



News Release

30 November 2015

SGX reprimands Sunvic Chemical Holdings Limited

Public reprimand: breaches of Listing Rules

1. Singapore Exchange Limited reprimands **Sunvic Chemical Holdings Limited** (the “Company”) for breaches of listing rules relating to interested person transactions (“IPTs”). The Company failed to make immediate announcements of and seek shareholders’ approval for IPTs conducted in FY2013, FY2014 and FY2015 with associates of Sun Xiao, the Company’s Executive Director and Chief Executive Officer (the “CEO”) (appointed on 9 January 2013) and the late Sun Liping, the former Executive Chairman and CEO (appointed from 24 April 2009 to 9 January 2013). The Company also failed to ensure that IPTs were properly disclosed in the Company’s respective Annual Reports for FY2013 and FY2014.

Details of Listing Rule breaches

Background

2. On 14 April 2014, the Company announced that its auditors, Foo Kon Tan Grant Thornton LLP, issued a Qualified Opinion and Emphasis of Matter on various matters in the financial statements of the Company and its subsidiaries (“Group”) for FY2013. The Emphasis of Matter highlighted, inter alia, breach of SGX listing rules in relation to the IPTs between the Group and Taixing Jinyan Chemical Technology Co., Ltd (“Taixing Jinyan”) ¹ in FY2013 where shareholders’ approval had not been obtained. The transactions consist of “short term loans to Taixing Jinyan amounting to RMB 333 million, the purchase of assets on behalf of [interested persons of] RMB60 million, sale of chemical products of RMB180 million, and the transfer of land use rights of RMB20 million.” The auditors noted that whilst the Company has appointed the relevant professional advisers to assist, they had not convened the extraordinary general meeting to obtain shareholders’ approval. The total value of transactions with Taixing Jinyan exceeded 5% of the Group’s latest audited net tangible asset (“NTA”) at the relevant time.
3. In the Company’s announcement of its 1Q FY2014 Results on 15 May 2014, the Company disclosed that the Group “has new IPTs with Taixing Jinyan”. The Company also disclosed that “[t]he Company is in the process of seeking ratification from its shareholders (the “Shareholders”) of such transactions in accordance with the requirements of Chapter 9 of the Listing Manual. As such, the Audit Committee shall be seeking advice from an Independent Financial Advisor (to be appointed) in relation to the Past Recurring IPTs and the Company will be convening the extraordinary general meeting (the “EGM”) in due course to seek the Shareholders’ ratification for the Past Recurring IPTs. In addition, the Group anticipates that as those IPTs with [...] Taixing Jinyan will continue in the future and thus proposes to seek Shareholders’ approval for a general mandate for this purpose at the EGM.” (“Statement of Intent”). The Statement of Intent was repeated in the Company’s announcements of its 2Q FY2014, 3Q FY2014, FY2014, 1Q FY2015 and 2Q FY2015 Results.

¹ As disclosed in the FY2014 Annual Report, Ms. Hu Yanping (wife of Late Mr. Sun Liping and a substantial shareholder of the Company), Mr. Sun Xiao (the Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan and Taixing Jinyan is a 70% owned subsidiary company of Jiaying Jinyan.

