

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the Second Quarter and Half Year Ended 30 June 2014

INFORMATION REQUIRED FOR ANNOUNCEMENT OF SECOND QUARTER AND HALF YEAR 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.

Statement of Comprehensive Income

	Q2 2014	Q2 2013	+/(-) %	1H 2014	1H 2013	+/(-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	1,429,896	1,412,886	1.2	2,992,335	2,883,289	3.8
Cost of sales	(1,307,185)	(1,219,647)	7.2	(2,698,987)	(2,504,940)	7.7
Gross profit	122,711	193,239	(36.5)	293,348	378,349	(22.5)
Other operating income	6,920	7,074	(2.2)	10,906	10,535	3.5
Distribution expenses	(33,203)	(41,742)	(20.5)	(64,929)	(71,503)	(9.2)
Administrative expenses	(42,957)	(21,840)	96.7	(84,590)	(47,775)	77.1
Other operating expenses	(2,253)	(2,294)	(1.8)	(3,034)	(3,948)	(23.2)
Results from operating activities	51,218	134,437	(61.9)	151,701	265,658	(42.9)
Finance expenses	(41,773)	(40,605)	2.9	(91,584)	(73,761)	24.2
Profit before income tax	9,445	93,832	(89.9)	60,117	191,897	(68.7)
Income tax expense	(12,168)	(21,518)	(43.5)	(26,261)	(38,727)	(32.2)
(Loss)/profit for the period	(2,723)	72,314	(103.8)	33,856	153,170	(77.9)
Other comprehensive income						
Translation differences relating to financial statements of subsidiaries with functional currencies other than RMB	9	(3,656)	100.2	2,046	(4,279)	147.8
Total comprehensive income for the period	(2,714)	68,658	(104.0)	35,902	148,891	(75.9)
Attributable to:						
Owners of the Company	(1,515)	68,597	(102.2)	37,464	148,911	(74.8)
Non-controlling interests	(1,199)	61	NM	(1,562)	(20)	NM
Total comprehensive income for the period	(2,714)	68,658	(104.0)	35,902	148,891	(75.9)

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

	Q2 2014	Q2 2013	+/(-) %	1H 2014	1H 2013	+/(-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	(3,365)	(4,369)	(23.0)	(5,528)	(7,009)	(21.1)
Exchange loss/(gain), net	7,285	(6,857)	206.2	18,342	(2,740)	769.4
Depreciation of property, plant and equipment	72,165	64,305	12.2	147,873	126,674	16.7
Property, plant and equipment written off	-	1,015	(100.0)	-	1,015	(100.0)
Amortisation of intangible assets	139	52	167.3	203	185	9.7
Amortisation of lease prepayments	312	80	290.0	705	493	43.0
Interest paid and payable	41,773	40,605	2.9	91,584	73,761	24.2

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 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	3,046,730	2,942,224	-	-
Intangible assets	11,822	2,551	-	-
Land use rights	36,236	36,941	-	-
Subsidiaries	-	-	398,946	398,946
Deposits paid for property, plant and equipment and land use rights	324,987	204,555	-	-
	<u>3,419,775</u>	<u>3,186,291</u>	<u>398,946</u>	<u>398,946</u>
Current assets				
Inventories	448,839	329,770	-	-
Trade and other receivables	2,327,378	2,344,653	31,228	28,735
Pledged deposits	260,755	441,100	-	-
Cash and bank balances	232,373	341,246	513	2,787
	<u>3,269,345</u>	<u>3,456,769</u>	<u>31,741</u>	<u>31,522</u>
Total assets	<u>6,689,120</u>	<u>6,643,060</u>	<u>430,687</u>	<u>430,468</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	2,000,269	1,962,805	108,833	110,934
Total equity attributable to equity holders of the Company	<u>2,291,785</u>	<u>2,254,321</u>	<u>400,349</u>	<u>402,450</u>
Non-controlling interests	<u>53,145</u>	<u>54,707</u>	<u>-</u>	<u>-</u>
Total equity	<u>2,344,930</u>	<u>2,309,028</u>	<u>400,349</u>	<u>402,450</u>
Non-current liabilities				
Interest bearing liabilities	456,278	248,035	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	<u>463,778</u>	<u>255,535</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	1,867,785	1,412,332	29,490	27,202
Interest-bearing liabilities	2,007,634	2,642,409	-	-
Current tax payable	4,993	23,756	848	816
Total current liabilities	<u>3,880,412</u>	<u>4,078,497</u>	<u>30,338</u>	<u>28,018</u>
Total equity and liabilities	<u>6,689,120</u>	<u>6,643,060</u>	<u>430,687</u>	<u>430,468</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 30 June 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
1,700,007	307,627	2,043,409	599,000

