruction as an approval for him to proceed with the provision of a corporate guarantee for Jiangsu Donglai's bridging loan. Liu Wen said he had informed Sun Xiao that he had executed the YFC Corporate Guarantee on or around 10 October 2018.
 - (g) Both Sun Xiao and Liu Wen realised that Jiangsu Donglai could have potentially defaulted on the YFC Loan on or around 20 October 2018. Since then, Sun Xiao started to follow-up with Yixing City's Official on the status of the YFC Loan.
- 3.3. The identity and information on Yixing City's Official remains unknown as both Sun Xiao and Liu Wen refused to disclose the name or position of the individual. As a result, the Special Auditor could not ascertain the accuracy of the above representations provided by both Sun Xiao and Liu Wen.
- 3.4. Subsequently, Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit purportedly entered into the YFC Supplemental Agreement on 13 June 2019. The YFC Supplemental Agreement stated that Jiangsu Donglai would liquidate its assets or take such other steps to repay all payments due to Yixing Futao Credit by 30 June 2020, and that Yixing Futao Credit shall not commence any legal proceedings against Jiangsu Donglai and Yixing Yinyan at any time prior to 30 June 2020 to seek repayment for all payments due to Yixing Futao Credit.

I. Discrepancies surrounding the veracity of the YFC Agreements

- 3.5. The Special Auditor had not been able to obtain any reliable confirmation on the YFC Loan, YFC Corporate Guarantee and YFC Supplemental Agreement (collectively known as the "**YFC Agreements**") from Yixing Futao Credit and Jiangsu Donglai. The Special Auditor had not been able to interview any representative from Yixing Futao Credit and Jiangsu Donglai, apart from an alleged representative from Yixing Futao Credit who refused to provide any documentation to verify his identity and that he was an authorised representative of Yixing Futao Credit.
- 3.6. With regard to Yixing Futao Credit, based on Yixing Futao Credit's registered business activities, it appears that Yixing Futao Credit could only provide loans which are related to agriculture, farmers and rural households. The provision of the YFC Loan did not appear to be in line with the registered business activities of Yixing Futao Credit, as Jiangsu Donglai is an entity engaged in the real estate development and construction businesses.
- 3.7. In addition, the YFC Loan of RMB180.00 million with interest rate of 20.00% per annum appeared

not to be in line with the limits for microcredit loans set out in the notices issued by the Jiangsu Province People's Government Financial Work Office to govern the microcredit companies in Jiangsu Province.

- 3.8. As for Jiangsu Donglai, the Special Auditor noted that liquidation proceedings against Jiangsu Donglai had been accepted on 21 March 2019, and that the People's Court of Yixing City, Jiangsu Province had on 10 April 2019 appointed an Administrator. The Administrator had on 15 April 2019 taken control of the assets, financial records and company seals of Jiangsu Donglai. When enquired by the Special Auditor on the status of the YFC Agreements, the Administrator responded, amongst others, that:
- (a) the YFC Loan was not recorded in Jiangsu Donglai's financial records and detailed bank statements;
 - (b) the Administrator did not sign any agreement (on behalf of Jiangsu Donglai) with Yixing Yinyan and Yixing Futao Credit since taking control of Jiangsu Donglai on 15 April 2019; and
 - (c) Yixing Futao Credit had represented to the Administrator that they did not provide a loan of RMB180.00 million to Jiangsu Donglai.
- 3.9. In view of the response from the Administrator at paragraph 3.8 above, the veracity of the YFC Supplemental Agreement dated 13 June 2019 appears to be in question as it was executed about two months after the appointment of the Administrator by the People's Court of Yixing City, Jiangsu Province.
- 3.10. Due to the discrepancies discovered in relation to the YFC Agreements, the Special Auditor had recommended the AC to engage a reputable law firm in the People's Republic of China ("PRC") for the purpose of conducting a legal assessment over the veracity of the YFC Agreements.

II. Discrepancies in the announcement issued by the Company on 19 February 2019

- 3.11. The Company's announcement dated 19 February 2019 appears to have included statements that are now known to be inaccurate in relation to the YFC Corporate Guarantee. The Special Auditor's observations in this regard can be found at paragraphs 1.5.27 and 3.4.2 of the Redacted Special Audit Report. Prima facie, there appears to be a breach of disclosure requirements under Rule 703 of the SGX-ST Listing Manual and Appendix 7.1 of the SGX-ST Listing Manual.

III. Lack of adequate controls over approving and monitoring corporate guarantees extended to third parties

- 3.12. The Financial Controller of Sunvic Group mentioned that there is no written policy and procedures governing the provision of corporate guarantees to third parties as entities within Sunvic Group are generally not allowed to provide corporate guarantees to third parties. He added, however, if a corporate guarantee is required to be provided to an unrelated party, such guarantee would need to be approved by him. The Financial Controller of Sunvic Group confirmed that he did not receive any approval request in relation to the YFC Corporate Guarantee.
- 3.13. Based on the Company's announcement dated 19 February 2019, Liu Wen had performed a "basic assessment" on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018, prior to entering into the YFC Corporate Guarantee. During the Special Auditor's interview with Liu Wen, Liu Wen elaborated that by "basic assessment", he meant that he contacted

a “friend” working in one of the financial institutions to obtain certain verbal confirmations and he proceeded to execute the YFC Corporate Guarantee without performing further verifications. Liu Wen did not provide any documentary evidence to support his account and he refused to disclose the identity of his “friend”.

- 3.14. The Special Auditor noted that the YFC Loan of RMB180.00 million was approximately 3.70 times the net assets of Jiangsu Donglai in 2017 (i.e., approximately RMB48.66 million) based on the financial position of Jiangsu Donglai for the calendar year 2017 extracted from the Tax Bureau of Jiangsu Province.
- 3.15. Following the execution of the YFC Corporate Guarantee, both Sun Xiao and Liu Wen did not monitor the repayment of the YFC Loan by following up with Jiangsu Donglai and/or Yixing Futao Credit.

B. BOC Corporate Guarantee

- 3.16. A summary of the BOC Loan and the other loan agreements between Jiangsu Dahe and Bank of China, with Jiangsu Jurong as one of the guarantors for such respective loan agreements, is set out below:

S/N	Date of loan agreement	Loan amount (RMB' million)	Repayment due date	Repayment amount (RMB' million)
(a)	2 July 2015	42.50	10 January 2016	22.50
			20 January 2016	20.00
(b)	11 January 2016	22.50	7 January 2017	22.50
(c)	3 February 2017	42.50	2 February 2018	42.50
(d)	10 January 2018	42.50	9 December 2018	42.50

- 3.17. Based on the Special Auditor's interview with a representative of Bank of China, the approved credit limit for Jiangsu Dahe's loan with Bank of China had remained unchanged at the amount of RMB42.50 million since July 2015. During the Review Period, based on the Special Auditor's interview with the management of Sunvic Group, Jiangsu Jurong did not require Jiangsu Dahe to provide any corporate guarantee for its loans.
- 3.18. Each of the guarantee agreements made by Jiangsu Jurong was accompanied by a resolution passed by the directors of Jiangsu Jurong for Jiangsu Jurong to act as the corporate guarantor and to assume joint and several liabilities for Jiangsu Dahe's loan obtained from Bank of China.
 - I. Absence of disclosure surrounding the corporate guarantees given by Jiangsu Jurong since 2016
- 3.19. In Sunvic Group's AR for FY2015, there was a disclosure in relation to guarantees provided to unrelated parties amounting to RMB42.50 million. However, there was no disclosure in relation to the provision of corporate guarantees to unrelated parties in Sunvic Group's AR for FY2016 and FY2017.
- 3.20. The loans obtained by Jiangsu Dahe from Bank of China appeared to be continuous with the same

credit limit of RMB42.50 million since July 2015.

- 3.21. The External Auditors stated to the Special Auditor that they had performed independent searches with the People's Bank of China ("**PBOC**"), i.e. the central bank of China, after the end of each FYs to obtain information on the corporate guarantees extended by Jiangsu Jurong to unrelated parties. Based on the work performed, the External Auditors stated that they were satisfied that there was no corporate guarantee provided by Jiangsu Jurong to unrelated parties for FY2016 and FY2017.
- 3.22. However, the incomplete and truncated PBOC reports extracted on 18 January 2017 and 12 January 2018 as provided by the External Auditors to the Special Auditor showed that:
- (a) Jiangsu Jurong had provided guarantees of approximately RMB2.50 billion (but no breakdown was provided due to missing pages in the PBOC report) as of 18 January 2017. The External Auditors informed the Special Auditor that they could not provide the details of the corporate guarantees provided by Jiangsu Jurong as of 18 January 2017.
 - (b) Jiangsu Jurong had purportedly provided a guarantee of RMB10.00 million to Jiangsu Dahe as of 12 January 2018. In this regard, the External Auditors stated that they had obtained a verbal confirmation from the Financial Controller of Sunvic Group that there was no corporate guarantee provided to unrelated parties as of the end of FY2017 and that the loan of RMB10.00 million owing by Jiangsu Dahe existed after 31 December 2017. However, during the Special Auditor's interview with the Financial Controller of Sunvic Group, the Financial Controller of Sunvic Group denied providing such verbal confirmation to the External Auditors.
- 3.23. The Special Auditor extracted the credit report for Jiangsu Jurong from the Bank of China (Jiangsu Province branch) on 31 May 2019 and observed that the guarantee of RMB42.50 million was shown in the report.

II. Discrepancies in the announcement issued by the Company on 19 February 2019

- 3.24. The Company's announcement dated 19 February 2019 appears to have included statements that are now known to be inaccurate in relation to the BOC Corporate Guarantee. The Special Auditor's observations in this regard can be found at paragraphs 1.5.52 and 4.4.1 of the Redacted Special Audit Report. Prima facie, there appears to be a breach of disclosure requirements under Rule 703 of the SGX-ST Listing Manual and Appendix 7.1 of the SGX-ST Listing Manual.

III. Lack of adequate controls over approving and monitoring corporate guarantees extended to third parties

- 3.25. Based on the Company's announcement dated 19 February 2019, there was no specific due diligence conducted in respect of the BOC Corporate Guarantee as Yang Guoqiang had been monitoring the Dahe Cross Guarantee Arrangement through monthly meeting with representatives of Jiangsu Dahe since its commencement.
- 3.26. During the Special Auditor's interview with Yang Guoqiang, he represented, amongst others, that there was no specific due diligence conducted prior to approving the BOC Corporate Guarantee because he was familiar with Jiangsu Dahe.
- 3.27. Jiangsu Dahe's current liquidity ratios for the calendar years 2017 and 2018 were low at approximately 0.35 and 0.25 respectively based on the statement of financial position extracted

from the Tax Bureau of Jiangsu Province.

- 3.28. Had Yang Guoqiang and/or the management of Sunvic Group performed a thorough assessment of Jiangsu Dahe, they would have identified that Jiangsu Dahe would not have been able to meet its short-term financial obligations and would have been alerted by the risk associated with the provision of such guarantees to Jiangsu Dahe.

4. RECOMMENDATIONS AND NEXT STEPS

- 4.1. The AC is actively looking into the potential breaches of the applicable laws and the SGX-ST Listing Manual highlighted by the Special Auditor, and the findings and observations of the Special Auditor in the Redacted Special Audit Report.
- 4.2. As the circumstances surrounding the YFC Corporate Guarantee and the BOC Corporate Guarantee pertain to matters in the PRC and the Company's PRC subsidiaries, in accordance with the Special Auditor's recommendation in the Redacted Special Audit Report, the AC had approached a PRC counsel to review the relevant documents, and to advise the Company on its legal position regarding the YFC Corporate Guarantee and the BOC Corporate Guarantee respectively.
- 4.3. As the circumstances surrounding the YFC Corporate Guarantee raised more suspicions than the BOC Corporate Guarantee, efforts were focused on understanding the YFC Corporate Guarantee. The advice of the PRC counsel is as follows:
- (a) based on the documents reviewed by the PRC counsel and the responses received further to enquiries with the Administrator of Jiangsu Donglai and Yixing Futao Credit, the YFC Agreements, the YFC Confirmation Response and the YFC Letter of Demand are not valid; and
 - (b) the invalidity of the YFC Agreements, the YFC Confirmation Response and the YFC Letter of Demand is not likely to constitute any offence in the PRC as no party had suffered any financial loss.
- 4.4. In view of the PRC counsel's advice that the YFC Agreements are not valid, the AC is working with the External Auditors as regards the adjustment entries to be made to the Sunvic Group's financial statements for FY2018 to remove the contingent liability attributed by the YFC Corporate Guarantee and to conclude the Sunvic Group's financial audit for FY2018. Further, notwithstanding the PRC counsel's advice, the AC intends to lodge a report with the relevant authorities in the PRC and in Singapore in due course.
- 4.5. With regard to the discrepancies in the Company's announcement dated 19 February 2019 as observed by the Special Auditor at paragraphs 1.5.27 and 3.4.2, and paragraphs 1.5.52 and 4.4.1 of the Redacted Special Audit Report, save for the Special Auditor's observation at point 3 of paragraph 1.5.52 and paragraph 4.4.1(c) of the Redacted Special Audit Report, such discrepancies are in relation to statements based on the representations of Sun Xiao, Liu Wen and Yang Guoqiang (as applicable) at the time when the announcement was prepared and released.
- 4.6. As announced in the Company's announcement dated 19 February 2019, the Board of Directors of the Company (the "**Board**") had temporarily suspended the right of Liu Wen and Yang Guoqiang as legal representatives to enter into any agreement for and on behalf of Yixing Yinyan and Jiangsu Jurong respectively without the prior approval of Sun Xiao, and temporarily suspended Yang

Guoqiang from his office as the Executive Director of the Company. Subsequently, on 15 July 2019, Liu Wen had resigned from his designation as the general manager of Yixing Yinyan.

4.7. Given the level of involvement by Sun Xiao, Liu Wen and Yang Guoqiang in the YFC Corporate Guarantee and the BOC Corporate Guarantee (as may be applicable), the AC had recommended the Board to take the following disciplinary actions:

- (a) in respect of Liu Wen, to terminate and remove him from all offices and management positions held by him in the Sunvic Group, being the legal representative of Yixing Yinyan and the Vice President of Banking and Finance of the Company's operating entities in the PRC; and
- (b) in respect of Yang Guoqiang:
 - (i) to terminate and remove him as the Executive Director of the Company;
 - (ii) to maintain the suspension of his right as legal representative of Jiangsu Jurong to enter into any agreement for and on behalf of Jiangsu Jurong save that instead of seeking the prior approval of Sun Xiao, the approving authority will be the AC, pending the resolution of the situation pertaining to the Explosion (as defined in the Company's announcements of 27 March 2019 and 8 April 2019) as the AC appreciates that it will be difficult to find a replacement given the situation;
 - (iii) to take steps to ensure that the legal representative chop and the company chop of Jiangsu Jurong are not in the possession of Yang Guoqiang and that Jiangsu Jurong keeps a contemporaneous record of all uses and purposes of usage of the chops; and
 - (iv) to fine him the equivalent of his one (1) month salary.

As regards Sun Xiao, the AC recognises and acknowledges the importance of his role as the chief executive officer of the Sunvic Group. Nevertheless, noting Sun Xiao's level of involvement in the YFC Corporate Guarantee and the BOC Corporate Guarantee in view of the findings and observations of the Special Auditor in the Redacted Special Audit Report, the AC will consider the appropriate disciplinary action(s) to recommend to the Board to take against Sun Xiao. Such disciplinary action(s) may include imposing a fine on Sun Xiao and/or suspending him or terminating and removing him from either certain or all offices and management positions held by him in the Sunvic Group. The AC will consider this carefully in the best interest of the Sunvic Group, as the AC also noted that Sun Xiao had provided personal guarantees as security for the ongoing bank loans obtained by the Company's subsidiaries respectively, and that his termination and removal from certain or all offices and management positions held by him in the Sunvic Group may result in such bank loans being deemed due and repayable immediately to the respective lending banks.

4.8. The Company will make further announcements to update the shareholders of the Company of the developments at the appropriate juncture.

FOR AND ON BEHALF OF THE AC

Koh Poh Beng
Lead Independent Director and Chairman of the AC
7 November 2019

Report of factual assessment into certain corporate guarantees provided by Sunvic Group companies to unrelated parties

6 November 2019



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List of abbreviations

The following abbreviations are used in this report:

Abbreviation	Description
AC	Audit Committee of Sunvic
Administrator of Jiangsu Donglai	Administrator of Jiangsu Donglai appointed by the People's Court of Yixing City
AR	Annual Report
Bank of China	Bank of China Co., Ltd. (Xiangshui County sub-branch)
Board	The Board of Directors of Sunvic, which comprises Sun Xiao, Yang Guoqiang, Zhu Wuling, Koh Poh Beng and Lua Poh Huat as at 1 April 2019
BOC Loan	A loan agreement between Jiangsu Dahe and Bank of China for the loan amount of RMB42.50 million dated 10 January 2018
BOC Corporate Guarantee	A third-party guarantee agreement, relating to the BOC Loan, between Jiangsu Jurong and Bank of China on 5 January 2018
BOC Letter of Demand	A letter of demand from the lawyers acting on behalf of Bank of China dated 15 December 2018
Borrowers	Jiangsu Dahe and Jiangsu Donglai
CCB Refinance Loan	A new loan applied by Jiangsu Donglai from China Construction Bank to repay the YFC Loan
CEO	Chief Executive Officer
China Construction Bank	China Construction Bank Corporation (Yixing sub-branch)
China Corporate Registry	China's National Enterprise Credit Information Publicity System
Dahe Cross Guarantee Arrangement	Cross-guarantee arrangements in which each Jiangsu Jurong and Jiangsu Dahe would provide corporate guarantees to facilitate the securing of the other party's bank loan
Donglai Bridging Arrangement	An arrangement in which Jiangsu Donglai had purportedly obtained YFC Loan to repay its bank for a period of one week pending the approval of a new loan from the bank (which upon being disbursed would be used by Jiangsu Donglai to repay the YFC Loan)
ESI	Electronically Stored Information
EY Advisory or us	Ernst & Young Advisory Pte. Ltd.
External Auditors	Foo Kon Tan LLP, the external auditors of Sunvic Group since FY2014
FY	Financial year
Independent Directors	Independent directors of Sunvic Group, namely Koh Poh Beng and Lua Poh Huat, appointed on 5 May 2017
Jiangsu Dahe	Jiangsu Dahe Lvjian Chemical Co., Ltd. (江苏大和绿碱化工有限公司), changed its name to Jiangsu Huakong Dahe Industries Co., Ltd. (江苏华控大和实业有限公司) on 8 January 2019
Jiangsu Donglai	Jiangsu Donglai Estate Development Co., Ltd. (江苏东来房地产开发有限公司)
Jiangsu Jurong	Jiangsu Jurong Chemical Co., Ltd. (江苏裕廊化工有限公司)

6 November 2019

Abbreviation	Description
Jurong Group	A management structure established to manage and oversee the operations of certain companies within Sunvic Group in China (i.e., Jiangsu Jurong, Jiangsu Jurong Petrochemicals Co., Ltd., Taixing Jurong Chemical Co. Ltd., Yixing Yinyan) and companies related to Sun Xiao (i.e., Jiangsu Yinyan Specialty Chemical Co., Ltd., Yixing Danson Technology Co., Ltd., Taixing Jinyan Chemical Technology Co., Ltd., Jiaying Jinyan Chemical Co., Ltd. and Xiangshui Xinda Trade Co., Ltd.)
Jurong Group's HQ	Jurong Group's headquarters located at Danson Technology Building, 22 Kaixuan Road, Yixing Economic Development Zone, Yixing City, Wuxi Prefecture, Jiangsu Province, China
PBOC	People's Bank of China
Person A	A certain individual purportedly to be representing himself as a manager of Yixing Futao Credit
Review Period	1 January 2018 to 31 March 2019
SGX Regco	Singapore Exchange Regulation
SGX-ST	Singapore Exchange Securities Trading Limited
Sunvic	Sunvic Chemical Holdings Limited
Sunvic Group	Sunvic and its subsidiaries
Yixing City's Official	A certain leader of Yixing City government (宜兴市的某个市领导) as represented by Sun Xiao
Yixing Futao Credit	Yixing City Futao Rural Micro Credit Co., Ltd. (宜兴市富陶农村小额贷款有限公司)
Yixing Yinyan	Yixing Yinyan Import & Export Co., Ltd. (宜兴银燕进出口有限公司)
YFC Agreements	The YFC Loan, the YFC Corporate Guarantee and the YFC Supplemental Agreement
YFC Loan	A loan agreement between Jiangsu Donglai and Yixing Futao Credit for the loan amount of RMB180.00 million dated 8 October 2018
YFC Confirmation Response	A response from Yixing Futao Credit confirming that Yixing Yinyan had provided a guarantee of RMB180.00 million for the loan provided by Yixing Futao Credit to Jiangsu Donglai
YFC Corporate Guarantee	A third-party guarantee agreement, relating to the YFC Loan, between Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit on 8 October 2018
YFC Letter of Demand	A letter of demand from the lawyers acting on behalf of Yixing Futao Credit dated 14 November 2018
YFC Supplemental Agreement	A supplemental agreement to the YFC Corporate Guarantee between Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit dated 13 June 2019

Glossary of key person mentioned in this report

Name	Chinese name	Position
Cheng Qiang	承强	Chairman and legal representative of Jiangsu Donglai
Jiang Lili	蒋丽丽	Jiang Lili, Vice Chairman of Jiangsu Dahe
Koh Poh Beng	-	Lead Independent Director of Sunvic since 5 May 2017
Lua Poh Huat	-	Independent Director of Sunvic since 5 May 2017
Liu Wen	刘文	Vice President – Banking and Finance of Sunvic’s China operating entities and legal representative of Yixing Yinyan
Sun Liping	孙立平	Former Executive Chairman and CEO of Sunvic (ceased on 9 January 2013)
Sun Xiao	孙骁	Executive Director and CEO of Sunvic since 9 January 2013
Xu Wei	徐卫	Chairman and legal representative of Jiangsu Dahe
Yang Guoqiang	杨国强	Executive Director of Sunvic since 27 February 2006, and Chairman and legal representative of Jiangsu Jurong

In accordance with our instructions, the name of certain other individuals have been redacted in this report.