4. On 26 January 2015, a draft circular for the proposed ratification of past relevant IPTs and proposed inclusion of new transactions in its IPT Mandate was submitted for the Exchange's review. The draft circular indicated that in addition to Taixing Jinyan, there were further undisclosed IPTs relating to Taixing Yumeng Wuzhi Co., Ltd ("Taixing Yumeng")², Jiaying Jinyan Chemical Co., Ltd ("Jiaying Jinyan")³ and Jiangsu Yinyan Specialty Chemical Co., Ltd ("Jiangsu Yinyan")⁴. These include the purchase of equipment and the provision of corporate guarantees. The Exchange provided comments and also informed that the provision of corporate guarantees for interested persons are not transactions in the Company's ordinary course of business, and therefore, cannot be included in an IPT Mandate under Rule 920 of the Listing Manual. The Company withdrew their circular application on 5 May 2015.
5. On 1 March 2015, the Company disclosed in its FY2014 Results announced that it had entered into "New IPTs" with Taixing Yumeng amounting to RMB102.7 million, representing 4.6% of the Group's latest audited net tangible assets.
6. The Company's FY2014 Annual Report, issued on 14 April 2015, contained the auditor's emphasis of matters, inter alia, that shareholders' approval had not been obtained for certain IPTs, including the purchase of assets on behalf of interested persons and sale of chemical products. The auditors noted that "the Company has appointed the relevant professional advisers to assist. The Company has not convened the extraordinary general meeting as at the date of this report as they are in the process of responding to queries from the SGX in respect of the contents in the shareholder's circular to the extraordinary general meeting. We draw your attention to the uncertainty related to the outcome of this convening of extraordinary general meeting or the non-compliance of the SGX listing rules."
7. The aggregate values of the IPTs entered into with associates of Mr Sun Xiao and Mr Sun Liping exceeded 5% of the Group's then-latest audited net tangible assets in FY2013, FY2014 and for 1H FY2015.
8. The Board explained that notwithstanding the requirements of Chapter 9 of the Listing Manual, the Group had continued to conduct certain IPTs as these IPTs were necessary for the business operations of the Group and stopping them abruptly would have a material adverse impact on the Group. The Board is also of the view that the IPTs "did not result in any prejudice to the interests of the Company and its minority shareholders" and "that upon discovery of the relevant IPTs, disclosures of the IPTs were made in the Company's quarterly financial statements and annual reports, although the Board acknowledges that disclosures were neither timely nor in the prescribed form".
9. The Board submitted that it had always intended to seek shareholders' ratification in relation to the past IPTs and shareholders' approval for an IPT mandate. It also took the view that "the Board had done the best it could to resolve these issues [...] that have persisted to date".

Relevant Rules

10. Chapter 9 of the Listing Manual requires an issuer to make an immediate announcement of any interested person transaction that is or any IPT which when aggregated with other transactions entered into with the same interested person is, of a value equal to, or more than, 3% of the group's latest audited net tangible assets. The issuer must also obtain shareholder approval for any interested person transaction that is, or any IPT which when aggregated with other transactions entered into with the same interested person is, of a value equal to, or more than 5% of the group's latest audited net tangible assets. It also requires an issuer to disclose in a prescribed format the aggregate value of IPTs entered into during the financial year under review in its annual report.
11. A summary of the relevant IPTs that breached Listing Rules under Chapter 9 is found in Annex A. Details of the relevant Listing Rules are found in Annex B

² As disclosed in the FY2014 Annual Report, Taixing Yumeng is a subsidiary of Taixing Jinyan, which is an Interested Person to the Company

³ As disclosed in the FY2014 Annual Report, Ms. Hu Yanping, Mr. Sun Xiao (the CEO of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan, while Taixing Jinyan is a 70% owned subsidiary company of Jiaying Jinyan. Mr Sun Xiao is the son of Ms Hu Yanping

⁴ As announced by the Company on 8 April 2015, Ms. Hu Yanping, Mr. Sun Xiao (the CEO of the Company) and their associates own in aggregate 94% of the equity interest in Jiangsu Yinyan. Mr Sun Xiao is the son of Ms Hu Yanping