Amount repayable after one year

As at 30 June 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
456,278	-	248,035	-

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 Mr and Mrs Sun Liping, Mr Sun Liping's son, Jiangsu Yinyan Specialty Chemicals Co., Ltd, a company in which Mr Sun Liping is deemed to have significant interest, and certain unrelated third parties.

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.

	Q2 2014	Q2 2013	1H 2014	1H 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit before income tax	9,445	93,832	60,117	191,897
Adjustments for:				
Interest expense	41,773	40,605	91,584	73,761
Interest income	(3,365)	(4,369)	(5,528)	(7,009)
Amortisation of intangible assets	139	52	203	185
Amortisation of lease prepayments	312	80	705	493
Depreciation of property, plant and equipment	72,165	64,305	147,873	126,674
Property, plant and equipment written off	-	1,015	-	1,015
Exchange difference	9	(3,656)	2,046	(4,279)
Operating profit before working capital changes	120,478	191,864	297,000	382,737
Changes in working capital:				
Inventories	(49,126)	78,213	(119,069)	128,616
Trade and other receivables	35,709	(218,017)	17,275	(530,814)
Trade and other payables	259,061	(209,439)	419,021	268,897
Cash generated from operations	366,122	(157,379)	614,227	249,436
Income taxes paid	(22,820)	(32,523)	(45,024)	(55,917)
Cash flows from operating activities	343,302	(189,902)	569,203	193,519
Investing activities				
Interest received	3,365	4,369	5,528	7,009
Purchase of property, plant and equipment	(104,321)	-	(215,927)	(138,983)
Purchase of intangible assets	(9,474)	-	(9,474)	-
Downpayments for property, plant and equipment	-	-	(120,432)	(40,457)
Cash flows from investing activities	(110,430)	4,369	(340,305)	(172,431)
Financing activities				
Proceeds from bank loans	930,055	1,524,532	2,482,236	2,280,709
Repayments of bank loans	(1,457,385)	(1,528,096)	(2,893,160)	(2,122,784)
Proceeds from issuance of bonds	-	-	-	250,000
Redemption of bonds	-	(250,000)	-	(250,000)
Proceeds from/(repayment of) factoring facilities	-	-	(15,608)	(16,342)
Interest paid	(41,773)	(40,605)	(91,584)	(73,761)
Deposits pledged	187,678	45,511	180,345	(127,917)
Cash flows from financing activities	(381,425)	(248,658)	(337,771)	(60,095)
Net decrease in cash and cash equivalents	(148,553)	(434,191)	(108,873)	(39,007)
Cash and cash equivalents at beginning of the period	380,926	721,794	341,246	326,610
Cash and cash equivalents at end of the period	232,373	287,603	232,373	287,603

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 RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	291,516	(499)	282,822	(17,886)	1,698,368	2,254,321	54,707	2,309,028
Total comprehensive income for the period	-	-	-	2,046	35,418	37,464	(1,562)	35,902
At 30 June 2014	291,516	(499)	282,822	(15,840)	1,733,786	2,291,785	53,145	2,344,930
At 1 January 2013	291,516	(499)	235,946	(10,345)	1,360,464	1,877,082	57,182	1,934,264
Total comprehensive income for the period	-	-	-	(4,279)	153,190	148,911	(20)	148,891
At 30 June 2013	291,516	(499)	235,946	(14,624)	1,513,654	2,025,993	57,162	2,083,155

Statement of Changes in Equity – The Company

	Share capital RMB'000	Accumulated profits RMB'000	Total equity RMB'000
At 1 January 2014	291,516	110,934	402,450
Total comprehensive income for the period	-	(2,101)	(2,101)
At 30 June 2014	291,516	108,833	400,349
At 1 January 2013	291,516	111,156	402,672
Total comprehensive loss for the period	-	3,714	3,714
At 30 June 2013	291,516	114,870	406,386

- 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 1H 2014. The Company does not have any treasury shares as at 30 June 2014.