Executive Summary

1. Executive summary

This Executive Summary should be read in the context of the entire report, exhibits and appendices. It does not stand alone, but rather provides a summary of the findings in the remainder of this report.

1.1. Background and our appointment

1.1.1 Sunvic Chemical Holdings Limited (“Sunvic” and together with its subsidiaries, the “Sunvic Group”), a company incorporated in Singapore on 27 May 2004, has been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 2007. The principal activities of Sunvic are those relating to investment holding and its subsidiaries are primarily based in China and involved in manufacturing, selling, importing and exporting of chemical products.

1.1.2 On 10 January 2019, the Board of Directors of Sunvic (the “Board”) made an announcement that two wholly-owned subsidiaries of Sunvic, namely Yixing Yinyan Import & Export Co., Ltd. (宜兴银燕进出口有限公司) (“Yixing Yinyan”) and Jiangsu Jurong Chemical Co., Ltd. (江苏裕廊化工有限公司) (“Jiangsu Jurong”), had received letters of demand in respect of certain corporate guarantees which, the letters claimed, had been provided to parties unrelated to Sunvic Group. These letters of demand and corporate guarantees can be summarised as follows:

Corporate guarantee provided by Yixing Yinyan

- (a) Yixing Yinyan received a letter of demand dated 14 November 2018 (the “YFC Letter of Demand”) from the lawyers acting on behalf of Yixing City Futao Rural Micro Credit Co., Ltd. (宜兴市富陶农村小额贷款有限公司) (“Yixing Futao Credit”) in respect of a loan agreement between Yixing Futao Credit and Jiangsu Donglai Estate Development Co., Ltd. (江苏东来房地产开发有限工司) (“Jiangsu Donglai”) for the loan amount of RMB180.00 million (the “YFC Loan”).

- (b) In the YFC Letter of Demand, Yixing Futao Credit sought repayment of RMB183.70 million (inclusive of accrued interest) from Yixing Yinyan (as Jiangsu Donglai had defaulted on its repayment by the due date of 15 October 2018) pursuant to a guarantee agreement between Yixing Futao Credit, Jiangsu Donglai and Yixing Yinyan dated 8 October 2018. Under the guarantee agreement, Yixing Yinyan provided a corporate guarantee to Jiangsu Donglai (a party unrelated to Sunvic Group) in favour of Yixing Futao Credit in respect of the YFC Loan (the “YFC Corporate Guarantee”).

Corporate guarantee provided by Jiangsu Jurong

- (c) Jiangsu Jurong received a letter of demand dated 15 December 2018 (the “BOC Letter of Demand”) from the lawyers acting on behalf of Bank of China Co., Ltd. (Xiangshui County sub-branch) (“Bank of China”) in respect of a loan agreement between Bank of China and Jiangsu Dahe Lvjian Chemical Co., Ltd. (江苏大和绿碱化工有限公司)¹ (“Jiangsu Dahe”) dated 10 January 2018 for the loan amount of RMB42.50 million (the “BOC Loan”).
- (d) In the BOC Letter of Demand, Bank of China sought repayment of a sum of approximately RMB42.97 million (inclusive of accrued interest) from Jiangsu Jurong (as Jiangsu Dahe had defaulted on its repayment by the due date of 9 December 2018), pursuant to a guarantee agreement between Jiangsu Jurong and Bank of China dated 5 January 2018. Under the guarantee agreement, Jiangsu Jurong provided a corporate guarantee to Jiangsu Dahe (a party unrelated to Sunvic Group) in favour of Bank of China in respect of the BOC Loan (the “BOC Corporate Guarantee”).

- 1.1.3 On 18 January 2019, the Board published an announcement stating that they had received queries from Singapore Exchange Regulation (“SGX Regco”) regarding the announcement dated 10 January 2019 and provided further information in relation to the YFC Corporate Guarantee and to the BOC Corporate Guarantee.

¹ Jiangsu Dahe changed its name to Jiangsu Huakong Dahe Industries Co., Ltd. (江苏华控大和实业有限公司) on 8 January 2019.

- 1.1.4 On 13 February 2019, SGX Regco issued a notice of compliance to the Board. In the notice, SGX Regco raised “serious concerns over the questionable circumstances” surrounding the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- 1.1.5 On 19 February 2019, the Board published another announcement which stated the following:
- (a) The YFC Loan was a bridging loan to allow Jiangsu Donglai to repay its bank, and 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 (“Donglai Bridging Loan Arrangement”).
 - (b) Liu Wen (刘文) (Vice President - Banking and Finance of Sunvic’s China operating entities and legal representative of Yixing Yinyan) had entered into the YFC Corporate Guarantee on his own initiative.
 - (c) 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 loans (“Dahe Cross Guarantee Arrangement”).
 - (d) Yang Guoqiang (杨国强) (Executive Director of Sunvic, and Chairman and legal representative of Jiangsu Jurong) had entered into the BOC Corporate Guarantee on his own initiative.
 - (e) The Board stated their intention to appoint a special investigative committee comprising of external and independent audit and legal advisors to conduct further investigations relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee at the request of its independent directors.

1.1.6 Pursuant to the terms of the Statement of Work dated 1 April 2019, the Audit Committee of Sunvic (the “AC”) appointed Ernst & Young Advisory Pte. Ltd. (“EY Advisory” or “us”) as the special auditor to carry out a fact-finding assessment into the circumstances leading to and surrounding the provision of the corporate guarantees to Jiangsu Dahe and Jiangsu Donglai (collectively known as the “Borrowers”) and identify potential questionable transactions related to the YFC Corporate Guarantee and the BOC Corporate Guarantee for the period from 1 January 2018 to 31 March 2019 (the “Review Period”).

1.2. Overview of the engagement and work performed

1.2.1 Based on the terms set out in our Statement of Work dated 1 April 2019, and to the extent possible, our scope was to:

- (a) Conduct preliminary discussions and/or interviews with relevant personnel of Sunvic Group in China to obtain a detailed understanding and information relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- (b) Examine the relevant guarantee agreements and loan agreements with the view of understanding the loan and guarantee agreements and identifying any anomalies. Construct a timeline of events leading to the provision of the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- (c) Identify key controls relating to approving and monitoring financial facilities in the Sunvic Group through review of policies and procedures and conduct inquiries with relevant personnel. Obtain and assess the evidence of evaluation and approval of the YFC Corporate Guarantee and the BOC Corporate Guarantee with the view of identifying any non-compliant incidents and specifically whether appropriate due diligence has been conducted and all required approvals are obtained prior to executing the guarantee agreements.

- (d) Conduct background searches (limited to the information available in the public domain) on shareholders, directors, legal representatives and key management of the Borrowers and Yixing Futao Credit, and compare the search results to the list of Sunvic Group's employee names with the view of identifying possible undisclosed relationship between the Borrowers and the Sunvic Group.
- (e) Inspect relevant bank records including bank statements, bank reconciliations and cash/bank ledgers of Jiangsu Jurong and Yixing Yinyan for the Review Period and perform an analysis of the cashflows with the view of identifying questionable transactions and payments related to the YFC Corporate Guarantee, the BOC Corporate Guarantee or the Borrowers. Examine the underlying supporting documentations (on a sample basis) in relation to identified questionable transactions and/or payments.
- (f) Through the management of the Sunvic Group, make necessary arrangements for interviews with key personnel of the Borrowers, Yixing Futao Credit and Bank of China, who were involved in the loan and guarantee agreements, and obtain evidence of the financial position of the Borrowers and the required documentation of the guarantees for further analysis with the view of understanding the process and detail of the guarantees, the reason(s) of default and potential financial impact to the Sunvic Group.
- (g) Collect and preserve laptops or computers (referred to as "Electronically Stored Information" or "ESI") assigned to Liu Wen and Yang Guoqiang at the commencement of our fieldwork. Perform electronic discovery and computer forensic analysis (e.g., examination of the forensic images for relevant documentation) as may be needed upon consultation with the AC.
- (h) Identify possible breaches of SGX Listing Rules or applicable laws and regulations based on prima facie the relevant documentation and information available to us.
- (i) Perform inquiries with the relevant employees of the Sunvic Group who have knowledge of the loans and guarantees as may be necessary and practicable.

1.2.2 Between 28 May 2019 and 20 June 2019, upon consultations with the AC and SGX Regco, our scope of work was expanded to include:

- (a) Collect and preserve ESI assigned to Sun Xiao (孙晓) (Executive Director and CEO of Sunvic) and relevant employees of Sunvic Group in China.
- (b) Collect and preserve email archives of Sun Xiao, Yang Guoqiang, Liu Wen and relevant employees from Sunvic Group's email server in China.
- (c) Perform electronic discovery procedures including processing and extracting ESI and email archives for documentation relevant to the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- (d) Seek written confirmation from Bank of China in relation to the corporate guarantee provided by Jiangsu Jurong to Jiangsu Dahe.
- (e) Seek written confirmation from Yixing Futao Credit in relation to the corporate guarantee provided by Yixing Yinyan to Jiangsu Donglai.
- (f) Seek confirmation from Bank of China to ascertain the veracity of the loan and guarantee agreements in relation to the loan obtained by Jiangsu Dahe.
- (g) Seek confirmation from the lawyers representing to be acting on behalf of Yixing Futao Credit and Bank of China to ascertain the veracity of the YFC Letter of Demand and the BOC Letter of Demand respectively. Enquire with the same lawyers on their intended next course of action arising from the Borrowers' default.

1.2.3 During the course of our work, we discovered that Jiangsu Jurong had provided corporate guarantees for loans obtained by Jiangsu Dahe which were due after Sunvic Group's financial year ("FY") end (i.e., FY2016 and FY2017). We noted that there was no disclosure in relation to the provision of corporate guarantees to unrelated parties in Sunvic Group's Annual Report ("AR") for FY2016 and FY2017. In this respect, on 20 June 2019, the SGX Regco instructed us to obtain and assess the supporting documents from Foo Kon Tan LLP, the auditors of Sunvic Group since FY2014 (the "External Auditors"), in relation to the lack of disclosure for the corporate guarantees provided.

- 1.2.4 On 20 June 2019, the Board made an announcement that Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit had entered into a supplemental agreement to the YFC Corporate Guarantee on 13 June 2019 ("YFC Supplemental Agreement"). The YFC Supplemental Agreement stated that Yixing Futao Credit would not commence any legal proceedings against Jiangsu Donglai and Yixing Yinyan at any time prior to 30 June 2020 to seek repayment of the YFC Loan and all other due payments including the interest payable under the YFC Corporate Guarantee. In this report, the YFC Loan, the YFC Corporate Guarantee and the YFC Supplemental Agreement are collectively referred to as the "YFC Agreements".
- 1.2.5 During the course of our work, we discovered that Jiangsu Donglai was in the midst of being liquidated and that an Administrator (管理人) had been appointed by the People's Court of Yixing City, Jiangsu Province ("Administrator of Jiangsu Donglai") in April 2019. In this connection, on 9 and 10 July 2019, the AC and SGX Regco instructed us to perform the following additional work:
- (a) Perform searches (limited to the information available in the public domain) in relation to the liquidation of Jiangsu Donglai.
 - (b) Conduct an enquiry with the Administrator to ascertain the reason for Jiangsu Donglai's insolvency and whether Yixing Futao Credit was one of Jiangsu Donglai's creditors.
 - (c) Seek written confirmation from the Administrator of Jiangsu Donglai in relation to the veracity of the YFC Supplemental Agreement.
- 1.2.6 Pursuant to the above Statement of Work and the extension of work, EY Advisory performed the following procedures:
- (a) Conducted interviews and discussions with the relevant key personnel of Sunvic Group and independent directors who have knowledge surrounding the provision of the YFC Corporate Guarantee and the BOC Corporate Guarantee.
 - (b) Obtained and examined the relevant policies and procedures and delegation of authority with the view of ascertaining whether the YFC Corporate Guarantee and the BOC Corporate Guarantee were appropriately evaluated and approved by the management of Sunvic Group.

- (c) Obtained and examined the relevant loan and guarantee agreements with the view of obtaining an understanding of the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- (d) Conducted an interview with a representative of Bank of China to understand the circumstances surrounding the provision of BOC Corporate Guarantee.
- (e) Obtained written confirmation from Yixing Futao Credit and Bank of China in relation to the YFC Corporate Guarantee and the BOC Corporate Guarantee respectively.
- (f) Obtained confirmation from the lawyers representing to be acting on behalf of Bank of China to ascertain the veracity of the BOC Letter of Demand.
- (g) Conducted background searches (limited to the information available in the public domain) on the shareholders, directors, legal representative and key management of the Borrowers and Yixing Futao Credit, and compared the search results to the list of employees of Sunvic Group in China and certain companies related to Sun Xiao² (collectively referred to as "Jurong Group") to determine the existence of any undisclosed relationship.
- (h) Performed an assessment into the transactions undertaken by Yixing Yinyan and Jiangsu Jurong to identify potential questionable transactions and/or payments based on the following work steps:
 - (i) Obtained management accounts³ and all bank statements and available bank reconciliations⁴ of Yixing Yinyan and Jiangsu Jurong for the Review Period.
 - (ii) Obtained a list of transactions between Jiangsu Jurong and Jiangsu Dahe for the period from 1 July 2012 to 30 April 2019.

² A management structure established to manage and oversee the operations of certain companies within Sunvic Group in China (i.e., Jiangsu Jurong, Jiangsu Jurong Petrochemicals Co., Ltd., Taixing Jurong Chemical Co. Ltd., Yixing Yinyan) and certain companies related to Sun Xiao (i.e., Jiangsu Yinyan Specialty Chemical Co., Ltd., Yixing Danson Technology Co., Ltd., Taixing Jinyan Chemical Technology Co., Ltd., Jiaying Jinyan Chemical Co., Ltd. and Xiangshui Xinda Trade Co., Ltd.) in China.

³ The management accounts consisted of unaudited balance sheet, unaudited profit and loss statement, trial balance, general ledgers, and journal entries listing prepared by the Finance Department of Jiangsu Jurong and Yixing Yinyan in Microsoft Excel format. For clarity, the term "management accounts" used in this report denotes a set of internal accounting records and it should be distinguished from the term "Annual Report" which is used to denote a set of audited financial statements provided by a company to external parties that show details of its financial standing.

⁴ The management of Jiangsu Jurong stated that certain bank reconciliations of Jiangsu Jurong were destroyed during the explosion which occurred in March 2019. Sunvic made announcements regarding the explosion on 27 March 2019 and 8 April 2019.

- (iii) Performed an analysis of the cashflows and examined underlying supporting documentations (on a sample basis) with the view of identifying questionable transactions and payments related to the YFC Corporate Guarantee, the BOC Corporate Guarantee or the Borrowers.
- (i) Obtained and assessed the supporting documents from the External Auditors in relation to the lack of disclosure of the corporate guarantees provided by Jiangsu Jurong to Jiangsu Dahe in FY2016 and FY2017.
- (j) Obtained the minutes of AC meetings held between 2016 and 2018 from the Company Secretary of Sunvic Group to identify matters relevant to the YFC Corporate Guarantee and the BOC Corporate Guarantee.
- (k) Performed relevant electronic discovery procedures including collecting, preserving, processing and extracting the ESI and email archives of Sun Xiao, Liu Wen, Yang Guoqiang and relevant key personnel of Sunvic Group in China.

1.2.7 Our fieldwork commenced on 16 May 2019 and was substantially concluded on 7 August 2019. For the period leading to 26 September 2019, we had obtained further information and/or clarification from the AC, the management and the External Auditors of Sunvic Group. We have no obligation to update the report or to revise the information contained because of events and transactions occurring subsequent to the date of the completion of our work.

1.3. General limiting conditions and constraints

1.3.1 Our report has been prepared on the basis of management information, financial data and/or documents relevant to our scope of work provided by Sunvic Group and parties relevant to the YFC Corporate Guarantee and the BOC Corporate Guarantee, information available publicly, as well as interview and/or discussions conducted with the relevant persons.

- 1.3.2 The procedures that we have performed in arriving at the findings in this report do not constitute an audit or a review made in accordance with the Singapore Standards of Auditing or Singapore Standards on Review Engagements or anywhere else; accordingly, no assurance will be expressed in this regard. The scope of work set out in this report does not amount to an internal audit and shall not be relied upon as the primary basis for assessing the adequacy of the system of internal controls.
- 1.3.3 Our services or this report do not constitute any legal opinion or advice. In particular, we have not considered the merits of the letters of demand from a legal perspective. In the announcement dated 19 February 2019, the Board stated their intention to appoint legal advisors.
- 1.3.4 Unless expressly stated, the information contained in this report has not been subject to detailed verification procedures and no document expert has been engaged to independently verify the authenticity of the documents provided to us. No representation is made by EY Advisory as to the accuracy or completeness of such information and nothing contained in this report is or shall be construed as a representation of the future.
- 1.3.5 All assumptions made for the purpose of this engagement are based on information and representations provided by the Sunvic Group and persons in connection with our work. We do not give any representation, warranty, indemnity or undertaking expressly or impliedly as to the accuracy or completeness of such information provided to and used by us in our assignment.
- 1.3.6 We wish to highlight that the people we interviewed were not under oath. Hence, certain judgment would need to be exercised as to the reliability of the views and recollections of those interviewed and/or discussed. Any report issued by EY Advisory or excerpts should not be used by Sunvic for any purpose other than that stated in our letter of engagement without our prior written consent. In the event that we provide written approval to Sunvic to use any of our reports for purposes other than that stated in our letter of engagement, we will need to approve the form and context of such a report to be released. In addition, we require an appropriate indemnity from Sunvic absolving EY Advisory from any liability or consequence arising from the release of such report for purposes other than that specified above.

- 1.3.7 Neither the whole nor part of our report, nor any reference thereto, may be circulated nor published in any way whatsoever, nor used for any other purpose than that specified in the report without our prior written consent pertaining to the form and context in which it appears. No reliance should be placed by third parties on the report for any purposes whatsoever and EY Advisory shall not be responsible to third parties who have acted on the information contained therein.
- 1.3.8 No reliance should be placed on preliminary draft and/or draft reports issued by us for discussion purposes and EY Advisory shall not be responsible to any parties who have placed reliance on such preliminary draft and/or draft reports.
- 1.3.9 We reserve the right (but we are not under any obligation) to review, alter and amend our report in the light of any matters not previously brought to our attention as a result of new developments, which may or may not materially affect our opinion both prior to and subsequent to the date of this report.

1.4. Specific limitation conditions and constraints

- 1.4.1 Most of the original documents pertaining to the YFC Loan and the BOC Loan were not available for our assessment. With the exception of the YFC Corporate Guarantee, the YFC Letter of Demand and the BOC Letter of Demand, only photocopied/duplicated copies of the original version were made available by the management of Sunvic Group and other parties relevant to the assessment for our consideration.
- 1.4.2 We did not conduct an interview with any representative of Jiangsu Donglai as the management of Sunvic Group could not arrange for such interview. The management of Sunvic Group also could not provide us with the contact details of any member of Jiangsu Donglai's management involved in the YFC Corporate Guarantee.
- 1.4.3 We are unable to ascertain the veracity of the YFC Letter of Demand issued by the lawyers representing Yixing Futao Credit. We attempted to contact the said lawyers through multiple phone calls and WeChat⁵ messages but we did not receive a response.

⁵ A Chinese multi-purpose messaging, social media and mobile payment application developed by Tencent Holdings Limited.

- 1.4.4 We could not ascertain the identity of the individuals purportedly representing Yixing Futao Credit as such individuals refused to provide any documentation for identification purposes. We included the comments provided by these individuals in our report for information purpose only.
- 1.4.5 Due to the limited scope of this factual assessment, we did not seek an independent legal opinion nor perform an extensive research on the regulations governing microcredit companies in China. Our findings and observations in relation to the regulations governing microcredit companies are purely based on information available publicly and our plain reading of the relevant regulations.
- 1.4.6 We interviewed the former General Manager of Jiangsu Dahe as coordinated by the management of Sunvic Group. However, this individual was unable to provide us with relevant information as he claimed that he had limited knowledge of the BOC Corporate Guarantee. He stated that the Vice Chairman of Jiangsu Dahe was the personnel in-charge of the BOC Loan.
- 1.4.7 On 6 August 2019, we received a written representation by the Vice Chairman of Jiangsu Dahe dated 20 July 2019 through the management of Sunvic Group. We were unable to verify if the letter was indeed from the Vice Chairman of Jiangsu Dahe as we had not been given the opportunity to speak with the said individual⁶.
- 1.4.8 Based on the announcements issued by the Board, it is our understanding that the BOC Corporate Guarantee was extended by Jiangsu Jurong to Jiangsu Dahe as part of a cross-guarantee arrangement which commenced in 2010. As such, we requested the management of Sunvic Group to provide the relevant loan and corporate guarantee agreements since 2010 but we were only provided with copies of the loan and corporate guarantee agreements from July 2015 onwards. The management of Sunvic Group also provided a copy of the cross-guarantee agreement dated 19 October 2009.

⁶ The management of Sunvic Group could not provide us with the contact details of the Vice Chairman of Jiangsu Dahe.

- 1.4.9 We requested Bank of China to provide the relevant loan and corporate guarantee agreements since 2010 but Bank of China indicated they could not provide documents prior to 2015 as hardcopy agreements had been archived and the bank's database could only retrieve softcopy versions of the relevant loan and corporate guarantee agreements from 2015 onwards.

1.5. Summary of our key findings and observations

- 1.5.1. In this section, we summarised our key findings and observations relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee in the ensuing paragraphs as Part A and Part B respectively.