Basis for reprimand

12. The Listing Rules are clear in the requirements for IPTs. The Company has failed to comply with the Listing Rules.
13. Even if the IPTs were beneficial or were not prejudicial to the interests of the Company and its minority shareholders, such IPTs are nonetheless not exempted from immediate disclosure under Chapter 9 of the Listing Manual. Given the potential conflict of interest, it is for the shareholders rather than the Company to judge whether the IPTs were beneficial or were not prejudicial to the interests of the Company and its minority shareholders.
14. While the Company has exhibited efforts to procure shareholder approval for certain IPTs, this was not done in a timely manner. In fact, shareholder approval has not been procured to date.
15. Although the Company disclosed some of the IPTs under Related Party Transactions in its Notes to the Accounts, the transactions were not disclosed in its Annual Report in the prescribed format for IPTs as required under Chapter 9 of the Listing Manual.
16. The Listing Rules seek to secure and maintain confidence in the market. They require issuers to disclose information that investors and their professional advisers would reasonably require to make an informed assessment of the securities. Companies' compliance with SGX's Listing Rules is crucial to a well-functioning market which has the confidence of market participants. As such, SGX takes very seriously Listing Rule breaches by listed companies.
17. The Exchange reprimands the Company for the breaches set out above.

-End-

Annex A

Summary of Relevant IPTs in breach of Chapter 9 of the Listing Manual

Interested persons/ Associates of Sun Xiao	Financial Period		Amount (RMB million)	% of latest Audited NTA	Latest Audited NTA (RMB m)	Type of transaction
Taixing Jinyan ⁵	FY2013 ⁶	IPT 1	333.0	17.8%	1,874.2	Short term loans
		IPT 2	60.0	3.2%		Company purchased assets on behalf of Taixing Jinyan
		IPT 3	180.0	9.6%		Sales of chemical raw materials
		IPT 4	20.0	1.1%		Sale of land use rights
	Total FY2013		593.0	31.6%		
	FY2014	IPT 5²	34.9	1.5%	2,251.8	Company purchased assets on behalf of Taixing Jinyan
		IPT 6²	245.1	10.9%		Sales of chemical raw materials
		IPT 7¹⁰	8.1	0.4%		Sales of products
	Total FY2014		288.1	12.8%		
	1H2015	IPT 8⁷	239.0	12.0%	1,997.28	Provision of corporate guarantee for the benefit of Taixing Jinyan
		IPT 9⁵	173.1	8.7%		Purchase of raw material on behalf of Taixing Jinyan
	YTD FY2015		412.1	20.6%		

⁵ As disclosed in the auditors' Emphasis of Matter in the Company's FY2014 Annual Report. It was also disclosed that Ms. Hu Yanping (Mr. Sun Liping's wife), Mr. Sun Xiao (the Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan and Taixing Jinyan is a 70% owned subsidiary company of Jiaying Jinyan. Mr Sun Xiao is the son of Ms Hu Yanping.¹⁰

⁶ As disclosed in the auditor's Emphasis of Matter for FY2013.

⁷ As disclosed on the 2Q2015 Results announced on 14 August 2015.

Interested persons/ Associates of Sun Xiao	Financial Period		Amount (RMB million)	% of latest Audited NTA	Latest Audited NTA (RMB m)	Type of transaction
Taixing Yumeng ⁸	FY2014	IPT 11	102.7⁹	4.6%	2,251.8	Company purchased equipment from Taixing Yumeng
Jiaxing Jinyan ¹⁰	YTD FY2015	IPT12	96.2¹¹	4.8%	1,997.28	Provision of corporate guarantee for the benefit of Jiaxing Jinyan
Jiangsu Yinyan ¹²	YTD FY2015	IPT 13	62.3¹⁰	3.1%	1,997.28	Provision of corporate guarantee for the benefit of Jiangsu Yinyan

⁸ Taixing Yumeng Wuzhi Co., Ltd (“**Taixing Yumeng**”). As disclosed in the FY2014 Annual Report, Taixing Yumeng is a subsidiary of Taixing Jinyan, which is an Interested Person to the Company.

⁹ This amount was disclosed as “Purchase of spare parts and equipment: RMB102.7 million” in the FY2014 Results. However, noted that under the draft circular submitted, Taixing Yumeng purchased equipment and spare parts on behalf of Taixing Jurong (an indirect wholly-owned subsidiary), where the aggregate value of the equipment purchased amounted to RMB121.8 million.

