

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the First Quarter Ended 31 March 2017

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST QUARTER RESULTS

1(a) A statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q1 2017 RMB'000	Q1 2016 RMB'000	+/(-) %
Revenue	588,921	422,298	39.5
Cost of sales	(506,286)	(423,725)	19.5
Gross profit/(loss)	82,635	(1,427)	NM
Other operating income	8,917	16,664	(46.5)
Distribution expenses	(22,895)	(12,230)	87.2
Administrative expenses	(32,198)	(28,743)	12.0
Other operating expenses	(8,007)	(11,131)	(28.1)
Profit/(loss) from operations	28,452	(36,867)	177.2
Finance costs	(28,522)	(21,967)	29.8
Loss before income tax	(70)	(58,834)	(99.9)
Income tax expense	(3,653)	(2,301)	58.8
Loss for the period	(3,723)	(61,135)	(93.9)
Other comprehensive income			
Translation difference relating to financial statements of foreign subsidiaries with functional currency other than RMB	(22)	(59)	(62.7)
Total comprehensive loss for the period	(3,745)	(61,194)	(93.9)
Attributable to:			
Owners of the Company	(3,698)	(60,862)	(93.9)
Non-controlling interests	(47)	(332)	(85.9)
Total comprehensive loss for the period	(3,745)	(61,194)	(93.9)

The following items have been included in arriving at profit before taxation:-

	Q1 2017 RMB'000	Q1 2016 RMB'000	+/(-) %
Interest income	(592)	(880)	(32.7)
Exchange loss/(gain), net	1,668	(166)	NM
Depreciation of property, plant and equipment	32,233	40,030	(19.5)
Amortisation of land use rights	444	135	228.9
Amortisation of intangible assets	98	399	(75.4)
Interest paid and payable to banks	28,522	21,967	29.8
Reversal of write down of inventories	(2,649)	(15,601)	(83.0)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,214,331	1,206,559	-	-
Intangible assets	9,932	9,915	-	-
Land use rights	48,328	48,772	-	-
Subsidiaries	-	-	342,623	342,623
Deferred tax asset	24,430	24,430	-	-
Value-added tax recoverable	85,513	86,380	-	-
	<u>1,382,534</u>	<u>1,376,056</u>	<u>342,623</u>	<u>342,623</u>
Current assets				
Inventories	204,407	81,893	-	-
Non-current assets held for sale	12,464	12,532	-	-
Trade and other receivables	916,352	990,299	46,035	45,283
Pledged deposits	217,875	65,709	-	-
Cash and bank balances	239,126	196,507	268	1,036
	<u>1,590,224</u>	<u>1,346,940</u>	<u>46,303</u>	<u>46,319</u>
Total assets	<u>2,972,758</u>	<u>2,722,996</u>	<u>388,926</u>	<u>388,942</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	708,961	712,659	64,074	65,151
Total equity attributable to equity holders of the Company	1,000,477	1,004,175	355,590	356,667
Non-controlling interests	(77,165)	(77,118)	-	-
Total equity	923,312	927,057	355,590	356,667
Non-current liabilities				
Interest bearing liabilities	168,750	180,000	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	176,250	187,500	-	-
Current liabilities				
Trade and other payables	939,669	645,956	33,336	32,275
Interest-bearing liabilities	930,951	957,300	-	-
Current tax payable	2,576	5,183	-	-
Total current liabilities	1,873,196	1,608,439	33,336	32,275
Total equity and liabilities	<u>2,972,758</u>	<u>2,722,996</u>	<u>388,926</u>	<u>388,942</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 March 2017		As at 31 December 2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
14,489	916,462	14,568	942,732

Amount repayable after one year

As at 31 March 2017		As at 31 December 2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
168,750	-	180,000	-

Details of any collateral

The secured bank borrowings are secured by certain of the Group's leasehold buildings, plant and machinery, land use rights and trade receivables.