Part A – the YFC Corporate Guarantee

- 1.5.2. Based on the terms of the YFC Loan and the YFC Corporate Guarantee dated 7 and 8 October 2018 respectively, we noted that Yixing Futao Credit agreed to provide a loan of RMB180.00 million to Jiangsu Donglai for a period of seven days from 8 October 2018 to 15 October 2018, with Yixing Yinyan as the guarantor. Jiangsu Donglai was required to pay an interest amount of RMB0.70 million (calculated at the interest rate of 20.00% per annum or approximately 1.67% per month) to Yixing Futao Credit on its repayment date of 15 October 2018.
- 1.5.3. A summary of the salient points of the YFC Loan and the YFC Corporate Guarantee is presented in the table below.

Table 1: Salient points in relation to the YFC Loan and the YFC Corporate Guarantee

Agreement	Salient points
YFC Loan	<p>The agreement with the reference “宜富陶农贷借字 (2018) 第 206 号” dated 7 October 2018 stated the following:</p> <ul style="list-style-type: none"> (i) The loan amount was RMB180.00 million. (ii) The loan was a “bridging loan to obtain refinancing from China Construction Bank”. (iii) The loan period was from 8 to 15 October 2018. (iv) The loan interest rate was approximately 1.67% per month (i.e., 20.00% per annum). (v) The agreement was between Yixing Futao Credit and Jiangsu Donglai.
YFC Corporate Guarantee	<p>The agreement dated 8 October 2018 stated the following:</p> <ul style="list-style-type: none"> (i) The repayment of the loan amounting to RMB180.00 million would be through the loan issued by China Construction Bank in Yixing. (ii) If Jiangsu Donglai fails to repay the loan upon the expiry of the loan agreement, Yixing Futao Credit may exercise the right against Yixing Yinyan and Yixing Yinyan would be required to bear the joint and several liabilities for the principal and interest owed by Jiangsu Donglai. (iii) The agreement was between Yixing Futao Credit, Jiangsu Donglai and Yixing Yinyan.

1.5.4. Searches conducted on Jiangsu Donglai and Yixing Futao Credit through China’s National Enterprise Credit Information Publicity System (“China Corporate Registry”) revealed that:

- (a) Jiangsu Donglai was incorporated in China on 10 June 1992, and its approved business activities comprised real estate development, construction, interior and exterior decoration, wiring, piping and equipment installation, sales of construction materials and advisory services.

- (b) Yixing Futao Credit was incorporated in China on 31 August 2011, and its approved business activities comprised the provision of loans, guarantees, financial agent services and other businesses approved by the regulatory authorities which are related to agriculture, farmers and rural households.

1.5.5. We performed further searches through commercial databases and noted that the key personnel and shareholders of Jiangsu Donglai and Yixing Futao Credit and/or parties related or associated to them did not appear to be linked to the key personnel and employees of Jurong Group (which included entities within Sunvic Group in China).

1.5.6. Based on the accounting records provided by the management of Sunvic Group, we observed that Yixing Yinyan did not have any business transactions with Jiangsu Donglai or Yixing Futao Credit during the Review Period.

1.5.7. Based on our interviews with Sun Xiao and Liu Wen between 17 May 2019 and 20 June 2019, we found that:

- (a) Sunvic Group has no current business relationship with Jiangsu Donglai or Yixing Futao Credit.
- (b) Sun Xiao received a verbal request from a "certain leader of Yixing City government" ("Yixing City's Official") via a phone call around 23 or 24 September 2018. Yixing City's Official informed Sun Xiao that Jiangsu Donglai required a bridging loan for one week to repay an outstanding loan due to China Construction Bank Corporation (Yixing County sub-branch) ("China Construction Bank"), and that such bridging loan would require a corporate guarantee from a "listed company".
- (c) Yixing City's Official also informed Sun Xiao that Jiangsu Donglai had applied for a new loan from China Construction Bank ("CCB Refinance Loan") for the purpose of repaying the bridging loan.
- (d) Sun Xiao then instructed Liu Wen to "understand about the situation, if there's no problem then just help them and if there's any problem, please report to me".
- (e) Liu Wen stated that he executed the YFC Corporate Guarantee on 8 October 2018 without obtaining further confirmation from Sun Xiao.

- (f) Liu Wen informed us that he had misunderstood Sun Xiao's instruction as an approval for him to proceed with the provision of a corporate guarantee for Jiangsu Donglai's bridging loan. Liu Wen said he had informed Sun Xiao that he had executed the YFC Corporate Guarantee on or around 10 October 2018.
- (g) Both Sun Xiao and Liu Wen realised that Jiangsu Donglai could have potentially defaulted on the YFC Loan on or around 20 October 2018. Since then, Sun Xiao started to follow-up with Yixing City's Official on the status of the YFC Loan.

- 1.5.8. The identity and information of Yixing City's Official remains unknown to us as both Sun Xiao and Liu Wen refused to disclose the name and position of such individual. As a result, we could not ascertain the accuracy of the above representations provided by both Sun Xiao and Liu Wen.
- 1.5.9. The Finance Director of Jurong Group stated that the YFC Letter of Demand dated 14 November 2018 was delivered to Jurong Group's headquarters located at Danson Technology Building, 22 Kaixuan Road, Yixing Economic Development Zone, Yixing City, Wuxi Prefecture, Jiangsu Province, China ("Jurong Group's HQ") in mid-November 2018, and he subsequently brought the YFC Letter of Demand to the attention of Sun Xiao and Liu Wen.
- 1.5.10. Sun Xiao stated that he had been liaising with Yixing City's Official on the repayment of the YFC Loan by Jiangsu Donglai, following the discovery of the loan default on or around 20 October 2018 (refer to Paragraph 1.5.7(g) of this report). On 6 January 2019, Sun Xiao realised that he could not reach a positive outcome for Yixing Yinyan through liaising with Yixing City's Official. On 7 January 2019, Sun Xiao requested the Finance Director of Jurong Group to notify the Financial Controller of Sunvic Group (based in Singapore) about the YFC Letter of Demand, and the Financial Controller of Sunvic Group in turn informed Koh Poh Beng and Lua Poh Huat (collectively known as the "Independent Directors") on the same day.

1.5.11. On 19 June 2019, the management of Sunvic Group provided us with the YFC Supplemental Agreement between Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit dated 13 June 2019. The YFC Supplemental Agreement stated that Jiangsu Donglai would liquidate its assets or take such other steps to repay all payments due to Yixing Futao Credit by 30 June 2020, and that Yixing Futao Credit shall not commence any legal proceedings against Jiangsu Donglai and Yixing Yinyan at any time prior to 30 June 2020 to seek repayment for all payments due to Yixing Futao Credit.

(i) Discrepancies surrounding the veracity of the YFC Agreements

1.5.12. We wrote to Yixing Futao Credit to seek their confirmation on the YFC Loan and the YFC Corporate Guarantee. On 6 June 2019, we received a response from Yixing Futao Credit stating that Yixing Yinyan had provided a guarantee for the loan provided by Yixing Futao Credit to Jiangsu Donglai of RMB180.00 million ("YFC Confirmation Response"). The YFC Confirmation Response was signed by an individual representing to be a manager of Yixing Futao Credit ("Person A").

1.5.13. We requested the management of Sunvic Group to coordinate for an interview with an authorised representative of Yixing Futao Credit. On 16 June 2019, Liu Wen brought an individual, who introduced himself as Person A, to meet with us at Jurong Group's HQ. The said individual represented that:

(a) He held a managerial position in Yixing Futao Credit.

(b) He was the one who signed the YFC Confirmation Response.

The said individual, however refused to provide any documentation for identification purposes. He also refused to provide any documentation that he was an authorised representative of Yixing Futao Credit.

1.5.14. Separately, we conducted a surprise visit to Yixing Futao Credit's business premises on 20 June 2019. There, we were greeted by a different individual who claimed to be Person A. This individual refused to provide us with any documentation for identification purposes and he did not agree to be interviewed by us.

- 1.5.15. As a result, we are doubtful of the representations made by the individual we met at the Jurong Group's HQ on 16 June 2019 as well as the veracity of the YFC Confirmation Response. As at the date of this report, we have not been able to interview any representative of Yixing Futao Credit apart from the alleged Person A according to Paragraph 1.5.13 of this report.
- 1.5.16. Based on the information from the YFC Letter of Demand, we attempted to contact the lawyers representing Yixing Futao Credit to obtain information relating to the YFC Loan and the YFC Corporate Guarantee. Despite multiple attempts through phone calls and WeChat messages, we did not receive a response from the lawyers as at the date of this report.
- 1.5.17. Based on Yixing Futao Credit's registered business activities, it appears that Yixing Futao Credit could only provide loans which are related to agriculture, farmers and rural households⁷. We noted that the provision of the YFC Loan did not appear to be in line with the registered business activities of Yixing Futao Credit, as Jiangsu Donglai is an entity engaged in the real estate development and construction businesses.
- 1.5.18. Based on publicly available information, Yixing Futao Credit was listed as a microcredit company operating in Jiangsu Province, China. In order to obtain a further understanding of the YFC Loan, we searched the public domain for information surrounding the regulations governing microcredit companies in Jiangsu Province, China, and we found notices issued by Jiangsu Province People's Government Financial Work Office (江苏省人民政府金融工作办公室).
- 1.5.19. Based on our plain reading of these notices, we noted that the limit for microcredit loans was set at RMB3.00 million and the maximum interest rate should not exceed 18.00% per annum. It appears that the YFC Loan of RMB180.00 million with interest rate of 20.00% per annum was not in line with the notices issued by the Jiangsu Province People's Government Financial Work Office. Further legal review is required to determine if the YFC Loan is in contravention of China's laws and regulations.

⁷ Including projects which may be operated, subject to approval from the relevant departments according to the law.

- 1.5.20. We requested the management of Sunvic Group to arrange for an interview between us the authorised representative of Jiangsu Donglai. Sun Xiao and Liu Wen told us that they have had no direct contact with Jiangsu Donglai and could not provide us with the contact details. Sun Xiao told us that he attempted to coordinate for such interview through Yixing City's Official. As at the date of this report, we have not interviewed the relevant personnel of Jiangsu Donglai.
- 1.5.21. As the management of Sunvic Group could not arrange for us to meet with the authorised representative of Jiangsu Donglai, we searched the public domain for information on Jiangsu Donglai's business premises and visited the said premises on 17 June 2019. At the said premises, we observed that there was no apparent business activity and a notice was affixed at the entrance.
- 1.5.22. The notice stated that liquidation proceedings against Jiangsu Donglai had been accepted on 21 March 2019 and that the People's Court of Yixing City, Jiangsu Province had on 10 April 2019 appointed an Administrator. The notice also stated that the Administrator had on 15 April 2019 taken control of the assets, financial records and company seals of Jiangsu Donglai.
- 1.5.23. On 11 July 2019, we wrote to the Administrator of Jiangsu Donglai to enquire on the status of the YFC Agreements. On 15 July 2019, the Administrator responded to us, that (i) the YFC Loan was not recorded in Jiangsu Donglai's financial records and detailed bank statements, (ii) the Administrator did not sign any agreement (on behalf of Jiangsu Donglai) with Yixing Yinyan and Yixing Futao Credit since taking control of Jiangsu Donglai on 15 April 2019, and (iii) Yixing Futao Credit had represented to the Administrator that they did not provide a loan of RMB180.00 million to Jiangsu Donglai.
- 1.5.24. In view of the response from the Administrator of Jiangsu Donglai, the veracity of the YFC Supplemental Agreement dated 13 June 2019 (refer to Paragraph 1.5.11 of this report) appears to be in question as the agreement was executed about two months after the appointment of the Administrator of Jiangsu Donglai by the People's Court of Yixing City, Jiangsu Province.
- 1.5.25. Due to the discrepancies discovered in relation to the YFC Agreements, on 5 and 9 July 2019, we recommended the AC to engage a reputable law firm in China for the purpose of conducting a legal assessment over the veracity of the YFC Agreements.

(ii) Discrepancies in the announcement issued by Sunvic

- 1.5.26. In summary, based on the assessment conducted, Sunvic's announcement dated 19 February 2019 relating to the YFC Corporate Guarantee appears to have included statements that are now known to be inaccurate.
- 1.5.27. In the circumstances presented below, prima facie there appears to be a breach of disclosure requirements under Rule 703 of the SGX Listing Manual and Appendix 7.1 of the SGX Listing Manual which require the content of a press release or other public announcement to be factual, clear and succinct.

Table 2: Discrepancies in the announcement dated 19 February 2019 (related to the YFC Corporate Guarantee)

S/N	Extract of the announcement dated 19 February 2019	EY Advisory's observations
1	<p><u>Page 3 – Question 2: YFC Corporate Guarantee (paragraph 2):</u></p> <p>"...the YFC Corporate Guarantee was extended by Yixing Yinyan to Jiangsu Donglai at the <u>verbal request of Jiangsu Donglai and its bank</u> to facilitate the grant of the YFC Loan to Jiangsu Donglai, as coordinated by the local government, with the intent to enhance and promote relationship between Yixing Yinyan and Jiangsu Donglai's bank"</p>	<p>This statement appears to be inaccurate as the "verbal request" for the YFC Corporate Guarantee came from Yixing City's Official instead of Jiangsu Donglai and its bank as stated in the announcement.</p> <p>Both Sun Xiao and Liu Wen represented that they have had no direct contact with the management of Jiangsu Donglai.</p>
2	<p><u>Page 3 – Question 2: YFC Corporate Guarantee (paragraph 4):</u></p> <p>"Mr Sun Xiao <u>was aware</u> of the YFC Corporate Guarantee and Donglai Bridging Loan Arrangement <u>after the YFC Corporate Guarantee had been entered</u> into by the legal</p>	<p>This statement does not appear to be fully representative of Sun Xiao's knowledge and involvement in relation to YFC Corporate Guarantee. During the interview, Sun Xiao told us that Yixing City's Official reached out to him</p>

S/N	Extract of the announcement dated 19 February 2019	EY Advisory's observations
	representative of Yixing Yinyan" (i.e. Liu Wen).	<p>on the Donglai Bridging Loan Arrangement prior to the execution of the YFC Corporate Guarantee.</p> <p>It appears that Sun Xiao was aware of the Donglai Bridging Loan Arrangement and he gave vague instructions to Liu Wen leading to the execution of the YFC Corporate Guarantee (refer to Paragraph 1.5.7(d) of this report).</p>
3	<p><u>Page 7 – Question 9:</u></p> <p>"Mr Sun Xiao, Mr Liu Wen and Mr Yang Guoqiang explained that upon the receipts of the 2 letters of demand (i.e., YFC Letter of Demand and BOC Letter of Demand), they took some time to <u>clarify the demands with the borrowers and the lenders involved</u>. This resulted in a delay in informing the Board of the 2 letters of demand".</p>	<p>This statement does not appear to be accurate as both Sun Xiao and Liu Wen represented that they have had no direct contact with Jiangsu Donglai. Sun Xiao stated that he was only in contact with Yixing City's Official in respect of the YFC Corporate Guarantee.</p>

(iii) Lack of adequate controls over approving and monitoring of corporate guarantees extended to third parties

- 1.5.28. We understand from the Financial Controller of Sunvic Group that there is no written policy and procedures governing the provision of corporate guarantees to third parties as entities within Sunvic Group are generally not allowed to provide corporate guarantees to third parties. He added, however, if a corporate guarantee is required to be provided to an unrelated party, such guarantee would need to be approved by him, but he could not recall exactly when the approval requirement commenced. The Financial Controller of Sunvic Group confirmed that he did not receive any approval request in relation to the YFC Corporate Guarantee.

- 1.5.29. According to the announcement issued by the Board dated 19 February 2019, it is noted that Liu Wen had performed a “basic assessment” on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018, prior to entering into the YFC Corporate Guarantee.
- 1.5.30. During our interview with Liu Wen, we requested him to elaborate on the “basic assessment” on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018. Liu Wen stated that he did contact a “friend” working in one of the financial institutions⁸, to obtain certain verbal confirmations and he proceeded to execute the YFC Corporate Guarantee without performing further verifications. Liu Wen did not provide any documentary evidence to support his account of the basic assessment conducted.
- 1.5.31. We observed that the YFC Loan of RMB180.00 million was approximately 3.70 times the net assets of Jiangsu Donglai in 2017 (i.e., approximately RMB48.66 million) based on the financial position of Jiangsu Donglai for the calendar year 2017 extracted from the Tax Bureau of Jiangsu Province.
- 1.5.32. Following the execution of the YFC Corporate Guarantee, both Sun Xiao and Liu Wen did not monitor the repayment of the YFC Loan by following up with Jiangsu Donglai and/or Yixing Futao Credit. Liu Wen stated that he had only followed up with his “friend” who was purportedly working in one of the financial institutions on the status of the CCB Refinance Loan between 11 and 20 October 2018. Sun Xiao stated that he was only liaising with Yixing City’s Official.

⁸ Liu Wen refused to disclose the identity of his “friend”.

Part B – the BOC Corporate Guarantee

- 1.5.33. Based on the terms of the BOC Loan dated 10 January 2018, we noted that Bank of China agreed to provide a loan of RMB42.50 million to Jiangsu Dahe for the period from 10 January 2018 to 9 December 2018, with Jiangsu Jurong as one of the guarantors⁹. In return for the BOC Loan, Jiangsu Dahe would pay interest to Bank of China on a monthly basis calculated at 0.92% plus China National Interbank Funding Centre's base lending rate¹⁰.
- 1.5.34. A summary of the salient points of the BOC Loan and the BOC Corporate Guarantee is presented in the table below.

Table 3: Salient points in relation to the BOC Loan and the BOC Corporate Guarantee

Agreement	Salient points
BOC Loan	<p>The agreement with the reference "150238512D17122201" dated 10 January 2018 stated that:</p> <ul style="list-style-type: none"> (i) The loan amount was RMB42.50 million. (ii) The loan was for the "purchase of raw materials". (iii) The loan period was for the period of 11 months from the actual withdrawal date. (iv) Jiangsu Dahe shall repay the loan on the repayment date of 9 December 2018. (v) The loan interest rate is the average rate of the base lending rate of one working day prior to the actual withdrawal date quoted by China National Interbank Funding Centre plus 92 basis point. (vi) The penalty interest rate for overdue loans is 40.00% higher than the penalty interest rate. (vii) The agreement was between Bank of China and Jiangsu Dahe.
BOC Corporate Guarantee	<p>The agreement with the reference "150238512B5060904" dated 5 January 2018 stated that:</p>

⁹ We observed that the other guarantors of the BOC Loan are unrelated to the Sunvic Group.

¹⁰ For the period from 1 to 10 January 2018, China National Interbank Funding Centre's base lending rate (i.e., lending prime rate) was 4.30%. (Source: <http://www.chinamoney.com.cn/chinese/bklpr/>)

Agreement	Salient points
	<p>(i) If Jiangsu Dahe fails to repay the loan upon the expiry of the loan agreement, Bank of China may exercise their right against Jiangsu Jurong and Jiangsu Jurong would be required to bear the joint and several liabilities for the principal and interest owed by Jiangsu Dahe.</p> <p>(ii) If the principal claim is not repaid by Jiangsu Dahe, Bank of China shall request Jiangsu Jurong to assume the guarantee obligation before the expiration of the guarantee period.</p> <p>(iii) The guarantee period shall be two years from the expiration of the full repayment date.</p> <p>(iv) The guarantee obligation shall commence from the date on which Bank of China requests Jiangsu Jurong to assume the obligation.</p> <p>(v) The agreement was between Bank of China and Jiangsu Jurong.</p>

- 1.5.35. Based on searches conducted on the China Corporate Registry, we noted that Jiangsu Dahe was incorporated in China on 6 January 2006, and its business scope comprised, inter alia, production of chemicals, provision of transportation services, engineering and technological related products.
- 1.5.36. We performed further searches on commercial databases and noted that the key personnel and shareholders of Jiangsu Dahe did not appear to be linked to the key personnel and employees of Jurong Group (which included entities within Sunvic Group in China).
- 1.5.37. Based on the accounting records provided by the management of Sunvic Group, we observed that Jiangsu Jurong did not have any business transactions with Jiangsu Dahe during the Review Period. We understand from the management of Sunvic Group that Jiangsu Dahe formerly supplied caustic soda to Jiangsu Jurong. We observed the last business transactions between Jiangsu Jurong and Jiangsu Dahe was in December 2015.

- 1.5.38. According to the announcement issued by the Board dated 10 January 2019, Jiangsu Jurong had provided corporate guarantees as part of Dahe Cross Guarantee Arrangement with Jiangsu Dahe which “commenced in 2011”, under which Jiangsu Jurong and Jiangsu Dahe had respectively provided corporate guarantees up to the loan amount of RMB200.00 million to facilitate the securing of the other party’s bank loans. It was also stated in the same announcement that the amount guaranteed under such an arrangement had been progressively reduced over the years.
- 1.5.39. However, in the announcement dated 19 February 2019, the Board stated that the Dahe Cross Guarantee Arrangement had “commenced in 2010” (instead of 2011 in the announcement dated 10 January 2019). It was also stated in the announcement dated 19 February 2019 that the amount guaranteed under the Dahe Cross Guarantee Arrangement has been progressively reduced over the years “via entering into of fresh corporate guarantee” at the then prevailing reduced amount.
- 1.5.40. Based on our interview with a representative of Bank of China, we understand that the approved credit limit for Jiangsu Dahe’s loan with Bank of China was RMB42.50 million since July 2015. During the Review Period, we noted from our interview with the management of Sunvic Group that Jiangsu Jurong did not require Jiangsu Dahe to provide any corporate guarantee for its loans.