	As at 30 June 2014 (‘000)	As at 31 December 2013 (‘000)
Number of issued shares excluding treasury shares	533,651	533,651

- 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.**

	As at 30 June 2014 (‘000)	As at 31 December 2013 (‘000)
Number of issued shares excluding treasury shares	533,651	533,651

- 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 30 June 2014.

- 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.**

	Q2 2014	Q2 2013	1H 2014	1H 2013
Earnings per share (RMB cents):-				
Basic and diluted	(0.3)	13.5	6.6	28.7

	Q2 2014 RMB'000	Q2 2013 RMB'000	1H 2014 RMB'000	1H 2013 RMB'000
Basic earnings per share is based on:				
Net (loss)/profit attributable to ordinary shareholders	(1,524)	72,253	35,418	153,190

	Number of shares			
	Q2 2014 ('000)	Q2 2013 ('000)	1H 2014 ('000)	1H 2013 ('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	533,651	533,651	533,651	533,651

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 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Net assets attributable to the shareholders of the Company (RMB'000)	2,291,785	2,254,321	400,349	402,449
Net asset value per ordinary share (RMB cents)	429.5	422.4	75.0	75.4
Number of shares at the end of the period ('000)	533,651	533,651	533,651	533,651

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

Our revenue in Q2 2014 increased by RMB17.0 million to RMB1,429.9 million compared to RMB1,412.9 million Q2 2013. This was mainly due to an increase in revenue from sale of other chemical products by RMB160.8 million. This was partially offset by decrease in revenue from sale of acrylic acid ("AA") and acrylate esters ("AE") as well as PMIDA and glyphosate by RMB48.3 million and RMB95.4 million respectively.

The decrease in revenue from AA and AE in Q2 2014 was attributable to slightly lower sale volume as well as lower average selling prices when compared to Q2 2013. Sale volume of AA and AE decreased by 4,600 tonnes in Q2 2014 mainly due to major maintenance and improvement at our AA and AE plants in Yancheng City. Revenue from sale of PMIDA and glyphosate decreased mainly due to lower sale volume in Q2 2014.

Gross profit

Total gross profit for Q2 2014 amounted to RMB122.7 million compared to RMB193.2 million in Q2 2013. Sale of AA and AE as well as PMIDA and glyphosate contributed RMB84.8 million and RMB17.3 million to the total gross profit in Q2 2014 whilst sale of other chemical products contributed RMB20.7 million.

Overall gross profit margin decreased from 13.7% in Q2 2013 to 8.6% in Q2 2014. Gross profit margins for AA and AE deteriorated from 14.2% in Q2 2013 to 7.2% in Q2 2014. This was largely attributable to lower average selling prices of our products in Q2 2014.

Distribution expenses

Distribution expenses decreased by RMB8.5 million to RMB33.2 million in Q2 2014 compared to RMB41.7 million in Q2 2013. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses.

Administrative expenses

Administrative expenses increased by RMB21.1 million to RMB43.0 million compared to RMB21.8 million in Q2 2013. This was mainly due to incurrence of net exchange loss amounted to RMB7.3 million in Q2 2014 compared to net exchange gain of RMB6.9 million in Q2 2013.

Finance expenses

Finance expenses in Q2 2014 stood at RMB41.8 million compared to RMB40.6 million in Q2 2013.

Income tax expense

Income tax expense decreased by RMB9.4 million to RMB12.2 million in Q2 2014 compared to RMB21.5 million in Q2 2013 due to lower profit in Q2 2014.