Unsecured bank loans are guaranteed by Mdm Hu Yan Ping, Mr and Mrs Sun Xiao, Jiangsu Yinyan Specialty Chemicals Co., Ltd group of companies, in which Mdm Hu Yan Ping and Mr Sun Xiao are deemed to have significant interest.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q1 2017 RMB'000	Q1 2016 RMB'000
Operating activities		
Loss profit before income tax	(70)	(58,834)
Adjustments for:		
Interest expense	28,522	21,967
Interest income	(592)	(880)
Amortisation of intangible assets	98	399
Amortisation of land use rights	444	135
Depreciation of property, plant and equipment	32,233	40,030
Reversal of write down of inventories	(2,649)	(15,601)
Exchange differences	(22)	(59)
Operating profit/(loss) before working capital changes	57,964	(12,843)
Changes in working capital:		
Inventories	(119,865)	(3,022)
Trade and other receivables	74,882	200,638
Trade and other payables	342,305	(85,512)
Cash generated from/(used in) operations	355,286	99,261
Income taxes paid	(6,260)	(7,453)
Cash flows from operating activities	349,026	91,808
Investing activities		
Interest received	592	880
Purchase of property, plant and equipment and intangible assets	(88,712)	(53,830)
Cash flows used in investing activities	(88,120)	(52,950)
Financing activities		
Proceeds from interest-bearing liabilities	298,562	626,181
Repayments of interest-bearing liabilities	(336,161)	(736,268)
Interest paid	(28,522)	(21,967)
Deposits pledged	(152,166)	54,220
Cash flows from financing activities	(218,287)	(77,834)
Net increase/(decrease) in cash and cash equivalents	42,619	(38,976)
Cash and cash equivalents at beginning of the period	196,507	173,553
Cash and cash equivalents at end of the period	239,126	134,577

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity – The Group

	Share capital	Treasury shares	Merger reserve	Other reserves	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	291,516	(1,575)	(499)	305,600	(15,630)	424,763	1,004,175	(77,118)	927,057
Total comprehensive income for the period	-	-	-	-	(22)	(3,676)	(3,698)	(47)	(3,745)
At 31 March 2017	291,516	(1,575)	(499)	305,600	(15,652)	421,087	1,000,477	(77,165)	923,312
At 1 January 2016	291,516	(1,575)	(499)	305,600	(15,979)	766,252	1,345,315	(53,802)	1,291,513
Total comprehensive loss for the period	-	-	-	-	(59)	(60,803)	(60,862)	(332)	(61,194)
At 31 March 2016	291,516	(1,575)	(499)	305,600	(16,038)	705,449	1,284,453	(54,134)	1,230,319

Statement of Changes in Equity – The Company

	Share capital	Treasury Shares	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	291,516	(1,575)	66,726	356,667
Total comprehensive loss for the period	-	-	(1,077)	(1,077)
At 31 March 2017	291,516	(1,575)	65,649	355,590
At 1 January 2016	291,516	(1,575)	68,149	358,090
Total comprehensive loss for the period	-	-	(565)	(565)
At 31 March 2016	291,516	(1,575)	67,584	357,525

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the numbers of shares held as treasury shares, if any, against the number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company did not buy back any shares in Q1 2017. Total number of ordinary shares bought back as at 31 March 2017 amounted to 1,650,000. These shares are held as treasury shares.

	As at 31 March 2017 (‘000)	As at 31 December 2016 (‘000)
Number of issued shares	533,651	533,651
Number of treasury shares	(1,650)	(1,650)
Number of issued shares excluding treasury shares	<u>532,001</u>	<u>532,001</u>

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	As at 31 March 2017	As at 31 December 2016
Number of shares excluding treasury shares at the end of the period (‘000)	<u>532,001</u>	<u>532,001</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 31 March 2017.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period and the previous financial year.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Point 4 above.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Q1 2017	Q1 2016
Earnings per share (RMB cents):-		
Basic and diluted	<u>(0.7)</u>	<u>(11.4)</u>

	Group	
	Q1 2017	Q1 2016
	RMB'000	RMB'000
Basic earnings per share is based on:		
Net (loss)/profit attributable to ordinary shareholders of the Company	<u>(3,720)</u>	<u>(60,921)</u>

	No. of shares	
	Q1 2017	Q1 2016
	('000)	('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	<u>533,052</u>	<u>533,052</u>

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) Current financial period reported on; and
(b) Immediately preceding financial year.

	Group		Company	
	As at 31 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
Net assets attributable to the shareholders of the Company (RMB'000)	1,000,477	1,004,175	355,590	356,667
Net asset value per ordinary share (RMB cents)	188.1	188.8	66.8	67.0
Number of shares at the end of the period ('000)	532,001	532,001	532,001	532,001

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Revenue

Total revenue in Q1 2017 increased by RMB166.6 million to RMB588.9 million compared to RMB422.3 million Q1 2016. This was mainly due to increase in revenue from sales of AA and AE as well as other chemical products by RMB126.5 million and RMB47.8 million respectively which were partially offset by a decrease in sales of PMIDA and glyphosate by RMB7.6 million.