Table 4: Summary of loan agreements between Jiangsu Dahe and Bank of China

S/N	Date of loan agreement	Loan amount (RMB’ million)	Repayment due date	Repayment amount (RMB’ million)
1	2 July 2015	42.50	10 January 2016	22.50
			20 January 2016	20.00
2	11 January 2016	22.50	7 January 2017	22.50
3	3 February 2017	42.50	2 February 2018	42.50
4	10 January 2018	42.50	9 December 2018	42.50

- 1.5.41. We observed that each of the guarantee agreements made by Jiangsu Jurong was accompanied by a resolution passed by the directors of Jiangsu Jurong for Jiangsu Jurong to act as the corporate guarantor and to assume joint and several liabilities for Jiangsu Dahe’s loan obtained from Bank of China.

- 1.5.42. The Finance Director of Jurong Group stated that the BOC Letter of Demand dated 15 December 2018 was delivered to the Jurong Group's HQ, and he subsequently brought the BOC Letter of Demand to the attention of Sun Xiao. Yang Guoqiang stated that he was only made aware of the BOC Letter of Demand at the end of December 2018.
- 1.5.43. On 3 January 2019, Sun Xiao asked the Finance Director of Jurong Group to inform the Financial Controller of Sunvic Group about the BOC Letter of Demand and the Financial Controller of Sunvic Group in turn informed Independent Directors on the same day.
- (i) Absence of disclosure surrounding the corporate guarantees given by Jiangsu Jurong since 2016
- 1.5.44. We noted in Sunvic Group's AR for FY2015, there was a disclosure in relation to guarantees provided to unrelated parties amounting to RMB42.50 million.
- 1.5.45. Based on the interview with the representative of Bank of China, we understand that the credit limit of Jiangsu Dahe's loans from Bank of China had remained at RMB42.50 million since July 2015.
- 1.5.46. From the loan and corporate guarantee agreements provided for our assessment, we noted that Jiangsu Jurong was one of the corporate guarantors for Jiangsu Dahe's loans. We noted that there were two RMB42.50 million loans which were due after the end of Sunvic Group's FY2016 and FY2017 (i.e., 7 January 2017 and 2 February 2018 respectively). However, there was no disclosure in relation to the provision of corporate guarantees to unrelated parties in Sunvic Group's AR for FY2016 and FY2017.
- 1.5.47. Despite the "fresh corporate guarantees" for these loans as represented by the Board in its announcement dated 19 February 2019, it was observed that the loans obtained by Jiangsu Dahe from Bank of China appeared to be continuous with the same credit limit of RMB42.50 million since July 2015.

- 1.5.48. We reached out to the External Auditors to obtain relevant information and documentation relating to the provision of the corporate guarantees by Jiangsu Jurong to unrelated parties. The External Auditors stated that they performed independent searches with the People's Bank of China ("PBOC"), i.e. the central bank of China, after the end of each FYs to obtain information on the corporate guarantees extended by Jiangsu Jurong to unrelated parties. Based on the work performed, the External Auditors stated that they were satisfied that there was no corporate guarantee provided by Jiangsu Jurong to unrelated parties for FY2016 and FY2017.
- 1.5.49. The External Auditors provided us with incomplete and truncated PBOC reports extracted on 18 January 2017 and 12 January 2018 (in relation to their audit of financial statements of Jiangsu Jurong for FY2016 and FY2017 respectively) showing that:
- (a) The PBOC report extracted by the External Auditors on 18 January 2017 showed that Jiangsu Jurong had provided guarantees of approximately RMB2.50 billion (but no breakdown was provided due to missing pages in the PBOC report) as of 18 January 2017. The External Auditors informed us that they could not provide the details of the corporate guarantees provided by Jiangsu Jurong as of 18 January 2017.
 - (b) The PBOC report extracted by the External Auditors on 12 January 2018 showed that Jiangsu Jurong had purported provided a guarantee on RMB10.00 million to Jiangsu Dahe as of 12 January 2018. The External Auditors stated that they had obtained a verbal confirmation from the Financial Controller of Sunvic Group that there was no corporate guarantee provided to unrelated parties as of the end of FY2017 and that the loan of RMB10.00 million owing by Jiangsu Dahe existed after 31 December 2017. However, during our interview with the Financial Controller of Sunvic Group, he denied providing such verbal confirmation to the External Auditors.
- 1.5.50. The External Auditors stated that they could not provide any additional documentation on the work performed in relation to the corporate guarantees provided to unrelated parties as of the end of FY2016 and FY2017.

1.5.51. In addition, we extracted the credit report for Jiangsu Jurong from the Bank of China (Jiangsu Province branch) on 31 May 2019 and noted that the guarantee of RMB42.50 million was shown in the report¹¹.

(ii) Discrepancies in the announcement issued by Sunvic

1.5.52. Similar to our observations in relation to the YFC Corporate Guarantee, we observed that Sunvic's announcement dated 19 February 2019 appears to have included statements that are now known to be inaccurate in relation to the BOC Corporate Guarantee. Prima facie, there appears to be a breach of disclosure requirements under Rule 703 of the SGX Listing Manual and Appendix 7.1 of the SGX Listing Manual.

Table 5: Discrepancies in the announcement dated 19 February 2019 (related to the BOC Corporate Guarantee)

S/N	Extract of the announcement dated 19 February 2019	EY Advisory's observations
1	<p><u>Page 2 – Question 2: BOC Corporate Guarantee (paragraph 1):</u></p> <p>“Mr Yang Guoqiang represented that the BOC Corporate Guarantee was extended by Jiangsu Jurong to Jiangsu Dahe as part of a <u>cross-guarantee arrangement which commenced in 2010...</u>”</p>	This statement appears to be inaccurate as the cross-guarantee agreement appears to have commenced from 19 October 2009 based on the documentation made available by the management of Sunvic Group.
2	<p><u>Page 3 – Question 2: BOC Corporate Guarantee (paragraph 4):</u></p> <p>“Mr Sun Xiao...<u>was aware</u> of the BOC Corporate Guarantee <u>after the BOC Corporate Guarantee had been entered into</u> by the legal representative of Jiangsu Jurong.”</p>	These statements do not appear to be accurate as Sun Xiao and Yang Guoqiang, both Executive Directors of Sunvic, together with, a former director of Jiangsu Jurong, had given their approvals (in their capacity as the

¹¹ We also extracted the PBOC for Yixing Yinyan on 17 May 2019 and noted that the guarantee of RMB180.00 million was not shown in the report. It is our understanding that such PBOC report would only show guarantees involving licensed bank (not microcredit companies).

S/N	Extract of the announcement dated 19 February 2019	EY Advisory's observations
	<p><u>Page 5 – Question 5:</u></p> <p>“...The execution of the BOC Corporate Guarantee was <u>not expressly authorised by any other member of the Board</u>. 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.”</p>	<p>directors of Jiangsu Jurong through a directors’ resolution dated 5 January 2018) for Jiangsu Jurong to act as the corporate guarantor for the BOC Corporate Guarantee.</p>
3	<p><u>Page 2 – Question 2: BOC Corporate Guarantee (paragraph 2):</u></p> <p>“The <u>independent directors</u>, Mr Koh Poh Beng and Mr Lua Poh Huat, were <u>aware of</u> the Dahe Cross Guarantee Arrangement and the <u>BOC Corporate Guarantee only after</u> the BOC Letter of Demand was disclosed to them by Liu Wen on 3 January 2019.”</p>	<p>This statement does not appear to be fully representative of the Independent Directors’ knowledge in relation to the BOC Corporate Guarantee.</p> <p>Based on the cross-guarantee summaries appended to the minutes of the AC meetings held on 15 May 2018, 13 August 2018 and 14 November 2018, it appeared that the Independent Directors were made aware that Jiangsu Jurong had provided corporate guarantees to “Third Parties”.</p> <p>The names of the “Third Parties” were not disclosed in the cross-guarantee summaries as at 31 March 2018 and 30 June 2018 but was disclosed in the cross-guarantee summary as at 30 September 2018 to be “Jiangsu Dahe”.</p>

S/N	Extract of the announcement dated 19 February 2019	EY Advisory's observations
		<p>The Independent Directors represented on 5 and 9 July 2019 that: (i) there were inconsistency on formats of number presentation ("thousand" or "ten thousands") and they were being led by the Financial Controller of Sunvic Group to believe that the corporate guarantees provided by Sunvic Group to unrelated third parties was RMB4.25 million instead of RMB42.50 million; and (ii) they were managing "legacy" cross-guarantees (both related and unrelated parties) as a whole, and they did not specifically focus on the "Dahe Corporate Guarantee" as the amount was "insignificant" to the aggregate amount of the cross-guarantees.</p>
4	<p><u>Page 7 – Question 9:</u></p> <p>"Mr Sun Xiao, Mr Liu Wen and Mr Yang Guoqiang explained that upon the receipts of the 2 letters of demands (i.e., YFC Letter of Demand and BOC Letter of Demand), they took some time to <u>clarify the demands with the borrowers</u> and the lenders involved. This resulted in a delay in informing the Board of the two letters of demand".</p>	<p>This statement appears to be inaccurate as both Sun Xiao and Yang Guoqiang represented that they did not follow-up with Jiangsu Dahe and Bank of China upon the receipt of the BOC Letter of Demand.</p>

(iii) Lack of adequate controls over approving and monitoring of corporate guarantees extended to third parties

- 1.5.53. Based on the announcement made by the Board on 19 February 2019, we understand that there was no specific due diligence conducted in respect of the BOC Corporate Guarantee as he had been monitoring the Dahe Cross Guarantee Arrangement through monthly meetings with representatives of Jiangsu Dahe since its commencement.
- 1.5.54. During an interview with Yang Guoqiang, he represented that:
- (a) There was no specific due diligence conducted prior to approving the BOC Corporate Guarantee agreement because he was familiar with Jiangsu Dahe.
 - (b) He was being informed of Jiangsu Dahe's business operations (e.g., overall sales, cost and product prices, and whether Jiangsu Dahe was profitable) through high-level discussions with the management of Jiangsu Dahe but no detailed discussion on the state of Jiangsu Dahe's financial position.
 - (c) Jiangsu Dahe resumed its operations sometime in September 2018 after the entire Chenjiagang Chemical Industrial Park was ordered to shut-down by the government due to environmental pollution issue in April 2018.
 - (d) As Jiangsu Dahe has resumed its operation in September 2018, he believed that the risk of Jiangsu Dahe defaulting on the BOC Loan was relatively low. He also believed that Jiangsu Dahe would not default on the loan because "Jiangsu Jurong is an important cooperation partner of Jiangsu Dahe".
- 1.5.55. Contrary to Yang Guoqiang's representation, the former General Manager of Jiangsu Dahe told us that Jiangsu Dahe had restarted its production in January 2019 (instead of September 2018) and its cashflow was affected due to the production halt since April 2018.

- 1.5.56. We observed that Jiangsu Dahe's current ratios¹² for the calendar years 2017 and 2018 were low at approximately 0.35 and 0.25 respectively based on the statement of financial position extracted from the Tax Bureau of Jiangsu Province.
- 1.5.57. Had Yang Guoqiang and/or the management of Sunvic Group performed a thorough assessment of Jiangsu Dahe, they would have identified that Jiangsu Dahe would not have been able to meet its short-term financial obligations and would have been alerted by the risk associated with the provision of such guarantees to Jiangsu Dahe.

¹² Liquidity ratio that measures that company's ability to pay short-term obligations (i.e., due within one year). If current liabilities exceed current assets the current ratio will be less than 1. A current ratio of less than 1 indicates that the company may have problems meeting its short-term obligations.

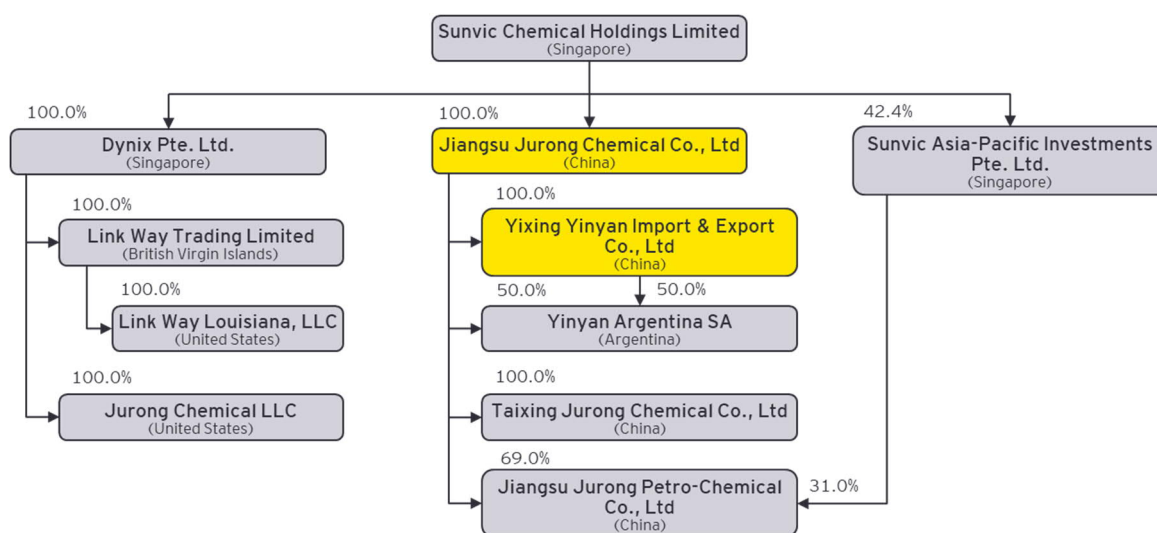
Detailed Report

2. Introduction and background

2.1. Background and our appointment

- 2.1.1. Sunvic is a company incorporated in Singapore on 27 May 2004, and has been listed on the SGX-ST since 5 February 2007. The principal activities of Sunvic are those relating to investment holding and its subsidiaries are primarily based in China and involved in manufacturing, selling, importing and exporting of chemical products. The Sunvic Group's structure as at 31 March 2019 is shown below.

Diagram 1: Sunvic Group structure as at 31 March 2019



- 2.1.2. We understand that there is a management structure established to manage and oversee the operations of certain companies within Sunvic Group in China and certain companies related to Sun Xiao in China, which are collectively known as "Jurong Group". The Jurong Group's structure as at 31 March 2019 is shown below.

Diagram 2: Jurong Group as at 31 March 2019



2.1.3. The Board of Sunvic during the Review Period comprised the following individuals:

Table 6: The Board of Sunvic as at 31 March 2019

S/N	Name	Position	Date of appointment	Date of retirement
1	Sun Xiao	Executive Director	16 May 2012	N.A.
2	Yang Guoqiang	Executive Director	27 February 2006	N.A.
3	Zhu Wuling	Executive Director	27 February 2006	N.A.
4	Koh Poh Beng	Lead Independent Director	5 May 2017	N.A.
5	Lua Poh Huat	Independent Director	5 May 2017	N.A.
6	Raymond Ong Sie Hou	Independent Director	27 February 2006	5 May 2017

2.1.4. On 10 January 2019, the Board made an announcement that:

- (a) Yixing Yinyan received a YFC Letter of Demand dated 14 November 2018 from the lawyers acting on behalf of Yixing Futao Credit in respect of the YFC Loan. In the YFC Letter of Demand, Yixing Futao Credit sought a repayment of RMB183.70 million (inclusive of accrued interest) from Yixing Yinyan (as Jiangsu Donglai had defaulted a repayment by the due date of 15 October 2018) pursuant to the YFC Corporate Guarantee.
- (b) Jiangsu Jurong received a BOC Letter of Demand dated 15 December 2018 from the lawyers acting on behalf of Bank of China in respect of the BOC Loan. In the BOC Letter of Demand, Bank of China sought repayment of a sum of approximately RMB42.97 million (inclusive of accrued interest) from Jiangsu Jurong (as Jiangsu Dahe had defaulted a repayment by the due date of 9 December 2018) pursuant to the BOC Corporate Guarantee.

2.1.5. On 18 January 2019, the Board released further announcements regarding the YFC Corporate Guarantee and the BOC Corporate Guarantee following the queries raised by SGX Regco on 11 January 2019.

2.1.6. On 13 February 2019, SGX Regco issued a notice of compliance to the Board. In the notice, SGX Regco raised “serious concerns over the questionable circumstances” surrounding the YFC Corporate Guarantee and the BOC Corporate Guarantee.

2.1.7. On 19 February 2019, the Board has made an announcement which included:

- (a) The YFC Loan was a bridging loan to allow Jiangsu Donglai to repay its bank, and 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.
- (b) Liu Wen had entered into the YFC Corporate Guarantee on his own initiative.
- (c) The BOC Corporate Guarantee was extended by Jiangsu Jurong to Jiangsu Dahe as part of a cross-guarantee agreement 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 loans.
- (d) Yang Guoqiang had entered into the BOC Corporate Guarantee on his own initiative.
- (e) The Board had stated their intention to appoint a special investigative committee comprising of external and independent audit and legal advisors to conduct further investigation relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee and the circumstances surrounding the purported unauthorized undisclosed corporate guarantees at the request of the independent directors.

2.1.8. Pursuant to the terms of the Statement of Work dated 1 April 2019, the AC appointed EY Advisory to carry out a fact-finding assessment into the circumstances leading to and surrounding the provision of the corporate guarantees by Jiangsu Jurong and Yixing Yinyan to the Borrowers and identify potential questionable transactions during the Review Period.

2.2. Scope of our work

2.2.1. Based on the terms set out in our Statement of Work dated 1 April 2019 and to the extent possible, our scope was to:

- (a) Conduct preliminary discussions and/or interviews with the Sunvic Group's relevant personnel in China to obtain a detailed understanding and information relating to the YFC Corporate Guarantee and the BOC Corporate Guarantee.

- (b) Examine the relevant guarantee agreements and loan agreements with the view of understanding the loan and guarantee agreement and identifying any anomalies. Construct a timeline of events leading to the provision of corporate guarantees to Bank of China and Yixing Futao Credit.
- (c) Identify key controls relating to approving and monitoring financial facilities in the Sunvic Group through review of policies and procedures and inquiries with relevant personnel. Obtain and assess the evidence of evaluation and approval of the guarantees with the view of identifying any non-compliant incidents. The assessment focuses on whether appropriate due diligence has been conducted and all required approvals are obtained prior to executing the guarantee agreements.
- (d) Conduct background searches (limited to the information available in the public domain) on shareholders, directors, legal representatives and key management of the Borrowers and Yixing Futao Credit, and compare the search results to the list of the Sunvic Group's employee names with the view of identifying possible undisclosed relationship between the Borrowers and the Sunvic Group.
- (e) Inspect relevant bank records including bank statements, bank reconciliations and cash/bank ledgers of Jiangsu Jurong and Yixing Yinyan for the Review Period and perform an analysis of the cashflows with the view of identifying questionable transactions and payments related to the YFC Corporate Guarantee, the BOC Corporate Guarantee or the Borrowers. Examine the underlying supporting documentations (on a sample basis) in relation to identified questionable transactions and/or payments.
- (f) Through the management of the Sunvic Group, make necessary arrangements for interviews with key personnel of the Borrowers, Yixing Futao Credit and the Bank of China, who are involved in the loan and guarantee agreements, and obtain evidence of the financial position of the Borrowers and the required documentation of the guarantees for further analysis with the view of understanding the process and detail of the guarantees, the reason(s) of default and potential financial impact to the Sunvic Group.

- (g) Collect and preserve ESI assigned to Liu Wen and Yang Guoqiang at the commencement of our fieldwork. Perform electronic discovery and computer forensic analysis (e.g., examination of the forensic images for relevant documentation) as may be needed upon consultation with the AC. The preserved ESI will be secured and retained at our forensic facility in China till an appropriate time as advised by the AC.
- (h) Identify possible breaches of SGX Listing Rules or applicable laws and regulations based on prima facie the relevant documentation and information available to us.
- (i) Perform inquiries with the relevant employees of the Sunvic Group who have knowledge of the loans and guarantees as may be necessary and practicable.

2.2.2. On 28 May 2019, upon consultation with the AC, our scope of work was expanded to include:

- (a) Collect and preserve ESI assigned to a Finance Manager of Jiangsu Jurong.
- (b) Collect and preserve emails archives of Sun Xiao, Yang Guoqiang, Liu Wen, a Finance Manager of Jiangsu Jurong and a former director of Jiangsu Jurong from the Sunvic Group's email server.
- (c) Perform relevant electronic discovery procedures including processing, extracting and reviewing the ESI assigned to Liu Wen and Yang Guoqiang and emails archives of Sun Xiao, Yang Guoqiang and Liu Wen for documentation relevant to the YFC Corporate Guarantee and the BOC Corporate Guarantee.

2.2.3. On 20 June 2019, upon the consultation with SGX Regco, our scope of work was further expanded to include:

- (a) Perform relevant electronic discovery procedures for ESI assigned to Sun Xiao for documentation relevant to the YFC Corporate Guarantee and the BOC Corporate Guarantee;
- (b) Seek written confirmation from Bank of China in relation to the corporate guarantee provided by Jiangsu Jurong to Jiangsu Dahe.

- (c) Seek written confirmation from Yixing Futao Credit in relation to the corporate guarantee provided by Yixing Yinyan to Jiangsu Donglai.
- (d) Seek confirmation from Bank of China to ascertain the veracity of the loan and guarantee agreements in relation to the loan obtained by Jiangsu Dahe.
- (e) Seek confirmation from the lawyers representing to be acting on behalf Yixing Futao Credit and Bank of China to ascertain the veracity of the YFC Letter of Demand and the BOC Letter of Demand respectively. Enquire with the said lawyers on their intended next course of action arising from the Borrowers' default.

2.2.4. We discovered that Jiangsu Jurong had provided corporate guarantee for loans obtained by Jiangsu Dahe in FY2016 and FY2017, but the provision of corporate guarantee was not disclosed in Sunvic Group's AR for FY2016 and FY2017. In this respect, on 20 June 2019, the SGX Regco instructed us to obtain and assess the supporting documents from the External Auditors in relation to the lack of disclosure for the corporate guarantees provided.