¹⁰ Jiaxing Jinyan Chemical Co., Ltd (“**Jiaxing Jinyan**”). As disclosed in the FY2014 Annual Report, Ms. Hu Yanping, Mr. Sun Xiao (the Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaxing Jinyan, while Taixing Jinyan is a 70% owned subsidiary company of Jiaxing Jinyan. Mr Sun Xiao is the son¹⁰ of Ms Hu Yanping.

¹¹ As disclosed in the draft circular submitted to the Exchange on 26 January 2015.

¹² Jiangsu Yinyan Specialty Chemical Co., Ltd (“**Jiangsu Yinyan**”). As announced by the Company on 8 April 2015, Ms. Hu Yanping, Mr. Sun Xiao (the Chief Executive Officer of the Company) and their associates own in aggregate 94% of the equity interest in Jiangsu Yinyan. Mr Sun Xiao is the son¹⁰ of Ms Hu Yanping.

Annex B

Listing Rule 905 states that:

- “(1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets.
- (2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.
- (3) Rule 905(1) and (2) does not apply to any transaction below \$100,000.”

Listing Rule 906 states that:

- “(1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:—
- (a) 5% of the group's latest audited net tangible assets; or
- (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
- (2) Rule 906(1) does not apply to any transaction below \$100,000.”
- Listing Rule 907 states that “An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the following format:—

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
---------------------------	---	---

Listing Rule 917 states that:

“An announcement under Rule 905 must contain all of the following information:—

- (1) Details of the interested person transacting with the entity at risk, and the nature of that person's interest in the transaction.
- (2) Details of the transaction including relevant terms of the transaction, and the bases on which the terms were arrived at.
- (3) The rationale for, and benefit to, the entity at risk.
- (4) (a) A statement:—
- (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or

(ii) that the audit committee is obtaining an opinion from an independent financial adviser before forming its view, which will be announced subsequently.

(b) Transactions that satisfy Rule 916(1), (2) and (3) are not required to comply with Rule 917(4)(a).

(5) The current total for the financial year of all transactions with the particular interested person whose transaction is the subject of the announcement and the current total of all interested person transactions for the same financial year.

(6) Where the issuer accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from the vendor of businesses/assets, the information required in Rule 1013(1). The issuer must also comply with Rule 1013(3).

Listing Rule 918 further states that “If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.”

Listing Rule 1207(17) states that “The information required by Rule 907 in respect of any interested person transactions entered into during the financial year.”

About Singapore Exchange (SGX)

Singapore Exchange is Asia’s leading and trusted market infrastructure, facilitating the exchange of capital and ideas to create value for people, businesses and economies. As a multi-asset exchange operating equity, fixed income and derivatives markets to the highest regulatory standards, SGX is a vertically integrated business that provides listing, trading, clearing, settlement, depository and data services. With about 40% of listed companies and 90% of listed bonds originating outside of Singapore as well as established linkages across the region and in Europe, SGX is Asia’s most international and connected exchange.

Offering a full suite of derivatives products across Asian equity indices, commodities and currencies, SGX is the world’s most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN. The exchange was one of the first globally to adopt the Principles for Financial Market Infrastructure, the first and only central counterparty in the region to be fully approved by U.S. regulators as a Derivatives Clearing Organisation and a Foreign Board of Trade, and is recognised by European Union regulators for both securities and derivatives. As Asia’s pioneering central counterparty, SGX is globally recognised for its risk management and clearing capabilities. In 2015, SGX was awarded Derivatives Exchange of the Year by Asia Risk, Futures and Options World and Global Capital as well as Central Counterparty (CCP) of the Year by Asia Risk.

Headquartered in AAA-rated Singapore, SGX has over 700 employees including offices in Beijing, Hong Kong, London, Mumbai, Shanghai and Tokyo. For more information, please visit www.sgx.com.

Media Contact

Carolyn Lim
Marketing & Communications
+65 6236 8139
Carolyn.lim@sgx.com

Singapore Exchange
2 Shenton Way
#02-02 SGX Centre 1
Singapore 068804
main: +65 6236 8888
sgx.com