The increase in revenue from AA and AE was mainly attributable to higher sale volume and average selling prices when compared to Q1 2016.

Sale volume of AA and AE increased from 51,500 tonnes in Q1 2016 to 64,200 tonnes in Q1 2017 whilst their average selling prices also increased from RMB5,400 to RMB8,500 per tonne during the respective period. These were due to shut-down maintenance by some of the AA producers in the PRC during the period which caused an increase in selling prices.

Gross profit

The Group incurred a gross profit of RMB82.6 million in Q1 2017 compared to a gross loss of RMB1.4 million in Q1 2016. Sales of AA and AE as well as other chemical products contributed gross profit of RMB76.7 million and RMB6.0 million respectively.

Overall gross profit margin improved from a negative of 0.3% in Q1 2016 to a positive of 14.0% in Q1 2017. We have seen a temporary rebound in AA and AE selling prices in Q1 2017 due to shut-down maintenance by some of the AA producers in the PRC during the period which resulted in better margins.

Gross profit margins for AA and AE improved from a negative of 1.8% for Q1 2016 to a positive of 16.5% in Q1 2017 whilst gross profit margin for other chemical products reduced from 8.1% in Q1 2016 to 4.8% in Q1 2017.

Other operating income

Other operating income in Q1 2017 decreased by RMB7.7 million to RMB8.9 million compared to RMB16.7 million in Q1 2016. This was mainly due to a decrease in income from sale of steam and provision of waste water treatment services from RMB10.6 million in Q1 2016 to RMB7.2 million in Q1 2017.

Distribution expenses

Distribution expenses increased by RMB10.7 million to RMB22.9 million in Q1 2017 compared to RMB12.2 million in Q1 2016. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses. These expenses increased mainly due to higher sale volume for AA and AE in Q1 2017 when compared to Q1 2016.

Administrative expenses

In Q1 2017, administrative expenses increased by RMB3.5 million to RMB32.2 million compared to RMB28.7 million in Q1 2016. This was mainly due to incurrence of a net exchange loss of RMB1.7 million in Q1 2017 compared to a net gain of RMB0.2 million in Q1 2016.

Other operating expenses

Other operating expenses decreased by RMB3.1 million in Q1 2017 to RMB8.0 million compared to RMB11.1 million in Q1 2016. This was mainly due to a decrease in the corresponding costs from sale of steam and provision of waste water treatment services from RMB9.8 million in Q1 2016 to RMB5.9 million in Q1 2017.

Finance expenses

Finance expenses increased by RMB6.6 million to RMB28.5 million in Q1 2017 compared to RMB22.0 million in Q1 2016.

Income tax expense

Income tax expense increased by RMB1.4 million to RMB3.7 million in Q1 2017 compared to RMB2.3 million in Q1 2016. Income tax expense was incurred notwithstanding the Group was in a loss position mainly due to income tax paid on profit incurred in the joint venture entity.

8. (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Balance sheet

Property, plant and equipment increased by RMB7.8 million to RMB1,214.3 million as at 31 March 2017 compared to RMB1,206.6 million as at 31 December 2016. This was mainly due to additional of property, plant and equipment at the joint venture entity which was partially offset by depreciation charge for the period.

Inventories increased by RMB122.5 million to RMB204.4 million as at 31 March 2017 compared to RMB81.9 million as at 31 December 2016. This was mainly due to an increase in raw material, propylene, to cater for our production plan for the month of April 2017.

Breakdown of trade and other receivables is as follows:-

	As at 31 March 2017 RMB'000	As at 31 December 2016 RMB'000
Trade receivables:		
- 3 rd parties	126,548	200,531
- Related parties	485,160	349,317
Receivable from joint venture entity	68,892	239,390
Notes receivables	104,970	65,423
Value added tax recoverable	64,418	79,891
Prepayments and deposits	28,280	21,084
Other receivables	38,084	34,663
	916,352	990,299

Trade and other receivables decreased by RMB73.9 million to RMB916.4 million as at 31 March 2017 compared to RMB990.3 million as at 31 December 2016. This was mainly due to (i) decrease in 3rd parties trade receivables and notes receivables as a result of lower revenue in Q1 2017 compared to Q4 2016; and (ii) decrease in receivable from the joint venture entity. These were partially offset by increase in trade receivables due from related parties as it had taken longer than expected for the related parties to pay. The management will continue to monitor the payments from the related parties and is confident that these receivables are recoverable due to long track record of co-operations.