2.2.5. On 20 June 2019, the Board made an announcement that Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit had entered into the YFC Supplemental Agreement. The YFC Supplemental Agreement stated that Yixing Futao Credit would not commence any legal proceedings against Jiangsu Donglai and Yixing Yinyan at any time prior to 30 June 2020 to seek repayment of the YFC Loan and all other due payments including the interest payable under the YFC Corporate Guarantee.

2.2.6. During the course of our work, we discovered that Jiangsu Donglai was in the midst of being liquidated and that an Administrator had been appointed by the People's Court of Yixing City, Jiangsu Province on 10 April 2019. In this connection, on 9 and 10 July 2019, the AC and SGX Regco instructed us to perform the following additional work steps:

- (a) Perform searches (limited to the information available in the public domain) in relation to the liquidation of Jiangsu Donglai.
- (b) Perform an inquiry with the Administrator of Jiangsu Donglai in order to ascertain the reason for Jiangsu Donglai's insolvency and whether Yixing Futao Credit was one of Jiangsu Donglai's creditors.

- (c) Seek written confirmation from the Administrator of Jiangsu Donglai in relation to the veracity of the YFC Supplemental Agreement.

2.3. Work procedures performed

2.3.1 Based on the Statement of Work dated 1 April 2019 and the additional work requested upon consultation with the AC and SGX Regco, we have performed the following work steps specific to the each of the corporate guarantees:

(a) YFC Corporate Guarantee

- (i) Conducted interviews with the following relevant key management to obtain an understanding of the background and circumstances leading to the YFC Corporate Guarantee. The relevant management of Sunvic Group were given an opportunity to review the interview memorandum and they subsequently reverted with written confirmations on the representations provided.

Table 7: List of interviewees

S/N	Name	Position	Interview date
1	Liu Wen	Vice-President - Banking and Finance of Sunvic's China operating entities and Legal Representative of Yixing Yinyan	17 May 2019 (and subsequent clarifications between 5 and 20 June 2019)
2	Sun Xiao	Executive Director and CEO of Sunvic	21 May 2019 (and subsequent clarifications between 6 and 20 June 2019)
3	<Redacted>	Financial Controller of Sunvic Group	1 July 2019 (and subsequent clarifications on 16 July 2019)

- (ii) Conducted discussion with the Independent Directors on 5 July 2019. The objective of the discussion was to obtain an understanding of their knowledge and involvement in relation to the YFC Corporate Guarantee.

- (iii) Obtained confirmation from Yixing Futao Credit in relation to the YFC Loan and the YFC Corporate Guarantee. A copy of the YFC Confirmation Response dated 6 June 2019 can be found in Exhibit 1.
- (iv) Conducted an interview with an individual allegedly to be Person A, a Manager from Yixing Futao Credit who signed the YFC Confirmation Response, on 16 June 2019.
- (v) Obtained and reviewed the YFC Loan dated 7 October 2018, the YFC Corporate Guarantee dated 8 October 2018, and the YFC Letter of Demand dated 14 November 2018 to understand the terms and arrangement of the agreements.
- (vi) Obtained and reviewed the relevant policies and procedures and delegation of authority (i.e., Finance Authorization List for Economic Contracts (经济合同财务审批授权表) of Jurong Group).
- (vii) Obtained and assessed the management accounts, bank statements, bank reconciliations and cash and/or bank ledgers of Yixing Yinyan for the Review Period (refer to Appendix 1) with the view of identifying questionable transactions and payments related to the YFC Corporate Guarantee or Jiangsu Donglai based on the following work steps:
 - (1) Obtained management accounts and all bank statements and bank reconciliations of Yixing Yinyan during the Review Period.
 - (2) Performed an analysis of cashflows and examined the underlying supporting documentations (on a sample) basis with the view of identifying questionable transactions and payments related to the YFC Corporate Guarantee and Jiangsu Donglai.
- (viii) Performed background searches (limited to the information available in the public domain) on relevant individuals and entities to identify any undisclosed relationship between Jiangsu Donglai, Yixing Futao Credit and the Jurong Group based on the list of employees of Jurong Group provided by the Finance Director of Jurong Group. A list of individuals and companies whom we performed background searches on can be found in Appendix 2.

- (ix) Conducted a surprise visit to Yixing Futao Credit's business premises based on the address provided by the Finance Director of Jurong Group on 20 June 2019.
 - (x) Conducted a visit to Jiangsu Donglai's business premises based on the address obtained from the public domain on 17 June 2019.
 - (xi) Obtained information from personnel representing the Administrator of Jiangsu Donglai appointed by the Yixing City People's Court on the status of Jiangsu Donglai's liquidation.
 - (xii) Identified possible breaches of SGX Listing Rules or applicable laws and regulations based on prima facie the relevant documentation and information made available to us.
 - (xiii) Obtained the minutes of AC meetings held between 2016 and 2018 from the Company Secretary of Sunvic Group to identify matters relevant to the YFC Corporate Guarantee.
- (b) BOC Corporate Guarantee
- (i) Conducted interviews with the following relevant key management to obtain an understanding of the background and circumstances leading to the BOC Corporate Guarantee. The relevant management of Sunvic Group were given an opportunity to review the interview memorandum and they subsequently reverted with written confirmations on the representations provided.

Table 8: List of interviewees

S/N	Name	Position	Interview date
1	Yang Guoqiang	Executive Director of Sunvic since 27 February 2006, and Chairman and legal representative of Jiangsu Jurong	16 May 2019 (and subsequent clarifications between 6 and 18 June 2019)
2	Liu Wen	Vice-President – Banking and Finance of Sunvic's China operating entities and Legal Representative of Yixing Yinyan	17 May 2019 (and subsequent clarifications between 5 and 20 June 2019)
3	Sun Xiao	Executive Director and CEO of Sunvic	21 May 2019 (and subsequent clarifications between 6 and 20 June 2019)
4	<Redacted>	Financial Controller of Sunvic Group	1 July 2019 (and subsequent clarifications on 16 July 2019)

- (ii) Conducted discussion with the Independent Directors on 5 July 2019. The objective of the discussion was to obtain an understanding of their knowledge and involvement in the BOC Corporate Guarantee.
- (iii) Obtained confirmation from Bank of China in relation to the BOC Loan and the BOC Corporate Guarantee on 14 June 2019. A response from Bank of China confirming that Jiangsu Jurong had provided a guarantee for the loan provided by Bank of China to Jiangsu Dahe dated 14 June 2019 can be found in Exhibit 2¹³.
- (iv) Conducted an interview with an Accounts Manager of Bank of China on 19 June 2019.

¹³ We were informed by an Accounts Manager from Bank of China subsequently on 19 June 2019, that there were only three corporate guarantee agreements dated 1 January 2015, 22 January 2017 and 5 January 2018 instead of four corporate guarantee agreements as stated in Bank of China's response to EY Advisory.

- (v) Obtained confirmation on the BOC Letter of Demand from the lawyers acting on behalf of Bank of China via WeChat messages on 24 June 2019.
- (vi) Obtained and assessed the following documents provided by the management of Sunvic Group to understand the terms and arrangement of the agreements.

Table 9: List of documents related to the BOC Loan and the BOC Corporate Guarantee

S/N	List of documents
1	Loan agreement between Jiangsu Dahe and Bank of China dated 5 July 2015
2	Loan agreement between Jiangsu Dahe and Bank of China dated 12 January 2016
3	Loan agreement between Jiangsu Dahe and Bank of China dated 3 February 2017
4	BOC Loan dated 10 January 2018
5	Corporate guarantee agreement dated 1 July 2015
6	Corporate guarantee agreement dated 22 January 2017
7	BOC Corporate Guarantee dated 5 January 2018
8	BOC Letter of Demand dated 15 December 2018

- (vii) Obtained and assessed the relevant policies and procedures and delegation of authority (i.e., Finance Authorization List for Economic Contracts of Jurong Group).
- (viii) Obtained and assessed the management accounts, bank statements, bank reconciliations and cash and/or bank ledgers of Jiangsu Jurong for the Review Period (refer to Appendix 1) with the view of identifying questionable transactions and payments related to the BOC Corporate Guarantee or Jiangsu Dahe based on the following work steps:
 - (1) Obtained management accounts and all bank statements and bank reconciliations of Jiangsu Jurong during the Review Period.

- (2) Obtained list of transactions between Jiangsu Jurong and Jiangsu Dahe for the period from 1 July 2012 to 30 April 2019.
- (3) Performed an analysis of cashflows and examined the underlying supporting documentations (on a sample) basis with the view of identifying questionable transactions and payments related to the BOC Corporate Guarantee and Jiangsu Dahe.
- (ix) Performed background searches (limited to the information available in the public domain) on relevant individuals and entities to identify any undisclosed relationship between Jiangsu Dahe and the Jurong Group based on the list of employees of Jurong Group provided by the Finance Director of Jurong Group. A list of individuals and companies whom we performed background searches on can be found in Appendix 2.
- (x) Obtained and assessed the supporting documents from the External Auditors in relation to the lack of disclosure for the corporate guarantees provided by Jiangsu Jurong to Jiangsu Dahe in FY2016 and FY2017 on 22 July 2019.
- (xi) Identified possible breaches of SGX Listing Rules or applicable laws and regulations based on prima facie the relevant documentation and information available to us.
- (xii) Obtained and assessed the minutes of AC meetings held between 2016 and 2018 from the Company Secretary of Sunvic Group, to identify matters relevant to the BOC Corporate Guarantee.

2.3.2. In addition to the above, we collected and preserved the following ESIs and email archives.

Table 10: List of ESI and email archives collected

S/N	Name of custodian	Description ESI and email archives	Date of collection
1	<Redacted>	Email archives	17 June 2019
2	<Redacted>	Lenovo 扬天 T4911d desktop computer (serial no. ES11413545)	17 May 2019
		Email archives	17 June 2019
3	Liu Wen	Microsoft Surface laptop (serial no. 041809651253)	17 May 2019
		Email archives	17 June 2019
4	Yang Guoqiang	Lenovo 扬天 T2080V desktop computer (serial no. NS08540206)	17 May 2019
		Email archives	17 June 2019
5	Sun Xiao	HP Spectre X360 Convertible laptop (serial no. 5CD8220N12)	21 June 2019
		Email archives	17 June 2019

2.3.3. We performed relevant electronic discovery procedures including processing, extracting and reviewing ESI assigned and email archives of Liu Wen, Yang Guoqiang and Sun Xiao.

3. YFC Corporate Guarantee

3.1. Background

- 3.1.1. The Board made an announcement on 10 January 2019 and disclosed that Yixing Yinyan had received the YFC Letter of Demand dated 14 November 2018 from the lawyers acting on behalf of Yixing Futao Credit in respect of the YFC Loan. According to the letter, Jiangsu Donglai defaulted on the YFC Loan on 15 October 2018 and Yixing Futao Credit was seeking repayment of RMB183.70 million pursuant to the YFC Corporate Guarantee, comprising principal of RMB180.00 million and RMB3.70 million as interest payable, from Yixing Yinyan.
- 3.1.2. The Board made two other announcements on 18 January 2019 and 19 February 2019 that:
- (a) The YFC Loan was a bridging loan to allow Jiangsu Donglai to repay its bank and for the bank to release the same amount back to Jiangsu Donglai within one week to repay the YFC Loan. However, as Jiangsu Donglai's bank did not release the loan amount back to Jiangsu Donglai, Jiangsu Donglai was unable to repay Yixing Futao Credit on the repayment date (i.e., on 15 October 2018).
 - (b) 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 relationship between Yixing Yinyan and Jiangsu Donglai's bank.
 - (c) The Board was informed by the management that there was no introducer for the YFC Corporate Guarantee.
 - (d) There was no fee or commission paid for the YFC Loan and the YFC Corporate Guarantee, and to anyone in relation to the YFC Loan and the YFC Corporate Guarantee.
 - (e) Liu Wen signed the YFC Corporate Guarantee on his own initiative and was not expressly authorised by any member of the Board to do so. 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.

- (f) Liu Wen had performed a “basic assessment” on the certainty that the Donglai Bridging Loan Arrangement would be completed by 15 October 2018.
- (g) The Independent Directors as well as Yang Guoqiang were only made aware of the YFC Corporate Guarantee and the Donglai Bridging Loan Arrangement only after the YFC Letter of Demand was disclosed to them by Liu Wen on 7 January 2019.
- (h) Sun Xiao was aware of the YFC Corporate Guarantee and Donglai Bridging Loan Arrangement after the YFC Corporate Guarantee had been entered into by Liu Wen.
- (i) Upon the receipts of the two letters of demand, Sun Xiao, Liu Wen and Yang Guoqiang 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 letters of demand received.

3.1.3. The background of Yixing Yinyan, Jiangsu Donglai and Yixing Futao Credit are described below.

Yixing Yinyan

3.1.4. Based on publicly available information as at 8 April 2019, Yixing Yinyan is a limited liability company incorporated on 1 September 2003. Yixing Yinyan’s corporate information is presented in the table below.

Table 11: Yixing Yinyan’s current corporate information as at 8 April 2019

Registered and paid up capital	RMB151.60 million
Business registration no.	320282000024866
Registered address	West Street, Zhoutie Town, Yixing City (宜兴市周铁镇西街)
Business validity period	1 September 2003 to 31 December 2030

Approved business scope	<p>Importation and exportation of products and technologies by self and via agents (other than those enterprises or import/export of products and technologies restricted by the state); for various chemical products (other than dangerous chemicals), ingredients, raw materials, electronic equipment, construction materials etc. (based on the permissible scope and methods of operations in accordance to the license). (The business operations could only be carried out under the approved activities by the law and after obtaining approval from the relevant departments).</p> <p>[自营和代理各类商品及技术的进出口业务（国家限定企业经营或禁止进出口的商品和技术除外）；化工产品及其原料（除危险化学品）、草甘膦、草甘膦铵盐水剂、草甘膦钾盐水剂、丙烯酸-2-乙基己酯（除危险化学品）、丙烯酸-2-羟基乙酯（除危险化学品）、丙烯酸-2-羟基丙酯（除危险化学品）、针纺织品、丝绸品、纺织原料、工艺美术品、皮革制品、普通机械、五金交电、黑色金属矿产品、通用机械、专用设备、电子产品、电气机械、日用杂货、日用百货、建筑材料、建筑装饰材料的销售；危险化学品经营（按许可证所列范围和方式经营）。（依法须经批准的项目，经相关部门批准后方可开展经营活动）]</p>		
Industry	Wholesale (批发业)		
Legal representative	Liu Wen		
Key management	Name of personnel	Position	
	Sun Xiao	Executive Director	
	Liu Wen	General Manager	
	<Redacted>	Supervisor	
Shareholder	Name of shareholder	Amount (RMB' million)	Shareholding percentage (%)
	Jiangsu Jurong	151.60	100.00

Jiangsu Donglai

- 3.1.5. Based on publicly available information as at 8 April 2019, Jiangsu Donglai is a limited liability company incorporated on 10 June 1992. Jiangsu Donglai's corporate information is presented in the table below.

Table 12: Jiangsu Donglai's current corporate information as at 8 April 2019

Registered and paid up capital	RMB100.00 million	
Business registration no.	320000000034729	
Registered address	Yixing Xincheng Green Park Community Comprehensive Commercial and Residential Building (宜兴市新城绿园小区综合商住楼)	
Business validity period	10 June 1992 to 9 June 2032	
Approved business scope	<p>Engaged in real estate management according to the level of qualification; civil engineering construction, structural engineering, interior and exterior design and renovation, wiring, piping and equipment installation, construction materials, construction hardware, sales of plumbing equipment and consulting and advisory services. (The business operations could only be carried out under the approved activities by the law and after obtaining approval from the relevant departments.)</p> <p>[按贰级资质从事房地产经营；土木工程建筑、基础工程、室内外装饰装修、线路、管道、设备安装，建筑材料、建筑五金、水暖器材的销售，咨询服务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）]</p>	
Industry	Real estate (房地产业)	
Legal representative	Cheng Qiang (承强)	
Key management	Name of personnel	Position
	Cheng Qiang	Chairman and General Manager
	Ma Fuqin (马福琴)	Director

	Zhang Xiaoping (张晓平)	Director	
	Cheng Qing (承庆)	Supervisor	
	Zhang Huiyun (张惠云)	Supervisor	
Shareholders	Name of shareholder	Amount (RMB' million)	Shareholding percentage (%)
	Cheng Qiang	68.00	68.00
	Ma Fuqin	30.50	30.50
	Cheng Qing	0.50	0.50
	Zhang Huiyun	0.50	0.50
	Zhang Xiaoping	0.50	0.50

3.1.6. Based on the accounting records provided by the management of Sunvic Group, we observed that Yixing Yinyan did not have any business transactions with Jiangsu Donglai during the Review Period.

3.1.7. We further performed searches through commercial databases and noted that the key personnel and shareholders of Jiangsu Donglai and/or parties related or associated to them did not appear to be linked to the key personnel and employees of Jurong Group.

Yixing Futao Credit

3.1.8. Based on publicly available information as at 8 April 2019, Yixing Futao Credit is a limited liability company incorporated on 31 August 2011. Yixing Futao Credit's corporate information is presented in the table below.

Table 13: Yixing Futao Credit's current corporate information as at 8 April 2019

Registered and paid up capital	RMB120.00 million
Business registration no.	320282000279223
Registered address	North of Xiyi Highway, Yongxing Village, Heqiao Town, Yixing City (宜兴市和桥镇永兴村锡宜公路北边)
Business validity period	31 August 2011 to 31 December 2040

Approved business scope	<p>Provision of loans, financial guarantees, development of financial agent services and other businesses approved by the regulatory authorities which are related to agriculture, farmers and rural households. (The business operations could only be carried out under the approved activities by the law and after obtaining approval from the relevant departments.)</p> <p>[面向“ 三农” 发放贷款、提供融资性担保、开发金融机构业务代理以及经过监管部门批准的其他业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）]</p>		
Industry	Other financial industry (其他金融业)		
Legal representative	<Redacted>		
Key management	Name of personnel	Position	
	<Redacted>	Executive Director and General Manager	
	<Redacted>	Supervisor	
Shareholders	Name of shareholder	Amount (RMB' million)	Shareholding percentage (%)
	<Redacted>	58.00	48.33
	<Redacted>	26.00	21.67
	<Redacted>	12.00	10.00
	<Redacted>	12.00	10.00
	<Redacted>	12.00	10.00

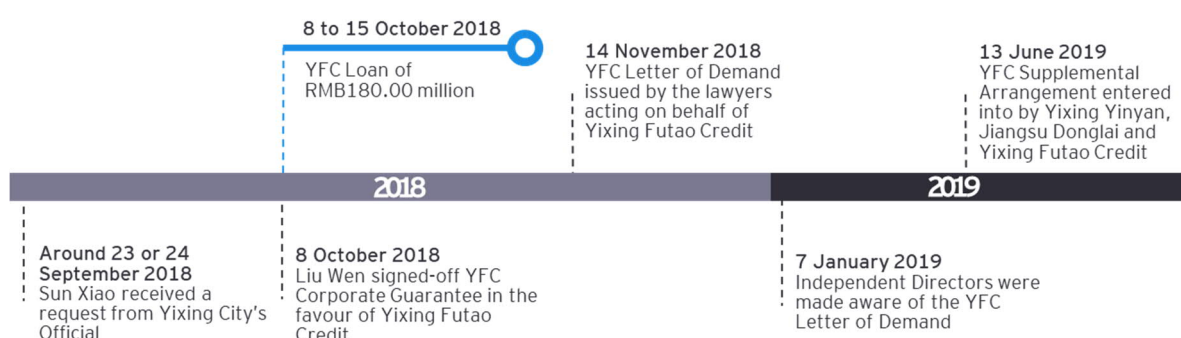
- 3.1.9. Yixing Futao Credit was listed as one of the microcredit companies in the Wuxi Prefecture based on Wuxi Prefecture Microcredit Company Basic Information (无锡地区小额贷款公司基本信息) (updated as of 21 May 2018) published by Jiangsu Province Local Financial Supervision Administration's (江苏省地方金融监督管理局)¹⁴. A copy of the Wuxi Prefecture Microcredit Company Basic Information (updated on 21 May 2018) can be found in Exhibit 3.
- 3.1.10. Sun Xiao had on 21 May 2019 stated that the Executive Director and General Manager of Yixing Futao Credit was a friend of his father [i.e., Sun Liping (孙立平) (former Chairman and CEO of Sunvic)] but he does not know this individual personally.
- 3.1.11. Based on the accounting records provided by the management of Sunvic Group, we observed that Yixing Yinyan did not have any business transactions with Yixing Futao Credit during the Review Period.
- 3.1.12. We further performed searches through commercial databases and noted that the key personnel and shareholders of Yixing Futao Credit and/or parties related or associated to them did not appear to be linked to the key personnel and employees of Jurong Group.

¹⁴ The Wuxi Prefecture Microcredit Company Basic Information has been updated on 11 July 2019. (Source: http://jsjrb.jiangsu.gov.cn/art/2019/7/11/art_4681_8615680.html)

3.2. Timeline of events

- 3.2.1. Based on our discussion with Yixing Yinyan's management (i.e., Sun Xiao, and Liu Wen) and observations from the supporting documents obtained, we summarise our understanding of the events leading to the provision of YFC Corporate Guarantee in Diagram 3 with further details in the ensuing paragraphs.

Diagram 3: Timeline of events in relation to the YFC Corporate Guarantee prepared by EY Advisory



- 3.2.2. Sun Xiao had on 21 May 2019 and subsequent clarifications between 6 and 20 June 2019 stated that, around 23 or 24 September 2018, he received a verbal request from a "certain leader of Yixing City" ("宜兴市的某个市领导") via a phone call. We understand that the following transpired between Sun Xiao and Yixing City's Official:

- Yixing City's Official informed Sun Xiao that Jiangsu Donglai required a bridging loan for approximately one week from a lender to repay the outstanding loan due to China Construction Bank.
- Yixing City's Official also informed Sun Xiao that the lender, whose name was not disclosed to Sun Xiao, required the bridging loan to be guaranteed. Yixing City's Official then requested Sun Xiao to use a "listed company" (上市公司) to act as the corporate guarantor for Jiangsu Donglai's bridging loan.
- Yixing City's Official added that the CCB Refinance Loan would be approved within two to three days. Sun Xiao provided Liu Wen's contact information to Yixing City's Official.

