

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

**RESPONSE TO SGX QUERIES ON THE SECOND QUARTER RESULTS
FOR THE PERIOD ENDED 30 JUNE 2017**

All capitalised terms used herein, unless the context otherwise requires, shall bear the meanings ascribed to them in the 2Q2017 results (as defined below).

Sunvic Chemical Holdings Limited (the "Company") has received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") regarding the Company's Second Quarter Results for the financial period ended 30 June 2017 ("Q2 2017") announced on 14 August 2017 (the "2Q2017 results"). The Company's responses to the queries of the SGX-ST are set out below:-

1. On page 11 of the Announcement, it was disclosed that trade receivables from related parties had increased to RMB 640.5 million.
 - a. Please explain why related parties' trade receivables has increased so significantly without a corresponding increase in revenue.
 - b. Please disclose the identities of these related parties and explain how they will be able to repay the Company for the substantial amounts due.
 - c. Please provide an aging schedule of the trade receivables and disclose the credit terms.
 - d. Please provide the Audit Committee's views on whether the terms of the related parties' transactions are at arm's length and in the interest of the Company and its minority shareholders.

Company's response:

- a. The trade receivables due from related parties increased mainly due to late payments from the related parties.

- b. Breakdown of the trade receivables from related parties of approximately RMB640.5million is as follows:-

	RMB'000
Jiangsu Yinyan	98,752
Yixing Danson	184,279
Taixing Jinyan	267,099
Arkema group of companies	90,338
	640,468

Jiangsu Yinyan, Yixing Danson and Taixing Jinyan are taking longer than expected to pay due to credit tightening from their bankers and the expansion of production plants by these companies; thereby resulting in tight cash flows in these companies.

After taking into consideration the general operating and business environments in which these entities are operating, the Company's management is of the view that Yixing Danson and Taixing Jinyan have sufficient financial resources to repay the outstanding debts.

Despite a relatively weaker financial position, Jiangsu Yinyan has a good credit record with our Group and our Group has been transacting with Jiangsu Yinyan for more than 10 years. As such, the Company's management believes that, no impairment allowance is necessary at this stage.

The Company's management will continue to monitor the repayments from these related parties and their cash flow situation closely to minimise our Group's credit exposure.

In addition, the members of the Audit Committee are currently in discussions with the majority shareholder of the Company, the family of which controls the related parties (except for Arkema), to provide certain undertakings in relation to all the of the related parties' (except for Arkema's) debts and guarantees provided by our Group in their favour. This is to safe guard the interest of the Company and to ensure that the risk exposure of our Group is adequately managed.

- c. The ageing of the trade receivables from related parties as at 30 June 2017 is as follows:-

	RMB'000
Current	355,663
Past due from 1 to 90 days	126,102
Past due from 91 to 180 days	94,934
Past due for more than 180 days	63,759
	640,458

The credit terms granted to all trade receivables (including 3rd parties and related parties) are generally on 30 to 90 days' terms.

- d. The members of the Audit Committee have reviewed the terms of the related parties' transactions and have held discussions with the Company's management with a view to tightening the credit terms extended to related parties as these related parties are now taking longer to make repayments.
2. It was disclosed that "Prepayments and deposits" increased to RMB 23.2 million. Please explain what are these "prepayments and deposits", including who these are paid to, the nature of the underlying transactions, and the reasons for the increase.

Company's response:

The prepayments and deposits mostly related to deposits on utilities, plant and equipment paid to suppliers as well as prepayments made due to operational needs. This amount increased by RMB2.1 million to RMB23.2 million as at 30 June 2017 compared to RMB21.1 million as at 31 December 2016.

3. On page 12, it was disclosed that a “net cash outflow of RMB 9.8 million in Q2 2017” was “mainly due to acquisitions of property, plant and equipment”. Please elaborate on the details of these acquisitions.

Company’s response:

The acquisitions of property, plant and equipment in Q2 2017 mainly related to:-

- (i) the replacement of catalyst (for production of AA) by the joint venture entity; and
 - (ii) the equipment and modifications carried out by our Group’s Xiangshui plant to improve efficiency and compliance with new regulatory requirements.
4. On page 13, it was disclosed that the “operating environment of AA industry remains challenging due to the current oversupply situation in the PRC”. Please explain the Company’s rationale for acquiring property, plant and equipment and increasing inventories, when the Company’s sales volumes are falling and there is an oversupply situation.

Company’s response:

Even though the operating environment of AA industry remains challenging due to the current oversupply situation in the PRC, the Company has to continue to invest in the plant and equipment to comply with new regulatory requirements as well as to maintain its market share and remain competitive in the AA industry.

The level of inventories that our Group carries is depending on our sale forecast for the next 6 weeks, market sentiments as well as production schedules.

5. In view of the significant cross guarantees and breach of Listing Rule 906, please disclose if there are any defaults of the underlying loans guaranteed by the Company, and the maturity dates of the cross guarantees to the Interested Persons.

Company's response:

As far as the Company's management is aware, there has been no default of the underlying loans guaranteed by the Company.

The guarantees provided to the Interested Persons contained numerous guarantee agreements with several banks in the PRC and the maturity dates of the guarantees provided are generally for a period of one year (for working capital loans) and for a period of more than a year (for equipment loans). The maturity dates for these guarantees will end between 2018 to December 2023 at the latest.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
14 September 2017