

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

**RESPONSE TO SGX QUERIES ON THE FIRST QUARTER RESULTS
ENDED 31 MARCH 2015**

Sunvic Chemical Holdings Limited (the "Company") has received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") regarding the First Quarter Results for the financial period ended 31 March 2015 ("Q1 2015") announced on 14 May 2015. The Company's responses to the queries of SGX-ST are set out below:-

1. In paragraph 8 of the Announcement, the Company disclosed that "Inventories increased by RMB255.7 million to RMB451.0 million as at 31 March 2015 compared to RMB195.3 million as at 31 December 2014."

Please elaborate on the reason for the increase in inventory of RMB255.7 million as it is noted that the corresponding cost from sale of propylene and other chemical material to the joint venture entity was RMB107.8 million in Q1 2015.

Company's response:

Our joint venture partner, Arkema Asie SAS ("Arkema") took over the joint venture entity, Taixing Sunke Chemical Co., Ltd ("Sunke") on 20 October 2014. Sale of propylene to Sunke only commenced after Arkema took over Sunke.

The propylene inventory as at 31 March 2015 which we bought on behalf of Sunke was subsequently sold to Sunke in April 2015. The cost from sale of propylene and other materials to Sunke of RMB107.8 million in Q1 2015 was related to propylene which we had sold to Sunke in Q1 2015. The cost of propylene inventory we have as at 31 March 2015 has not been accounted for under cost of propylene as they have not been sold as at 31 March 2015.

2. In paragraph 8 of the Announcement, the Company disclosed that “Trade and other receivables increased by RMB551.1 million to RMB2,206.2 million as at 31 March 2015 compared to RMB1,655.1 million as at 31 December 2014. This was mainly due to increase in advances to suppliers for purchase of raw material, propylene.”
- (i) Please provide a breakdown of the increase in trade and other receivables and how much of the increase was due to the amount owing by the joint venture entity.
 - (ii) Please provide details of the credit terms provided to the debtors to the Company and the joint venture entity, including all interested persons and disclose whether these respective parties have repaid within the credit terms provided to them. If not, please provide status of the collectability of these debts.
 - (iii) Please explain for the increase in other receivables, quantifying the amount paid in advance to suppliers for the purchase of raw materials.

Company’s response:

2(i) Breakdown of trade and other receivables is as follows:-

	As at 31 March 2015 RMB’000	As at 31 December 2014 RMB’000
Trade receivables:		
- 3 rd parties	403,915	286,741
- Joint operation	18,177	136,533
- Related parties	193,354	328,881
Notes receivables	271,638	231,413
Value added tax recoverable	174,102	189,141
Other receivables	69,241	72,971
Advances to suppliers	1,074,833	408,455
Derivative assets	944	944
	2,206,204	1,655,079

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

Majority of the trade receivables are repaid within their respective credit terms. For those trade receivables which are past due, the Management believes that no impairment allowance is necessary in respect of these receivables as they are due from customers that have a good credit record with our Group. The Group performs review and analysis of aging report on regular basis to ensure collectability on receivables is assured.

- 2(iii) As illustrated above, advances to suppliers for purchase of propylene increased by RMB666.4 million from RMB408.5 million as at 31 December 2014 to RMB1,074.8 million. The increase in advances to suppliers is due to better prices from propylene suppliers for making advance payment prior to shipments of goods. This will reduce our cost of production and ensure better margins under this tough operating environment.

3. In paragraph 8 of the Announcement, the Company disclosed that "Trade and other payables increased by RMB524.8 million to RMB2,083.1 million as at 31 March 2015 compared to RMB1,558.3 million as at 31 December 2014. This was mainly due to higher trade and notes payables for purchase of propylene."

Please explain for the difference between the increase of trade and other payables of RMB524.8 million and the cost from sales of propylene and other chemical products amounted to RMB108.6 million in 1Q 2015.

Company's response:

As explained in Q1 2015 announcement, the increase in trade and other payables was attributable to higher trade and notes payables arising from operations, mainly from purchase of propylene for our own production use and sale to joint venture entity.

Depending on our cash flows and the availability of our credit facilities, we may decide to account for the purchase of propylene under trade payables, or to convert them into trust receipts of which the banks will pay on our behalf when the trade payables are due and this will be accounted for under bank borrowings. In Q1 2015, our trade and other payables increased and bank borrowings decreased as we did not want to incur more bank borrowings in order to reduce finance costs.

As mentioned in our earlier FY2014 full-year results announcement, the joint venture entity with Arkema was treated as joint operations as the contractual arrangements in joint operations provide the joint control parties with the rights to and obligations of the annual output of the relevant activities and substantially all the economic benefits of the joint operations. As a result, the Group's 45% ownership is consolidated with the proportionate line-by-line method. We also eliminated 45% of the transactions incurred during the period.

In Q1 2015, included in other operating income was revenue from sale of propylene and other chemical material to joint venture entity amounted to RMB111.2 million and the corresponding cost amounted to RMB107.8 million. These two amounts were stated after elimination as mentioned above of 45%.

4. We refer to paragraph 9 of the Announcement. Please comment whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous full year results announcement.

Company's response:

In our FY2014 and Q1 2015 results announcements, we have stated the same comment in paragraph 9 as below:

"We anticipate conditions will remain challenging in the near future due to the current situation of oversupply and excess production capacity of AA in the PRC. Our profit margin for AA and AE will continue to be under pressure.

We are exploring acquisition of or investment into companies for upstream and/or downstream products to diversify and broaden our revenue base, so as to better achieve cost efficiency, stabilise and improve overall margins through vertical integration."

This comment reflects the market situation of our main products, AA and AE, since early 2014.

5. In paragraph 10 of the Announcement, the Company disclosed that “Sales of chemical products to Yixing Danson for the 3-months ended 31 March 2015 amounted to RMB166.2 million. In addition, the Group purchased chemical material from Yixing Danson amounted to RMB8.1 million in Q1 2015.”

It is noted that the aggregate amount of transactions entered into with Yixing Danson for the 3-months ended 31 March 2015 of RMB174.3 million amounts to more than 3% of the Group’s latest audited NTA. Please explain why there was no immediate announcement made of the transactions entered into with Yixing Danson. Please also provide details as required under Part VI of Chapter 9 of the Listing Rules.

Company’s response:

The Company is in the process of preparing a circular providing the necessary disclosures and to seek shareholders’ approval for, *inter alia*, the interested person transactions with Yixing Danson. The Company will announce any material updates in due course.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
20 July 2015