- 3.2.3. Sun Xiao stated that he informed Liu Wen of the request by Yixing City's Official after the call on the same day. He instructed Liu Wen to "understand about the situation, if there's no problem then just help them and if there's any problem, please report to me" ("你去了解一下情况, 没问题的话就帮一下, 有问题的话就跟我汇报一下"). Sun Xiao told us that he asked Liu Wen to understand the situation, but he did not ask Liu Wen to execute the corporate guarantee for Jiangsu Donglai's bridging loan.
- 3.2.4. Liu Wen had on 17 May 2019 and subsequent clarifications between 6 and 20 June 2019 confirmed that Sun Xiao did inform him during a meeting in Sun Xiao's office at the end of September 2018 that Yixing City's Official had requested for a corporate guarantee to be provided for a loan. Liu Wen represented that:
- (a) Sun Xiao had instructed him to "understand about the matter and to connect with the relevant parties" ("你去了解一下情况以及和相关方对接一下").
 - (b) Sun Xiao informed him that the "bank's refinancing process will be completed soon and there should not be a problem providing the guarantee" ("银行转贷很快完成, 提供这个担保应该没有问题").
 - (c) Liu Wen stated he had misunderstood Sun Xiao's instruction as an approval to proceed with the provision of a corporate guarantee for Jiangsu Donglai's bridging loan.
- 3.2.5. Liu Wen also stated that the following transpired around 29 or 30 September 2018:
- (a) Person A, a representative from Yixing Futao Credit, contacted Liu Wen for the first time to discuss about the corporate guarantee for Jiangsu Donglai's bridging loan by phone.
 - (b) After the call with Person A, Liu Wen called a "friend" ("朋友") who he said works in a financial institution to check whether (i) Jiangsu Donglai had a loan with China Construction Bank which needed to be refinanced, and (ii) a new loan could be approved within two to three days.

- (c) Liu Wen's "friend" confirmed to him that Jiangsu Donglai had an existing loan with China Construction Bank and a new loan could be approved within two to three days, if endorsed by the "government" ("政府"). Liu Wen stated that he trusted his friend as he had known the person for a long time, but he refused to disclose the identity or any other information pertaining to his "friend".
- (d) On the same day, Person A, together with a representative from Jiangsu Donglai, met Liu Wen at Jurong Group's HQ for "a short time" ("时间很短") to discuss about the Jiangsu Donglai's bridging loan. During the meeting, he found out that:
 - (i) The bridging loan amount was RMB180.00 million and the loan period was for approximately one week, which would start after China's National Day holidays¹⁵.
 - (ii) The representative from Jiangsu Donglai stated that 8 October 2018 was the deadline to sign the guarantee agreement and the bridging loan would be repaid after obtaining the CCB Refinance Loan, which would require two to three days to be approved.
- (e) Liu Wen said he tried to contact Sun Xiao (after the meeting with the representatives from Jiangsu Donglai and Yixing Futao Credit) by phone to inform Sun Xiao that he would proceed to provide the corporate guarantee for Jiangsu Donglai's bridging loan and sign the corporate guarantee agreement on 8 October 2018. However, he was unable to reach Sun Xiao.

3.2.6. Liu Wen attempted to phone Sun Xiao again around 1 or 2 October 2018 but he was also unable to reach Sun Xiao. He did not contact Sun Xiao for the remainder of China's National Day holidays.

¹⁵ China's National Day holidays in 2018 were from 1 to 7 October.

- 3.2.7. Sun Xiao had on 6 June 2019 stated that he was hospitalised at Yixing Hospital between 26 September 2018 and 1 October 2018 due to high blood pressure, and as such, he was unable to answer Liu Wen's phone calls. He also did not return Liu Wen's phone calls. Sun Xiao had subsequently on 15 June 2019 informed us that he was away from 2 to 5 October 2018 to recuperate at Yangxin Valley, Moganshan in Zhejiang Province, China.
- 3.2.8. Liu Wen had on 15 June 2019 stated he approved the YFC Corporate Guarantee for the YFC Loan on 8 October 2018. An extract of the YFC Loan and the YFC Corporate Guarantee is presented in the tables below (refer to Appendix 3 for the extract of details in relation to the YFC Loan and the YFC Corporate Guarantee). A copy of the YFC Corporate Guarantee can be found in Exhibit 4.

Table 14: Summary of the YFC Loan

Agreement reference no.	“宜富陶农贷借字 (2018) 第 206 号”	
Date of agreement	7 October 2018	
Parties	Lender	Borrower
	Yixing Futao Credit	Jiangsu Donglai
Purpose of the loan	Bridging loan to obtain refinancing from China Construction Bank (建行转贷过桥资金)	
Loan amount	RMB180.00 million	
Loan period	8 to 15 October 2018	
Loan Interest rate	1.6667% per month	
Agreed by	Lender	Borrower
(i) Legal representative seal	<Redacted>	Cheng Qiang
(ii) Company seal	Yixing Futao Credit	Jiangsu Donglai

Table 15: Summary of the YFC Corporate Guarantee

Date of agreement	8 October 2018		
Parties	Party A (Lender)	Party B (Borrower)	Party C (Guarantor)
	Yixing Futao Credit	Jiangsu Donglai	Yixing Yinyan
Loan amount	RMB180.00 million		
Loan period	8 to 15 October 2018		
Loan repayment	Repayment through loan issued by China Construction Bank in Yixing city. (本次借款的还款方式为宜兴市建设银行流动资金贷款发放进行偿还)		
Loan Interest rate	20.00% per annum		
Clauses pertaining to the corporate guarantee extended	<p>(1) If Party B (i.e., Jiangsu Donglai) fails to repay the loan upon the expiry of the loan agreement, Party A (i.e., Yixing Futao Credit) may exercise the right of recourse against Party C (i.e., Yixing Yinyan), and require Party C to bear joint and several liabilities for the principal and interest owed by Party B, and to receive priority compensation.</p> <p>(借款期限届满，如乙方未归还借款，甲方可以按照相关法律规定对丙方行使追索权，并要求丙方对乙方的借款本金和利息承担连带责任，并就相关价款优先受偿。)</p> <p>(2) The scope of Party C's guarantee comprises of the following: the principal, interest and penalty of the loan under this agreement, liquidated damages, indemnities, compensations, and expenses paid for claims and pledges (including but not limited to the lawyer's fees and litigation costs incurred).</p> <p>[丙方担保的范围：本合同项下的借款本金，利息，罚息；违约金，赔偿金，补偿金，为现债权和质权而支付的费用（包括但不限于因违约方发生的律师费和诉讼费用。）]</p>		

Agreed by	Party A (Lender)	Party B (Borrower)	Party C (Guarantor)
Signature of legal representative	<Redacted>	Cheng Qiang	Liu Wen
Company seal	Yixing Futao Credit	Jiangsu Donglai	Yixing Yinyan

- 3.2.9. Liu Wen further stated that he had on or around 10 October 2018 informed Sun Xiao that he had signed the YFC Corporate Guarantee on 8 October 2018 and was subsequently instructed by Sun Xiao to monitor the status of the CCB Refinance Loan closely. Liu Wen requested the same “friend” as mentioned in Paragraph 3.2.5(b) to inform him every two days on the status of the CCB Refinance Loan between 11 and 20 October 2018 and his “friend” told him that the CCB Refinance Loan had not been approved.
- 3.2.10. On or around 20 October 2018, Sun Xiao and Liu Wen knew that there was a high possibility that Jiangsu Donglai had defaulted on the YFC Loan. Since then, Sun Xiao started to follow-up with Yixing City’s Official to obtain an understanding of the situation surrounding the YFC Loan and to resolve the issue of the YFC Loan default.
- 3.2.11. Liu Wen said that around mid-November 2018, the Finance Director of Jurong Group informed him and Sun Xiao that Yixing Yinyan has received the YFC Letter of Demand which was sent to Jurong Group’s HQ. We observed that the YFC Letter of Demand was issued by the lawyers acting on behalf of Yixing Futao Credit on 14 November 2018. A summary of the YFC Letter of Demand is presented in the table below. A copy of the YFC Letter of Demand is provided in Exhibit 5.

Table 16: Summary of the YFC Letter of Demand

Letter of demand reference no.	<Redacted>
Date	14 November 2018
Information extracted from the YFC Letter of Demand	(1) The client had repeatedly reminded that there was an outstanding principal and interest of RMB180.70 million which has not been paid. (借款到期后，委托人多次催要，仍有本息 18070 万元尚未支付。)

6 November 2019

	<p>(2) As of 15 November 2018, Jiangsu Donglai owed a total of RMB183.70 million. (截至 2018 年 11 月 15 日 东来房产所欠本息合计壹仟捌佰叁拾柒万元。)</p> <p>(3) The debtor (i.e., Jiangsu Donglai) is urged to make the loan principal and interest repayment of RMB183.70 million before 20 November 2018 or actively fulfil the joint repayment responsibilities by 15 December 2018. (清接函后立即敦促债务人，在 2018 年 11 月 20 日前偿还借款本息合计 18370 万元或在 2018 年 12 月 15 日前积极履行连带偿还责任。)</p> <p>(4) Legal measures will be taken to safeguard the legal rights and interests of the client in respect of the overdue sums. (逾期委托人将采取法律手段，以维护委托人的合法权益。)</p>
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3.2.12. Based on the email sent by the Financial Controller of Sunvic Group to Sun Xiao and Liu Wen (in which the Independent Directors were copied) dated 7 January 2019, it appeared that the Independent Directors were only made aware of the YFC Letter of Demand on the same day.

3.2.13. We had on 19 June 2019 been provided with the YFC Supplemental Agreement by the Financial Controller of Sunvic Group. A summary of the YFC Supplemental Agreement is presented in the table below. A copy of the YFC Supplemental Agreement can be found in Exhibit 6.

Table 17: Summary of the YFC Supplemental Agreement

Agreement date	13 June 2019		
Information extracted from the YFC Supplemental Agreement	<p>(1) Party B (i.e., Jiangsu Donglai) shall liquidate its assets or take other steps to repay Party A's (i.e., Yixing Futao Credit) loan and all other due payments including interest payable to Party B by 30 June 2020.</p> <p>(乙方作为还款主体，必须加快处置公司名下资产（主要是抵押在银行的房地产及其他固定资产）或其他方式逐步归还甲方借款，不足部分由乙方自筹解决，于2020年6月30日之前还清所有欠款。）</p> <p>(2) Party A shall not commence any legal proceedings against Party B and Party C (i.e., Yixing Yinyan) at any time, prior to 30 June 2020 to seek repayments.</p> <p>(甲方承诺在2020年6月30日之前暂不采取法律手段对乙方及丙方进行追索,如有其他问题通过协商解决。)</p>		
Agreed by	Party A (Lender)	Party B (Borrower)	Party C (Guarantor)
Signature of legal representative	<Redacted>	Cheng Qiang	Liu Wen
Company seal	Yixing Futao Credit	Jiangsu Donglai	Yixing Yinyan

3.3. Discrepancies surrounding the veracity of the YFC Agreements

YFC Confirmation Response and interview with purported representative of Yixing Futao Credit

- 3.3.1. We had on 28 May 2019 written to seek confirmation from Yixing Futao Credit¹⁶ on the YFC Loan and the YFC Corporate Guarantee. On 6 June 2019, we received a response from Yixing Futao Credit stating that Yixing Yinyan had provided a guarantee for the loan provided by Yixing Futao Credit to Jiangsu Donglai of RMB180.00 million (refer to Exhibit 1). The YFC Confirmation Response dated 6 June 2019 was signed by Person A and accompanied with the seal of Yixing Futao Credit.
- 3.3.2. We requested the management of Sunvic Group to coordinate for an interview with an authorized representative of Yixing Futao Credit. On 16 June 2019, we conducted an interview at Jurong Group's HQ with an individual who was introduced to us by Liu Wen as Person A. Prior to the interview, we requested for the said individual to provide documentation for identification purposes, but he refused.
- 3.3.3. The purported Person A represented to us that he is a manager at Yixing Futao Credit and that he was in-charge of the YFC Loan and the YFC Corporate Guarantee. Based on the interview conducted with this individual, we understand that:
- (a) A certain "government official" ("政府官员") had contacted him over the phone and verbally requested for Yixing Futao Credit to provide a bridging loan to Jiangsu Donglai to repay Jiangsu Donglai's existing loan with China Construction Bank which would be due "soon" (at that point in time when the request was made).
 - (b) The "government official" proposed Yixing Yinyan's name as the corporate guarantor for the bridging loan and provided Liu Wen's contact number to Person A.
 - (c) The "government official" assured Person A that the CCB Refinance Loan would be approved within one to two weeks.

¹⁶ Letter was sent to the address provided by the Finance Director of Jurong Group [i.e., No. 50 Ezhou South Road, Heqiao Town, Yixing City, Wuxi Prefecture, Jiangsu Province (江苏省无锡市宜兴市和桥镇鹅洲南路 50 号)].

- (d) Person A found out that the CCB Refinance Loan had yet to be approved after 15 October 2018 (i.e., after Jiangsu Donglai had defaulted on the YFC Loan).
- (e) On 14 November 2018, a month after the YFC Loan default, Person A felt that Jiangsu Donglai would not be able to repay the YFC Loan because the CCB Refinance Loan had yet to be approved, and as such, the YFC Letter of Demand was issued in accordance to Yixing Futao Credit's internal procedures.
- (f) Person A confirmed that he was the person who signed the YFC Confirmation Response when we presented to him. He further informed us that the loan principal and interest of RMB180.70 million stated on the YFC Confirmation Response did not include accumulated penalty interest.

3.3.4. Person A refused to disclose the name of the "government official" when we asked. As a result, we are unable to ascertain if this individual is the same as Yixing City's Official. We were also unable to seek clarification on certain statements made by him as the interview came to a halt abruptly after about 50 minutes. He said that he needed to leave for another scheduled appointment, which was not made known to us at the start of the interview.

3.3.5. On 20 June 2019, we conducted an unannounced visit to Yixing Futao Credit's business premises. We contacted Person A¹⁷ to seek clarifications on the YFC Confirmation Response and requested to meet with him in person.

3.3.6. Before the meeting, Person A told us that "he did not attend a meeting with EY on Sunday (i.e., 16 June 2019)¹⁸ nor had he met us" but he was willing to come and meet with us. We were greeted by a different individual who claimed to be Person A at Yixing Futao Credit's business premises. The individual refused to provide us with any documentation for identification purposes and did not agree to be interviewed by us.

¹⁷ Person A's contact number was obtained from the YFC Confirmation Response.

¹⁸ Referring to Paragraph 3.3.2 of this report.

- 3.3.7. Based on Paragraphs 3.3.2 to 3.3.6, we are doubtful of the representation provided by the individual we met at the Jurong Group's HQ on 16 June 2019 and who claimed to be Person A as well as the veracity of the YFC Confirmation Response which the same person said he had signed. As at the date of this report, we have not been able to interview any representative of Yixing Futao Credit apart from the alleged Person A as mentioned at Paragraph 3.3.2.
- 3.3.8. We sought clarification from Liu Wen and Sun Xiao after visiting Yixing Futao Credit's business premises on the same day. When asked if the individual whom was introduced to us on 16 June 2019 was indeed Person A of Yixing Futao Credit, Liu Wen affirmed, and Sun Xiao stated that the meeting with the representative of Yixing Futao Credit scheduled on 16 June 2019 was arranged by Yixing City's Official. Sun Xiao claimed that he had never met nor contacted with the representatives of Yixing Futao Credit and Jiangsu Donglai.

Veracity of YFC Letter of Demand

- 3.3.9. We contacted the lawyers acting on behalf of Yixing Futao Credit¹⁹ by phone and WeChat messages on 20 June 2019. We attached a copy of the YFC Letter of Demand in the WeChat message sent to her and had requested her to confirm if the YFC Letter of Demand was indeed issued by the lawyers acting on behalf of Yixing Futao Credit.
- 3.3.10. Between 24 and 26 June 2019, we attempted to contact the lawyers acting on behalf of Yixing Futao Credit via WeChat messages and/or phone calls to follow-up on our request, but we did not receive a response from the said lawyers. Based on the above, we were unable to verify the veracity of the YFC Letter of Demand issued by the lawyers acting on behalf of Yixing Futao Credit.

¹⁹ We have obtained the contact number of the lawyers acting on behalf of Yixing Futao Credit on 20 June 2018.

Legitimacy of the YFC Loan

- 3.3.11. As mentioned in Paragraphs 3.1.5 and 3.1.8 the registered business scope of Yixing Futao Credit is to provide loans, guarantees, financial agent services and other businesses approved by the regulatory authorities which are only related to “agriculture, farmers and rural households”²⁰, while Jiangsu Donglai is a real estate development company. It does not appear that the YFC Loan provided by Yixing Futao Credit was in accordance to its registered business scope as Jiangsu Donglai is in the real estate industry and is not related to “agriculture, farmers or rural households”.
- 3.3.12. Based on our plain reading of the approved limits set out for microcredit company in the Adjustment Notices No. 80 [2013] (effective from 1 October 2013) and No. 102 [2013] (effective from 1 January 2014) issued by Jiangsu Province People’s Government Financial Work Office and published on Jiangsu Province’s Local Financial Supervision Administration’s website²¹ which were applicable to our assessment, we understand that:
- (a) A single-borrower loan from an agricultural microcredit company should not exceed RMB3.00 million²².
 - (b) A single loan of more than RMB0.50 million from an agricultural microcredit company is subjected to an average annualized interest rate (i.e., calculated on a weighted average basis) of no more than 15.00% and the maximum annual interest rate shall not exceed 18.00%²³.
- 3.3.13. Based on our plain reading of the regulations as mentioned in Paragraph 3.3.12, we noted that the terms of the YFC Loan was not in line with the prescribed limit as follows:
- (a) The YFC Loan provided to Jiangsu Donglai amounted to RMB180.00 million had exceeded the single-borrower loan limit of RMB3.00 million.
 - (b) The annual interest charged for the YFC Loan of 20.00% was higher than the maximum annual interest rate of 18.00%.

²⁰ Including projects which may be operated, subject to the approval from the relevant departments according to the law.

²¹ Based on the Jiangsu Province’s Local Financial Supervision Administration’s website, Jiangsu Financial Supervision Administration - Local Financial Supervision Department 1 (江苏省金融监督管理局-地方金融监管一处) supervises and manages, amongst others, microcredit companies within the Jiangsu Province.

²² Adjustment Notice No. 80 [2013] (Source: http://jsjrb.jiangsu.gov.cn/art/2015/8/17/art_4695_2683965.html)

²³ Adjustment Notice No. 102 [2013] (Source: http://jsjrb.jiangsu.gov.cn/art/2015/8/17/art_4695_2683971.html)

- 3.3.14. We made a phone call to the Yixing Finance Office²⁴ (宜兴金融办) on 24 June 2019. A personnel²⁵ from the Yixing Finance Office who answered our phone call said that there was no specific regulation applicable to microcredit companies in the Yixing County and that we should refer to the regulations published by Jiangsu Province People's Government Financial Work Office.
- 3.3.15. Due to the limitation in the of scope of our work, we did not perform an extensive research on the regulations governing the microcredit companies in China nor have we sought external legal opinions in regards to the Adjustment Notices No. 80 [2013] and No. 102 [2013] (refer to Paragraph 3.3.12). Further legal review is required to determine if the YFC Loan is in contravention of China's laws and regulations.

Veracity of YFC Supplemental Agreement

- 3.3.16. As the management of Sunvic Group could not arrange for us to meet with the authorized representative of Jiangsu Donglai, we searched the public domain for information on Jiangsu Donglai's business premises²⁶ and visited the said premises on 17 June 2019.
- 3.3.17. There, we observed that there was no apparent business activity and a Takeover Announcement (接管公告) was affixed at the entrance of the building. The Takeover Announcement dated 15 April 2019 stated that liquidation proceedings against Jiangsu Donglai had commenced on 21 March 2019, and that the People's Court of Yixing City, Jiangsu Province had on 10 April 2019 appointed the Administrator of Jiangsu Donglai. The said notice also stated that the Administrator of Jiangsu Donglai had on 15 April 2019 taken controls of the assets, financial records and company seals of Jiangsu Donglai. A copy of the Takeover Announcement dated 15 April 2019 can be found in Exhibit 7.

²⁴ On 21 June 2019, we made a call to the Jiangsu Financial Supervision Administration - Local Financial Supervision Department 1 to enquire about the regulations pertaining to microcredit company in the Yixing County and we were advised to contact the Yixing Finance Office. Jiangsu Financial Supervision Administration - Local Financial Supervision Department 1 provided us with the contact number of Yixing Finance Office.

²⁵ The personnel's name was not disclosed to us.

²⁶ The address returned on Google Search engine was "No.135, Renmin Middle Road, Yixing City, Wuxi Prefecture, Jiangsu Province" (江苏省无锡市宜兴市人民中路 135 号).