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 RMB104.5 million to RMB3,046.7 million as at 30 June 2014 compared to RMB2,942.2 million as at 31 December 2013. This was mainly due to additions of property, plant and equipment which was partially offset by depreciation charge in 1H 2014.

We refer to the qualified independent auditor's report dated 11 April 2014. In respect of the idle assets and the MTBE plant mentioned in the said report, we have already appointed a Singapore professional valuer to value these assets. We will make the necessary announcement to update shareholders in due course.

Deposits paid for property, plant and equipment increased by RMB120.4 million to RMB325.0 million as at 30 June 2014 compared to RMB204.6 million as at 31 December 2013. This was mainly due to an increase in deposits paid for our new Line 3 AA plant in Taixing City.

Inventories increased by RMB119.1 million to RMB448.8 million as at 30 June 2014 compared to RMB329.8 million as at 31 December 2013. This was mainly due to an increase in raw material, propylene.

Trade and other receivables decreased by RMB17.3 million to RMB2,327.4 million as at 30 June 2014 compared to RMB2,344.7 million as at 31 December 2013.

Trade and other payables increased by RMB455.5 million to RMB1,867.8 million as at 30 June 2014 compared to RMB1,412.3 million as at 31 December 2013. This was mainly due to higher trade and notes payables as at 30 June 2014.

Total non-current and current interest-bearing liabilities decreased by RMB426.5 million to RMB2,463.9 million as at 30 June 2014 compared to RMB2,890.4 million as at 31 December 2013. This was mainly due to repayments made in 1H 2014.

Cash Flow Statement

Our Group generated positive operating cash flow of RMB343.3 million in Q2 2014 mainly due to profit before income tax, a decrease in trade and other receivables, an increase in trade and other payables, and depreciation charge as well as interest expense. These were partially offset by an increase in inventories and interest income.

Financing activities resulted in negative cash flow of RMB381.4 million in Q2 2014 mainly due to repayments of interest-bearing liabilities and interest paid. These were partially offset by proceeds from interest-bearing liabilities and a decrease in pledged fixed deposits.

There was a net cash outflow of RMB110.4 million in Q2 2014 from the Group's investing activities mainly due to purchase of property, plant and equipment as well as intangible assets which were partially offset by interest received.

Cash and cash equivalents decreased from RMB341.2 million as at 31 December 2013 to RMB232.4 million as at 30 June 2014 due to the above reasons.

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.

We anticipate that margins for AA and AE will likely continue to be under pressure due to the new supplies of AA in the PRC and temporary higher raw material costs because of maintenance shutdown by suppliers of propylene.

Since our last commissioning of the MTBE plant in mid April 2014, we are now making further technical improvements to the plant. We expect to re-commissioning again in Q4 2014.

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 Q2 2013.

(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) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000
Sales of chemical products:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	59,537
- Jiangsu Jurong Petrochemicals Co., Ltd	-	10,434
Purchase of inventories:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	5,059
Purchase of raw materials:-		
- Jiaxing Jinyan Chemical Co., Ltd	-	39,544

The Company refers to the announcement released on 30 April 2013 in relation to Interested Person Transactions (“IPTs”) entered into with Yixing Danson Technology Co., Ltd (“Yixing Danson”). Sales of chemical products to Yixing Danson in 1H 2014 amounted to RMB212.3 million.

The Group also has new IPTs with Taixing Jinyan Chemical Technology Co., Ltd (“Taixing Jinyan”). In 1H 2014, the Group entered into the following IPTs with Taixing Jinyan:-

- Purchase of equipment on behalf: RMB19.8 million; and
- Purchase of raw material on behalf: RMB82.5 million.

The transactions with Yixing Danson and Taixing Jinyan are regarded as IPTs within the meaning of the listing manual (the “Listing Manual”) of Singapore Exchange Securities Trading Limited.

The 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 Shareholders’ ratification for the Past Recurring IPTs.

In addition, the Group anticipates that as those IPTs with Yixing Danson and Taixing Jinyan will continue in the future and thus proposes to seek Shareholders’ approval for a general mandate for this purpose at the EGM.

- 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 second quarter financial statements ended 30 June 2014 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
14 August 2014