Breakdown of trade and other payables is as follows:-

	As at 31 March 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables:		
- 3rd parties	453,092	386,070
- Related parties	53,986	14,072
Payable to joint venture entity	119,985	130,406
Notes payables	154,448	-
Accrued operating expenses	67,538	42,537
Other payables	90,620	72,871
	939,669	645,956

Trade and other payables increased by RMB293.7 million to RMB939.7 million as at 31 March 2017 compared to RMB646.0 million as at 31 December 2016. This was mainly attributable to an increase in purchase of raw materials to cater for higher production plan in the month of April 2017.

Total non-current and current interest-bearing liabilities decreased by RMB37.6 million to RMB1,099.7million as at 31 March 2017 compared to RMB1,137.3 million as at 31 December 2016. This was mainly due to repayments made in Q1 2017.

Cash Flow Statement

Our Group generated positive operating cash flow of RMB349.0 million in Q1 2017 mainly due to a decrease in trade and other receivables and an increase in trade and other payables. These were partially offset by an increase in inventories.

Financing activities resulted in negative cash flow of RMB218.3 million in Q1 2017 mainly due to repayment of interest-bearing liabilities, interest paid and an increase in pledged deposits. These were partially offset by proceeds from interest-bearing liabilities.

There was a net cash outflow of RMB88.1 million in Q1 2017 from the Group's investing activities mainly due to acquisitions of property, plant and equipment.

As a result of the above, cash and cash equivalents increased from RMB196.5 million as at 31 December 2016 to RMB239.1 million as at 31 March 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

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- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The operating environment of AA industry remained challenging in the near future due to the current oversupply situation and excess production capacity of AA in the PRC. Management is taking a conservative view that the price and volume rebound in Q1 2017, which was mainly due to plant shut downs by other AA producers in the PRC, may not be sustainable in a longer term.

- 11. Dividend**

(a) Current Financial Period Reported On

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared or recommended in Q1 2016.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared or recommended.

13. Interested Person Transactions

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the Group discloses the aggregate value of interested person transactions as follows:

Name of Interested Person	Aggregate value of all interested person transactions during financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) ⁽¹⁾	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Yixing Danson Technology Co., Ltd ("Yixing Danson")	Corporate guarantees in favour of Yixing Danson - RMB590,000,000 Sale of crude AA to Yixing Danson – RMB61,816,000 Purchase of residual crude AA and finished goods from Yixing Danson – RMB41,756,000	-
Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan")	Corporate guarantees in favour of Taixing Jinyan - RMB475,000,000 Supply of chemical raw materials to Taixing Jinyan – RMB86,254,000	-
Jiaxing Jinyan Chemical Co., Ltd ("Jiaxing Jinyan")	Corporate guarantees in favour of Jiaxing Jinyan – RMB40,000,000	-
Taixing Jinyan Cangchu Co., Ltd. ("Taixing Cangchu")	Corporate guarantees in favour of Taixing Cangchu - RMB260,000,000	-
Jiangsu Yinyan Specialty Chemical Co., Ltd ("Jiangsu Yinyan")	-	Sales of chemical products to Jiangsu Yinyan – RMB9,462,000
Jiangsu Jurong Petrochemicals Co., Ltd ("Jiangsu Jurong")	-	Sales of chemical products to Jiangsu Jurong – RMB3,183,000

Note:

- (1) The Company is in the process of preparing a circular to seek shareholders' ratification for past interested person transactions, and a shareholders' mandate for any on-going interested person transactions.
 - (2) As at 31 March 2017, the aggregate amount of the corporate guarantees that the Group provided to Yixing Danson, Taixing Jinyan, Jiaying Jinyan and Taixing Cangchu was approximately RMB1,365,000,000, whilst the aggregate amount of corporate guarantees that these same entities provided to the Group was approximately RMB1,420,000,000.
14. **The Directors of the Company do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial statements ended 31 March 2017 to be false or misleading in any material aspect.**
15. **The Company confirms that all the required undertakings under Rule 720(1) of the Listing Manual have been obtained from its Directors and Executive Officers in the format set out in Appendix 7.7.**

BY ORDER OF THE BOARD

**Sun Xiao
Executive Director and Chief Executive Officer
15 May 2017**