- 3.3.18. Based on the Civil Ruling Paper (民事裁定书) dated 21 March 2019 published by the People's Court of Yixing City, Jiangsu Province, we understand that an individual had filed a bankruptcy application against Jiangsu Donglai on 12 December 2018 as Jiangsu Donglai and its related company had defaulted on repayments due to the said individual in accordance to the judgement issued by the Intermediate People's Court of Wuxi Municipality (无锡市中级人民法院作出) in 2015²⁷. A copy of the Civil Ruling Paper dated 21 March 2019 can be found in Exhibit 8.
- 3.3.19. Subsequently, on 11 July 2019 we wrote an email to the personnel representing the Administrator of Jiangsu Donglai²⁸ to enquire on the status of the YFC Agreements. On 15 July 2019, the personnel representing the Administrator of Jiangsu Donglai responded to us, that (i) the YFC Loan was not recorded in Jiangsu Donglai's financial records or detailed bank statements, (ii) the Administrator did not sign any agreement (on behalf of Jiangsu Donglai) with Yixing Yinyan and Yixing Futao Credit since taking control of Jiangsu Donglai on 15 April 2019, and (iii) Yixing Futao Credit had represented to the Administrator that they did not provide a loan of RMB180.00 million to Jiangsu Donglai. A copy of the email from the personnel representing the Administrator of Jiangsu Donglai in relation to the YFC Agreements dated 15 July 2019 can be found on Exhibit 9.
- 3.3.20. In view of the reply from a personnel representing the Administrator of Jiangsu Donglai, the validity of the YFC Supplement Agreement dated 13 June 2019 (refer to Paragraph 3.2.13) appears to be in question as the agreement was executed about two months after the appointment of the Administrator of Jiangsu Donglai by the People's Court of Yixing City, Jiangsu Province.
- 3.3.21. Due to multiple discrepancies discovered in relation to the YFC Agreements, we had on 5 and 9 July 2019 recommended to the AC to engage a reputable law firm in China for the purpose of conducting a legal assessment over the veracity of the YFC Agreements.

²⁷ In relation to the repayment of principal loan of RMB60.00 million and corresponding interests owed by Jiangsu Donglai and its related company to an individual (i.e., (2014) 锡民初字第 00108 号). Jiangsu Donglai and its related company made an appeal to Jiangsu High People's Court (江苏省高级人民法院) but their appeal was rejected on 1 February 2016.

²⁸ We had obtained the contact details of the personnel representing the Administrator of Jiangsu Donglai from the Takeover Announcement dated 15 April 2019 issued by the Administrator of Jiangsu Donglai. We obtained his e-mail address on 15 July 2019 via WeChat.

3.4. Discrepancies in the announcement issued by Sunvic

3.4.1. Based on the assessment conducted, Sunvic's announcement dated 19 February 2019 relating to the YFC Corporate Guarantee appears to have been included statements that are now known to be inaccurate.

3.4.2. According to the disclosure requirements under Rule 703 of the SGX Listing Manual and Appendix 7.1 of the SGX Listing Manual, the content of a press release or other public announcement should be factual, clear and succinct. Prima facie, there appears to be a breach of the disclosure requirements based on the circumstances presented below:

- (a) Page 3 – Question 2: YFC Corporate Guarantee (paragraph 2) of the announcement dated 19 February 2019

“...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 relationship between Yixing Yinyan and Jiangsu Donglai's bank”

- (i) We noted that this statement appears to be inaccurate as the “verbal request” for the YFC Corporate Guarantee came from Yixing City's Official instead of Jiangsu Donglai and its bank.
- (ii) In addition, both Sun Xiao and Liu Wen represented that to us on 20 June 2019 they have had no direct contact with the management of Jiangsu Donglai.
- (iii) Sun Xiao also represented that if Yixing Yinyan had provided the corporate guarantee as requested by Yixing City's Official, he would then be “doing the government a favour” (“给政府一个人情”) as “his own company may need help from the government in the future” (“以后自己的公司也可能需要政府帮忙”).

- (b) Page 3 – Question 2: YFC Corporate Guarantee (paragraph 4) of the announcement dated 19 February 2019

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

- (i) We noted that this statement does not appear to be fully representative of Sun Xiao’s knowledge and involvement in relation to the YFC Corporate Guarantee.
- (ii) During the interview, Sun Xiao informed us that Yixing City’s Official reached out to Sun Xiao on the Donglai Bridging Loan Arrangement. It appears that Sun Xiao was aware of the Donglai Bridging Loan Arrangement prior to the execution of the YFC Corporate Guarantee and he gave vague instructions to Liu Wen leading to the execution of the YFC Corporate Guarantee (refer to Paragraph 3.2.4(a) of this report).
- (c) Page 7 – Question 9 of the announcement dated 19 February 2019

“Mr Sun Xiao, Mr Liu Wen and Mr Yang Guoqiang explained that upon the receipts of the 2 letters of demands (i.e., YFC Letter of Demand and BOC Letter 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 two letters of demand”.

- (i) We noted that this statement does not appear to be accurate as both Sun Xiao and Liu Wen represented that they have had no direct contact with Jiangsu Donglai. Sun Xiao stated that he was only in contact with Yixing City’s Official in respect of the YFC Corporate Guarantee.

- (ii) We were also informed by the Financial Controller of Sunvic Group on 21 June 2019 that Sun Xiao had represented to him that “none of our people have met people from Futao and Donglai before”, which was in contrast to Liu Wen representation, where Liu Wen stated that he had met Person A, the individual purportedly representing Yixing Futao Credit (refer to Paragraph 3.2.5 of this report).

3.5. Lack of adequate controls over approving and monitoring of corporate guarantees extended to third parties

3.5.1. According to the announcement issued by the Board dated 19 February 2019, we noted that that Liu Wen had performed a “basic assessment” on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018, prior to entering into the YFC Corporate Guarantee.

3.5.2. During our interview with Liu Wen, we had requested for him to elaborate on the “basic assessment” on the certainty of the Donglai Bridging Loan Arrangement to be completed by 15 October 2018. As mentioned in Paragraph 3.2.5, Liu Wen had represented to us that the “basic assessment” that he has performed before entering into the YFC Corporate Guarantee agreement were as follows:

- (a) Obtained verbal confirmation from his “friend” working in one of the financial institutions that Jiangsu Donglai indeed has an existing loan with China Construction Bank at that point in time which needed to be refinanced.
- (b) Obtained verbal confirmation from his “friend” that a loan would usually be approved within two to three days, if endorsed by the “government”.

Liu Wen did not provide any documentary evidence to support his account of the basic assessment conducted.

3.5.3. Based on the financial position of Jiangsu Donglai for the calendar year 2017 extracted from the Tax Bureau of Jiangsu Province (江苏省税务局) on 27 June 2019, we noted that Jiangsu Donglai’s total assets and liabilities were approximately RMB1.40 billion and RMB1.35 billion respectively. A summary of the financial position of Jiangsu Donglai is presented in the table below.

Table 18: Summary Jiangsu Donglai’s financial position for the calendar year 2017

Description	Amount (RMB’ million)
Current assets	1,216.96
Non-current assets	179.75
Total assets	1,396.71

Description	Amount (RMB' million)
Current liabilities	1,345.22
Non-current liabilities	2.82
Total liabilities	1,348.04
Total owner's equity	48.67

3.5.4. Based on the financial position of Jiangsu Donglai for the calendar year 2017, we observed that the YFC Loan was approximately 3.70 times the net assets of Jiangsu Donglai in 2017 (i.e., approximately RMB48.67 million). A detailed breakdown of Jiangsu Donglai financial position for the calendar year 2017 can be found in Appendix 4.

3.5.5. In addition, based on publicly available information, we observed that Jiangsu Donglai was involved in multiple litigation proceedings between 2015 and 2018 as a result of its failure to repay loans (i.e., ranging from RMB4.55 million to RMB181.45 million) extended by various lenders to Jiangsu Donglai as presented in the table below.

Table 19: Summary of litigation proceedings against Jiangsu Donglai between 2015 and 2018

S/N	Filing date	Jurisdiction	Lender	Principal loan amount excluding interests (RMB' million)
1	12 Jul 2018	People's Court of Beijing Xicheng (北京市西城区人民法院)	<Redacted>	13.90
2	18 Jan 2018	People's Court of Yixing City	<Redacted>	4.55
3	12 Oct 2016	People's Court of Yixing City	<Redacted>	9.90
4	29 Feb 2016	Intermediate People's Court of Wuxi Municipality	<Redacted>	60.00
5	11 Dec 2015	People's Court of Yixing City	<Redacted>	181.45

- 3.5.6. Had Liu Wen and/or the management of Sunvic Group performed a thorough assessment of Jiangsu Donglai, they would have identified that Jiangsu Donglai was experiencing severe financial difficulties and higher risk of default.
- 3.5.7. We also understand from the Financial Controller of Sunvic Group that there is no written policy and procedures governing the provision of corporate guarantees to third parties as entities within Sunvic Group are generally not allowed to provide corporate guarantees to third parties. He added, however, if a corporate guarantee is required to be provided to an unrelated party, such guarantee would need to be approved by him, but he could not recall when exactly the approval requirement commenced. The Financial Controller of Sunvic Group confirmed that he did not receive any approval request in relation to the YFC Corporate Guarantee.
- 3.5.8. In accordance to the Jurong Group's "Finance Authorization List for Economic Contracts", we observed that the provision of any corporate guarantee would require an approval by Sun Xiao as the Chairman of Jurong Group. We understand from the management of Sunvic Group that that there was no approval being sought in connection with the YFC Corporate Guarantee as Liu Wen had entered into the YFC Corporate Guarantee at his own initiative.
- 3.5.9. In the absence of any relevant documentation of the approval for the YFC Corporate Guarantee, we are unable to further assess the involvement of the management of the Sunvic Group apart from Sun Xiao and Liu Wen in the YFC Corporate Guarantee. We are also unable to conclusively determine if Liu Wen had entered into the YFC Corporate Guarantee on his own volition but we noted from the interviews conducted that Sun Xiao appears to have given vague instructions leading to the execution of the YFC Corporate Guarantee by Liu Wen (refer to Paragraph 3.2.4(a) of this report).
- 3.5.10. Following the execution of the YFC Corporate Guarantee, both Sun Xiao and Liu Wen did not perform any monitoring of the repayment of the YFC Loan by following up with Jiangsu Donglai and/or Yixing Futao Credit. Sun Xiao stated that he was only in contact with Yixing City's Official.

4. BOC Corporate Guarantee

4.1. Background

- 4.1.1. The Board made an announcement on 10 January 2019 and disclosed that Jiangsu Jurong had received the BOC Letter of Demand dated 15 December 2018 from the lawyers acting on behalf of Bank of China in respect of the BOC Loan. Jiangsu Dahe defaulted the BOC Loan on 9 December 2018 and pursuant to the BOC Corporate Guarantee, Bank of China was seeking for a repayment of approximately RMB42.97 million, which comprises of RMB42.50 million as the principal repayment and approximately RMB0.47 million as interest payable from Jiangsu Jurong.
- 4.1.2. We noted from the announcement issued by the Board dated 10 January 2019 that Jiangsu Jurong started to provide corporate guarantee as part of the Dahe Cross Guarantee Arrangement with Jiangsu Dahe which “commenced in 2011”, under which Jiangsu Jurong and Jiangsu Dahe had respectively provided corporate guarantee to facilitate the securing of the other party’s bank loans.
- 4.1.3. The Board made two other announcements on 18 January 2019 and 19 February 2019 that:
- (a) Yang Guoqiang represented that the BOC Corporate Guarantee was extended by Jiangsu Jurong to Jiangsu Dahe as part of the Dahe Cross Guarantee Agreement which commenced in 2010, under which Jiangsu Jurong and Jiangsu Dahe had respectively provided corporate guarantees to facilitate in securing of other party’s bank loan.
 - (b) The amount guaranteed under the Dahe Cross Guarantee Arrangement has been progressively reduced over the years via the entering 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.
 - (c) The BOC Loan was a working capital loan for the purchase of raw materials. The interest was calculated on monthly basis on 0.92% on top of the China bank’s base lending rate. In the event of default, the default interest is calculated based on 40.00% on top of China bank’s base lending rate.

- (d) The BOC Loan was also secured by eight other corporate and personal guarantees (i.e., other than Jiangsu Jurong) which are unrelated to Sunvic Group:
 - (i) Zhejiang Zhenya Heat & Electricity Co., Ltd (浙江振亚热电有限公司)
 - (ii) Zhejiang Dahe Textile Dye & Print Clothing (Group) Co., Ltd (浙江大和纺织印染服装(集团)有限公司)
 - (iii) Zhejiang Namei Chemical Technology Co., Ltd (浙江纳美化工科技有限公司)
 - (iv) Xu Wei (徐卫) and Jiang Lili (蒋丽丽)
 - (v) Xu Meican (徐美灿) and Feng Caiying (冯彩英)
 - (vi) Xiangshui Guanjiang Group Holdings Co., Ltd. (响水县灌江控股集团有限公司)
- (e) There was no fee or commission paid for the BOC Loan and the BOC Corporate Guarantee, and to anyone in relation to the BOC Loan and the BOC Corporate Guarantee.
- (f) Yang Guoqiang was aware of the Dahe Cross Guarantee Arrangement since 2010.
- (g) Sun Xiao was aware of the Dahe Cross Guarantee Arrangement since the date of his appointment as the CEO of the Sunvic in early 2013, and he was aware of the BOC Corporate Guarantee after the BOC Corporate Guarantee had been entered into by the legal representative of Jiangsu Jurong.
- (h) Yang Guoqiang signed the BOC Corporate Guarantee on his own initiative and 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.
- (i) The Independent Directors were only made aware of the Dahe Cross Guarantee Arrangement and the BOC Corporate Guarantee only after the BOC Letter of Demand was disclosed to them by Liu Wen on 3 January 2019.

- (j) 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. No specific due diligence was conducted in respect of the BOC Corporate Guarantee.
- (k) In early May 2018, Jiangsu Dahe's plants in Xiangshui County were forced to shut-down due to a media exposure about pollution by chemical producers in the region. The local government of Yancheng City instructed a shutdown of all chemical producers to evaluate the compliance of environment regulations of each of producers. Since then, the operating cash flows of Jiangsu Dahe started to deteriorate.
- (l) Sun Xiao, Liu Wen and Yang Guoqiang explained that upon the receipts of the two letters of demand, they spent some time to clarify the demands with the Borrowers and the lenders involved. This resulted in a delay in informing the Board of the letters of demand received.

4.1.4. The background of Jiangsu Jurong and Jiangsu Dahe are described below in the following paragraphs.

Jiangsu Jurong

4.1.5. Based on publicly available information as at 8 April 2019, Jiangsu Jurong is a limited liability company incorporated on 2 July 2004. Jiangsu Jurong's corporate information is presented in the table below.

Table 20: Jiangsu Jurong's current corporate information as at 8 April 2019

Registered and paid up capital	USD43.00 million
Business registration no.	320900400004455
Registered address	Chenjiagang Chemical Industrial Park, Xiangshui County (响水县陈家港化工园区)
Business validity period	2 July 2004 to 1 July 2054

Approved business scope	Production of various chemical products. (The business operations could only be carried out under the approved activities by the law and after obtaining approval from the relevant departments.) [丙烯酸、双甘磷、环己烷、丙烯酸甲酯、丙烯酸乙酯、丙烯酸丁酯、丙烯酸辛酯、97%草甘磷原药、62%草甘磷异丙胺盐水剂、41%草甘磷异丙胺盐水剂、30%草甘磷铵盐水剂制造；自用包装塑料桶生产。（依法须经批准的项目，经相关部门批准后方可开展经营活动）]		
Industry	Chemical raw materials and chemical products manufacturing (化学原料和化学制品制造业)		
Legal representative	Yang Guoqiang		
Key management	Name of personnel	Position	
	Yang Guoqiang	Chairman	
	<Redacted>	Director	
	Sun Xiao	Director	
Shareholder	Name of shareholder	Amount (USD' million)	Shareholding percentage (%)
	Sunvic	43.00	100.00

- 4.1.6. Based on the employee listing of Jurong Group and representation provided by Zheng Weijun, we understand that one of the directors of Jiangsu Jurong had resigned from the Jiangsu Jurong on 31 December 2018.

Jiangsu Dahe

- 4.1.7. Based on publicly available information as at 8 April 2019, Jiangsu Dahe is a limited liability company incorporated on 6 January 2006. Jiangsu Dahe's corporate information is presented in the table below.

Table 21: Jiangsu Dahe's current corporate information as at 8 April 2019

Registered and paid up capital	RMB270.00 million
Business registration no.	782732387
Registered address	Chenjiagang Chemical Industrial Park, Xiangshui County (响水县陈家港化工园区内)
Business validity period	6 January 2006 to 6 January 2066
Approved business scope	<p>Production of chemicals, provision of transportation services, business consulting and advisory services, engineering and technological related products; Importation and exportation of products and technologies by self and via agents (other than those enterprises or import/export of products and technologies restricted by the state). (The business operations could only be carried out under the approved activities by the law and after obtaining approval from the relevant departments.)</p> <p>[氢氧化钠溶液、氯【液化的】、盐酸、次氯酸钠溶液【含有效氯>5%】、氢【压缩的】、苯胺、硝基苯、漂白粉、氯乙酸、硫酸生产并销售本公司自产产品；氯化石蜡生产（按审批意见生产）；普通货物道路运输；商务信息咨询服务；市政工程、环境工程施工；农作物种植与销售；化工技术研发、技术转让、技术咨询；自营和代理各类商品及技术的进出口业务（国家限定企业经营或禁止进出口的商品和技术除外）。（依法须经批准的项目，经相关部门批准后方可开展经营活动）]</p>
Industry	Chemical raw materials and chemical products manufacturing (化学原料和化学制品制造业)
Legal representative	Xu Wei

Key management	Name of personnel		Position	
	Xu Wei		Chairman	
	Jiang Lili		Vice Chairman	
	Wang Zengzhan (王增战)		Vice Chairman	
	Xu Meican		Chairman of the Supervisory Board	
	Xu Jianping (徐建萍)		Director	
	Xu Jianwei (徐建娣)		Director	
	Sheng Guangen (盛关根)		Supervisor	
	Tian Yu (田羽)		Supervisor	
Shareholder	Name of shareholder		Amount (RMB' million)	Shareholding percentage (%)
	Huakong Construction Investment Group Co., Ltd. (华控建投集团有限公司)		270.00	100.00

- 4.1.8. Based on the accounting records provided by the management of Sunvic Group, we noted that Jiangsu Jurong purchased caustic soda totalling approximately RMB62.75 million from Jiangsu Dahe between July 2012²⁹ and December 2015. Please refer to transactions between Jiangsu Jurong and Jiangsu Dahe presented in the table below. Yang Guoqiang represented that there was a significant decrease in purchases from Jiangsu Dahe in 2015 (i.e., from approximately RMB19.14 million in 2014 to RMB0.43 million in 2015) due to the decrease in market demand for certain products which required the use of caustic soda.

²⁹ Jiangsu Jurong has changed finance and accounting system in June 2012, and as such, transaction details dated prior to July 2012 were not available.

Table 22: Transactions between Jiangsu Jurong and Jiangsu Dahe between 2012 and 2015

Period	Amount (RMB' million)			
	Jul to Dec 2012	Jan to Dec 2013	Jan to Dec 2014	Jan to Dec 2015
Opening balance	2.56	0.26	0.50	0.02
Purchases from Jiangsu Dahe	17.17	26.01	19.14	0.43
Payments made to Jiangsu Dahe	19.47	25.77	19.62	0.44
Closing balance	0.26	0.50	0.02	0.01

- 4.1.9. We observed the last transaction between Jiangsu Jurong and Jiangsu Dahe was in December 2015 and Jiangsu Jurong did not have any business transactions with Jiangsu Dahe during the Review Period.
- 4.1.10. We further performed searches through commercial databases and noted that the key personnel and shareholders of Jiangsu Dahe and/or parties related or associated to them did not appear to be linked to the key personnel and employees of Jurong Group.

4.2. Timeline of events

4.2.1. Based on our discussion with Jiangsu Jurong's management (i.e., Sun Xiao, Yang Guoqiang, Liu Wen and a Finance Manager of Jiangsu Jurong), other relevant personnel, and our observations from the supporting documents obtained, we summarise our understanding of the events leading to the provision of the BOC Corporate Guarantee in Diagram 4 with further details in the ensuing paragraphs:

Diagram 4: Timeline of events in relation to the BOC Corporate Guarantee prepared by EY Advisory



4.2.2. Based on the supporting documents (e.g., loan agreements between Jiangsu Dahe and Bank of China and its accompanying corporate guarantee agreements), we observed there were four loan agreements dated 2 July 2015, 11 January 2016, 3 February 2017 and 10 January 2018 between Jiangsu Dahe and Bank of China as presented in the table below. We noted that the purpose of the loans was for the "purchase of raw materials" ("购买原材料").

Table 23: Summary of loan agreements between Jiangsu Dahe and Bank of China

S/N	Date of loan agreement	Loan agreement ref. no.	Credit limit agreement ref. no.	Loan amount (RMB'm)	Repayment due date	Repayment amount (RMB'm)
1	2 Jul 2015	150238512 D15070201	150238512 E15060901	42.50	10 Jan 2016	22.50
					20 Jan 2016	20.00
2	11 Jan 2016	150238512 D16010701	150238512 E15060901	22.50	7 Jan 2017	22.50

S/N	Date of loan agreement	Loan agreement ref. no.	Credit limit agreement ref. no.	Loan amount (RMB'm)	Repayment due date	Repayment amount (RMB'm)
3	3 Feb 2017	150238512 D17012601	150238512 E16120201	42.50	2 Feb 2018	42.50
4	10 Jan 2018	150238512 D17122201	150238512 D17122201	42.50	9 Dec 2018	42.50

- 4.2.3. Based on the interview conducted with an Accounts Manager of Bank of China on 19 June 2019, we understand that the approved credit limit for Jiangsu Dahe's loans with Bank of China was RMB42.50 million since July 2015.
- 4.2.4. We observed from the above loan agreements that Jiangsu Dahe's loans were guaranteed by nine corporate and/or personal guarantees in the favour of Bank of China (i) Zhejiang Zhenya Heat & Electricity Co., Ltd.; (ii) Zhejiang Dahe Textile Dye & Print Clothing (Group) Co., Ltd.; (iii) Zhejiang Namei Chemical Technology Co., Ltd.; (iv) Jiangsu Jurong; (v) Xu Wei and Jiang Lili; (vi) Xu Meican and Feng Caiying; and (vii) Xiangshui Guanjiang Group Holdings Co., Ltd. During the Review Period, we noted that Jiangsu Jurong did not require Jiangsu Dahe to provide any corporate guarantee for its loans.
- 4.2.5. We noted that each guarantee agreement for the guarantees provided by the nine corporate and/or individuals were referenced in the four loan agreements between Jiangsu Dahe and Bank of China. Please refer to the table below for a summary of guarantees provided by Jiangsu Jurong.

Table 24: Summary corporate guarantee agreements

S/N	Date of the loan agreement	Corporate guarantee agreement ref. no.	Credit limit agreement ref. no.	Guarantee amount (RMB'm)	Date of the corporate guarantee agreement
1	2 Jul 2015	150238512B1 5060904	150238512E 15060901	42.50	1 Jul 2015

S/N	Date of the loan agreement	Corporate guarantee agreement ref. no.	Credit limit agreement ref. no.	Guarantee amount (RMB'm)	Date of the corporate guarantee agreement
2	11 Jan 2016	150238512B1 5060904	150238512E 15060901	42.50	
3	3 Feb 2017	150238512B1 6120204	150238512E 16120201	42.50	22 Jan 2017
4	10 Jan 2018	150238512B1 7122204	150238512D 17122201	42.50	5 Jan 2018

- 4.2.6. A summary of the BOC Loan dated 10 January 2018 is presented in the table below and a copy of the BOC Loan can be found in Exhibit 10.

Table 25: Summary of the BOC Loan

Agreement reference no.	150238512D1712201	
Date of agreement	10 January 2018	
Parties	Lender	Borrower
	Bank of China	Jiangsu Dahe
Purpose of the loan	Purchase of raw materials (购买原材料)	
Loan amount	RMB42.50 million	
Repayment date	9 December 2018	
Loan interest rate	92 basis points plus the average base lending rate of one working day prior to the withdrawal of the loan issued by China National Interbank Funding Centre. [首期（自其实际提款日起至本浮动周期届满之日）利率为实际提款日前一个工作日全国银行间同业拆借中心发布的贷款基础利率报价平均利率加92基点]	
Default interest rate	40.00% higher than the penalty interest rate (逾期贷款罚息利率为...协定的罚息基础利率水平上加收 40%)	
Agreed by:	Lender	Borrower
Legal representative seal	<Redacted>	Xu Wei
Company seal	Bank of China	Jiangsu Dahe

4.2.7. A summary of the BOC Corporate Guarantee dated 5 January 2018 is presented in the table below and a copy of the BOC Corporate Guarantee can be found in Exhibit 11. Please refer to Appendix 5 for an extract of the BOC Loan dated 10 January 2018 and the BOC Corporate Guarantee dated 5 January 2018.

Table 26: Summary of the BOC Corporate Guarantee

Agreement reference no.	150238512B5060904
Date of agreement	5 January 2018
Main contract	Working Capital Loan Agreement No. 150238512D1712201
Type of guarantee	Joint and several liabilities (连带责任保证)
Clauses pertaining to the guarantee extended	<p>(1) If the Debtor (i.e., Jiangsu Dahe) fails to repay the Creditor (i.e., Bank of China), on the repayment date or advance repayment date, the Creditor has the right to require the Guarantor (i.e., Jiangsu Jurong) to assume the guarantee obligation.</p> <p>(如果债务人在任何正常还款日或提前还款日未按约定向债权人进行清偿， 债权人有权要求保证人履行保证责任。)</p> <p>(2) The repayment date shall be the principal repayment date stipulated in the main contract.</p> <p>(... 正常还款日为主合同中所约定的本金偿还日 ...)</p> <p>(3) The guarantee period shall be two years from the expiration of the full repayment date.</p> <p>(本合同保证期间为主债权得清偿期届满之日起两年。)</p> <p>(4) If the Creditor's principal is not repaid, under the joint and several liabilities guarantee, and where the Creditor requests the Guarantor to assume the guarantee obligation before the expiration of the guarantee period.</p> <p>(若主债权未受清偿，在连带责任保证情形下，债权人在本合同...规定的保证期间届满之日前要求保证人承担保证责任的)</p>

	(5) The Guarantor's obligation shall commence when the Creditor requests the Guarantor to assume the guarantee obligation and the provisions of limitation of actions shall apply. (从债权人要求保证人承担保证责任之日起, 保证债务开始起算和适用诉讼时效。)	
Agreed by:	Creditor	Guarantor
Legal representative seal	<Redacted>	Yang Guoqiang
Company seal	Bank of China	Jiangsu Jurong

- 4.2.8. During our interview and subsequent clarification with Yang Guoqiang, he represented that around end of 2017, Jiang Lili contacted Yang Guoqiang via a phone call to discuss about the provision of corporate guarantee by Jiangsu Jurong for Jiangsu Dahe's new loan from Bank of China in 2018. After the call with Jiang Lili, Yang Guoqiang contacted Sun Xiao to inform him of the same.
- 4.2.9. The Accounts Manager of Bank of China had represented to us that Bank of China would require a corporate guarantee agreement to be accompanied by a directors' resolution stating that the directors of Jiangsu Jurong have given their consent for the company to act as a corporate guarantor.
- 4.2.10. We observed that each of the guarantee agreements entered into by Jiangsu Jurong was accompanied by a resolution passed by the directors of Jiangsu Jurong for the company to act as the corporate guarantor and to assume joint and several liabilities for Jiangsu Dahe's loan obtained from Bank of China.
- 4.2.11. All three directors' resolutions dated 1 July 2015, 22 January 2017 and 5 January 2018 were approved by Sun Xiao, Yang Guoqiang and a former director of Jiangsu Jurong. A summary of the directors' resolution dated 5 January 2018 in relation to the BOC Corporate Guarantee is presented in the table below.

Table 27: Summary of the directors' resolution dated 5 January 2018

Date of resolution	5 January 2018
Agenda	(1) Agreed to provide joint guarantee for a loan of RMB42.50 million applied by Jiangsu Dahe from Bank of

	China and its corresponding interest and penalty interest in whole. (同意本公司为江苏大和氯碱化工有限公司对中国银行股份有限公司响水支行申请人民币肆仟贰佰伍拾万元整 (¥42,500,000.00) 授信额度及相应的利息, 罚息, 违约金, 应付费用等提供连带保证责任担保, 直至前述债务全部清偿完毕。)		
	(2) Jiangsu Jurong authorises .../... completes the legal documents such as the company's guarantee agreement. (本公司授权 .../... 签署相关的担保合同等法律文件手续)		
Agreed by (signed-off by)	Sun Xiao	Yang Guoqiang	A former director of Jiangsu Jurong

- 4.2.12. Yang Guoqiang represented that he provided his approval for Jiangsu Jurong's Finance team to apply the company and legal representative seals on the BOC Corporate Guarantee at the end of December 2017 or beginning of January 2018.
- 4.2.13. The Finance Director of Jurong Group represented that the BOC Letter of Demand was delivered to Jurong Group's HQ and he subsequently brought the letter to Sun Xiao's attention. The Finance Director of Jurong Group also informed the Finance Manager of Jiangsu Jurong on the BOC Letter of Demand received.
- 4.2.14. Yang Guoqiang had on 8 July 2019 represented that he became aware of the BOC Letter of Demand at the end of December 2018 after the said Finance Manager of Jiangsu Jurong had informed him of the same.
- 4.2.15. We observed that the BOC Letter of Demand was issued by the lawyers acting on behalf of Bank of China on 15 December 2018. A summary of the BOC Letter of Demand is presented in the table below. A copy of the BOC Letter of Demand is provided in Exhibit 12.

Table 28: Summary of the BOC Letter of Demand

Date	15 December 2018
Information extracted from the BOC Letter of Demand	(1) Since October 2018, Jiangsu Dahe has overdue interest of approximately RMB0.47 million and has not settled all borrowings of RMB42.50 million. The

	<p>total overdue amount is approximately RMB42.97 million.</p> <p>(但2018年10月至今、江苏大和绿碱化工有限公司利息已逾期、并且皆未结清所有借款4250万元、所欠利息计 471061.50 元、本息合计 务42971061.50 元.)</p> <p>(2) The law firm requests Jiangsu Jurong (upon receiving this letter) to fulfil its joint repayment responsibilities and make repayment before 20 December 2018. Otherwise, the law firm will act in accordance with the law as authorized.</p> <p>(本律师敬请贵公司收函后在 2018 年 12 月 20 日前积极履行连带偿还责任. 否则本律师将根据授权依法行事.)</p>
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4.2.16. Based on the email correspondences between the Financial Controller of Sunvic Group and the Independent Directors on 3 January 2019, it appears that the Independent Directors were made aware of the BOC Letter of Demand on the same day.

4.2.17. The Accounts Manager of Bank of China stated that Bank of China is currently not allowed to take any legal actions against the companies which operates in the Chenjiagang Chemical Industrial Park and were affected by a certain explosion in March 2019 due to the direction of the local authorities.

4.3. Absence of disclosure surrounding the corporate guarantees given by Jiangsu Jurong since 2016

4.3.1. We observed in Sunvic Group's AR for FY2015, there was a disclosure in relation to guarantees provided to unrelated parties amounting to RMB42.50 million.

4.3.2. Based on the interview the Accounts Manager of Bank of China, we understand that the credit limit of Jiangsu Dahe's loans from Bank of China has remained as RMB42.50 million since July 2015.

- 4.3.3. Based on the loan and corporate guarantee agreements provided for our assessment, we noted that Jiangsu Jurong was one of the corporate guarantors for Jiangsu Dahe's loans. We noted there were two RMB42.50 million loans which were due after the end of Sunvic Group's FY (i.e., 7 January 2017 and 2 February 2018). However, it was disclosed in Sunvic Group's AR for FY2016 that the "Group has acted as a corporate guarantor to provide guarantees to unrelated parties amounting to RMB Nil" and we noted that there was no disclosure in relation to the provision of corporate guarantee to unrelated parties in Sunvic Group's AR for FY2017.
- 4.3.4. Despite the "fresh corporate guarantees" for these loans as represented by the Board in its announcement dated 19 February 2019, it was observed that the loans obtained by Jiangsu Dahe from Bank of China appeared to be continuous loans with the same credit limit of RMB42.50 million since July 2015.
- 4.3.5. We reached out to the External Auditors to obtain relevant information and documentation relating to the provision of corporate guarantees by Jiangsu Jurong to unrelated parties in FY2016 and FY2017. The External Auditors stated that they performed independent searches with the PBOC. Based on the work performed, the External Auditors stated that they were satisfied that there was no corporate guarantee provided by Jiangsu Jurong to unrelated parties.
- 4.3.6. The External Auditors provided us with an incomplete and truncated PBOC reports³⁰ extracted on 18 January 2017 and 12 January 2018 (in relation to their audit of financial statements of Jiangsu Jurong for FY2016 and FY2017 respectively) showing that:
- (a) The PBOC report extracted by the External Auditors on 18 January 2017 showed that Jiangsu Jurong had purportedly provided guarantees of approximately RMB2.50 billion as of 18 January 2017.
 - (b) The External Auditors informed us that they could not provide the details of the corporate guarantees provided by Jiangsu Jurong as of 18 January 2017. The External Auditors stated the available PBOC report does not contain details of the corporate guarantees provided by Jiangsu Jurong.

³⁰ Credit file that reflects the credit status of an enterprise.

- (c) The PBOC report extracted by the External Auditors on 12 January 2018 showed that Jiangsu Jurong had purported provided a guarantee on RMB10.00 million to Jiangsu Dahe as of 12 January 2018. The External Auditors had on 16 July 2019 stated that they obtained a verbal confirmation from the Financial Controller of Sunvic Group that there was no corporate guarantee provided to unrelated parties as of the end of FY2017 and that the loan of RMB10.00 million owing by Jiangsu Dahe existed after 31 December 2017. However, during our interview the Financial Controller of Sunvic Group on 16 July 2019, he denied providing such confirmation to the External Auditors.

A copy of the PBOC reports dated 18 January 2017 and 12 January 2018 can be found in Exhibit 13.

- 4.3.7. The External Auditors stated that they could not provide any additional documentation on the work performed in relation to the corporate guarantees provided to unrelated parties as of the end of FY2016 and FY2017.
- 4.3.8. Based on the credit report for Jiangsu Jurong extracted from the Bank of China (Jiangsu Province branch) on 31 May 2019, we noted that the guarantee of RMB42.50 million was shown in the report. A copy of the credit report for Jiangsu Jurong extracted from the Bank of China (Jiangsu Province branch) dated 31 May 2019 can be found in Exhibit 14.

4.4. Discrepancies in the announcement issued by Sunvic

4.4.1. Prima facie, there appears to be a breach of disclosure requirements under Rule 703 of the SGX Listing Manual and Appendix 7.1 of the SGX Listing Manual which require the content of a press release or other public announcement to be factual, clear and succinct based on the circumstances presented below.

(a) Page 2 – Question 2: BOC Corporate Guarantee (paragraph 1) of the announcement dated 19 February 2019

“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...”

(i) We noted that the statement appears to be inaccurate as the cross-guarantee arrangement between the two parties (i.e., Jiangsu Jurong and Jiangsu Jurong Petroleum Chemical Co., Ltd, on one part, and Jiangsu Dahe, Shaoxing County Zhenya Heat & Electricity Co., Ltd and Zhejiang Dahe Textile Dye & Print Clothing (Group) Co., Ltd. on the other) was valid from 19 October 2009. A copy of the cross-guarantee agreement between the parties dated 19 October 2009 can be found in Exhibit 15.

(b) Page 3 – Question 2: BOC Corporate Guarantee (paragraph 4) and page 5 – Question 5 of the announcement dated 19 February 2019

“Mr Sun Xiao...was aware of the BOC Corporate Guarantee after the BOC Corporate Guarantee had been entered into by 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.”

- (i) We noted that these statements do not appear to be accurate as Sun Xiao, a member of the Board, together with Yang Guoqiang and a former director of Jiangsu Jurong, had given their approvals for Jiangsu Jurong to act as the corporate guarantor for Jiangsu Dahe based on directors' resolution of Jiangsu Jurong dated 5 January 2018 (refer to Paragraphs 4.2.10 and 4.2.11 of this report).
 - (ii) The Accounts Manager of Bank of China had on 19 June 2019 represented that Bank of China requires a corporate guarantee agreement to be accompanied by a resolution from the directors. Jiangsu Jurong would be required to submit an undated directors' resolution and undated corporate guarantee agreement to Bank of China prior to the approval of the BOC Loan. The Accounts Manager of Bank of China also stated that he would date those documents submitted by Jiangsu Jurong subsequently.
 - (iii) We sought clarification from Sun Xiao on 20 June 2019 and he acknowledged his signature on the directors' resolution dated 5 January 2018 and stated that it was "a document required by Bank of China, but it was not evidence of him granting an approval" ("只是中国银行要求的流程文件，并不构成他的审批证明") for the provision of the corporate guarantee by Jiangsu Jurong to Jiangsu Dahe.
- (c) Page 3 – Question 2: BOC Corporate Guarantee (paragraph 2) of the announcement dated 19 February 2019

"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 Liu Wen on 3 January 2019."

- (i) We noted that this statement does not appear to be fully representative of the Independent Directors' knowledge in relation to the BOC Corporate Guarantee.

- (ii) Based on the cross-guarantee summaries for the quarter ended 31 March 2018, 30 June 2018 and 30 September 2018 appended to the minutes of the AC meetings held on 15 May 2018, 13 August 2018 and 14 November 2018, it appeared that the Independent Directors were made aware that Jiangsu Jurong had provided corporate guarantees to "Third Parties".
- (iii) The names of the "Third Parties" were not disclosed in the cross-guarantee summaries as at 31 March 2018 and 30 June 2018³¹ but was disclosed in the cross-guarantee summary as at 30 September 2018 to be "Jiangsu Dahe". A copy of the minutes of the AC meetings held on 15 May 2018, 13 August 2018 and 14 November 2018 can be found in Exhibit 16.
- (iv) The corporate guarantee provided to the "Third Parties" amounted to "4,250". It appeared that the amount of "4,250" presented in the cross-guarantee summaries as at 31 March 2018, 30 June 2018 and 30 September 2018 were presented in RMB10,000 (i.e., 万元) (i.e., RMB42.50 million) and was confirmed by the Financial Controller of Sunvic Group.
- (v) The Independent Directors represented on 5 and 9 July 2019 that: (i) there were inconsistency on formats of number presentation ("thousand" or "ten thousands") and they were being led by the Financial Controller of Sunvic Group to believe that the corporate guarantees provided by Sunvic Group to unrelated third parties was RMB4.25 million instead of RMB42.50 million (i.e., 千元 instead of 万元); and (ii) they were managing "legacy" cross-guarantees (both related and unrelated parties) as a whole, and they did not specifically focus on the Dahe Corporate Guarantee as the amount was "insignificant" to the aggregate amount of the cross-guarantees.

³¹ The cross-guarantee summary was erroneously dated "31 June 2018".

- (vi) The Financial Controller of Sunvic Group had on 16 July 2019 stated that he could not recall representing to the Independent Directors that the corporate guarantee provided by Jiangsu Jurong was RMB4.25 million or RMB42.50 million, and that the focus during the AC meetings had always been on the corporate guarantees provided to and received from related parties as it was a “bigger issue” for Sunvic Group.

- (d) Page 7 – Question 9 of the announcement dated 19 February 2019

“Mr Sun Xiao, Mr Liu Wen and Mr Yang Guoqiang explained that upon the receipts of the 2 letters of demands (i.e., YFC Letter of Demand and BOC Letter 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 two letters of demand”.

- (i) We noted that this statement appears to be inaccurate as both Sun Xiao and Yang Guoqiang represented that they did not follow-up with Jiangsu Dahe and Bank of China upon the receipt of the BOC Letter of Demand.

4.5. Lack of adequate controls over approving and monitoring of corporate guarantees extended to third parties

4.5.1. Based on the announcement made by the Board on 19 February 2019, we understand that there was no specific due diligence which has been conducted in respect of the BOC Corporate Guarantee, and Yang Guoqiang had represented that he has been monitoring closely the Dahe Cross Guarantee Arrangement through monthly meetings with the representatives of Jiangsu Dahe since its commencement.

4.5.2. Based on the interviews and subsequent clarification, Yang Guoqiang represented that:

- (a) There was no specific due diligence conducted prior to approving the BOC Corporate Guarantee agreement because he was familiar with Jiangsu Dahe.
- (b) Jiangsu Jurong and Jiangsu Dahe's factories were operating in the same industrial chemical park (i.e., Chenjiagang Industrial Chemical Park) and Yang Guoqiang has established good relationship with the former General Managers of Jiangsu Dahe.
- (c) Yang Guoqiang was being informed of Jiangsu Dahe's business operations (e.g., overall sales, cost and product prices, and whether Jiangsu Dahe was profitable) through high-level discussions with the management of Jiangsu Dahe at the monthly operational meeting held at the Chenjiagang Industrial Chemical Park. There was no detailed discussion or exchange about Jiangsu Dahe's financial position.
- (d) Jiangsu Dahe resumed its operations sometime in September 2018 after the entire Chenjiagang Chemical Industrial Park was ordered to shut-down by the government due to environmental pollution issue in April 2018. As Jiangsu Dahe has resumed its operation in September 2018, Yang Guoqiang believed that the risk of Jiangsu Dahe defaulting on the BOC Loan was relatively low.
- (e) Yang Guoqiang believed that Jiangsu Dahe would not default on the loan because "Jiangsu Jurong is an important cooperation partner of Jiangsu Dahe" ("因为江苏裕廊对于江苏大和是重要合作伙伴").

- 4.5.3. We had on 18 June 2019 interviewed the former General Manager of Jiangsu Dahe and we were informed that Jiangsu Dahe only restarted its production in January 2019 (i.e., contrary to Yang Guoqiang's representation that Jiangsu Dahe had resumed its operations in September 2018) and its cashflow was affected due to the production halt since April 2018.
- 4.5.4. The former General Manager of Jiangsu Dahe could not provide us with the relevant information as he claimed that he had limited knowledge of the BOC Corporate Guarantee. He stated that Jiang Lili was the personnel in-charge of the BOC Loan. We requested for an interview with Jiang Lili but were informed by the management of Sunvic Group that she has refused to speak with us.
- 4.5.5. Subsequently, on 6 August 2019, we received a written representation by Jiang Lili dated 20 July 2019 through the management of Sunvic Group. We could not verify if this letter was indeed from Jiang Lili as we had not been given the opportunity to speak with her³². We included a copy of Jiang Lili's letter dated 20 July 2019 in this report as Exhibit 17 for information purpose only.
- 4.5.6. Following the execution of the BOC Corporate Guarantee, Yang Guoqiang did not request for the financial data of Jiangsu Dahe. Based on the financial position of Jiangsu Dahe for the calendar years 2017 and 2018 extracted from the Tax Bureau of Jiangsu Province on 27 June 2019, we noted that Jiangsu Dahe's current ratio in 2017 and 2018 were approximately 0.35 and 0.25 respectively. A summary of the financial position of Jiangsu Dahe is presented in the table below.

Table 29: Summary Jiangsu Dahe's financial position for the calendar years 2017 and 2018

Description	Amount (RMB' million)	
	2018	2017
Current assets	138.79	200.03
Non-current assets	561.35	457.19
Total assets	700.14	657.22
Current liabilities	562.61	565.45
Non-current liabilities	0.01	0.55

³² The management of Sunvic Group could not provide us with the contact details of Jiang Lili.

Description	Amount (RMB' million)	
	2018	2017
Total liabilities	562.62	566.00
Total owner's equity	137.52	91.22

A detailed breakdown of Jiangsu Dahe's financial position for the calendar years 2017 and 2018 can be found in Appendix 6.

- 4.5.7. Had Yang Guoqiang and/or the management of Sunvic Group performed a thorough assessment of Jiangsu Dahe, they would have identified that Jiangsu Dahe was lacking the ability to meet its short-term financial obligations and would have been alerted with the risk associated with the provision of guarantees to Jiangsu Dahe.

End of report

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