

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

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF RECEIPT OF LETTERS OF DEMAND BY THE COMPANY'S WHOLLY-OWNED SUBSIDIARIES IN RELATION TO CORPORATE GUARANTEES PROVIDED TO UNRELATED PARTIES

*Unless otherwise expressly specified, capitalised terms herein shall bear the same meanings as defined in the announcement of Receipt of Letters of Demand by the Company's Wholly-Owned Subsidiaries in Relation to Corporate Guarantees Provided to Unrelated Parties (the "**Letters of Demand Announcement**") dated 10 January 2019.*

On 11 January 2019, Sunvic Chemical Holdings Limited (the "**Company**") received queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") regarding the Letters of Demand Announcement. The Company's responses to the queries of the SGX-ST are set out below:-

1. The Company disclosed that its wholly owned subsidiary "Yixing Yinyan Import & Export Co., Ltd ("Yixing Yinyan"), received a letter of demand dated 14 November 2018 (the "YFC Letter of Demand") from the lawyers acting on behalf of Yixing City Futao Rural Micro Credit Co., Ltd (宜兴市富陶农村小额贷款有限公司) ("Yixing Futao Credit") in respect of a loan agreement entered into between Yixing Futao Credit and Jiangsu Donglai Real Estate Development Co., Ltd (江苏东来 房地产开发有限公司) ("Jiangsu Donglai") dated 8 October 2018 for the loan amount of RMB180,000,000 (the "YFC Loan)". Please provide further information on the following:
 - (a) Noting the materiality of the amount involved, why did the Board not deem it necessary to make an announcement promptly on 8 October 2018 as required under Listing Rule 703;
 - (b) To provide details of the Lender Yixing Futao Micro Credit Co., Ltd, when it was incorporated, its principal business, size of operations and financial position;

- (c) To provide details of the borrower Jiangsu Donglai, when it was incorporated, its principal operations, address, its shareholders, directors, legal representative and key management, size of operations and financial position. Are any of the shareholders of Jiangsu Donglai, its directors, legal representative and key management connected to or have any relationship with the Sunvic Group's directors, substantial shareholder, legal representatives, key management or employees or their respective associates?
- (d) Please provide specific details on the terms of the underlying loan, including whether any fees or commissions were paid for the loan, the guarantee or to anyone in relation to the loan and the guarantee. What is the purpose of the loan?
- (e) What specific due diligence had the Sunvic Group undertaken on the Lender and Borrower before agreeing to the guarantee? How have the Board and the Management who signed on the guarantee acted in the best interest of the Company? Please provide basis for the Board's views.
- (f) Please provide details on the circumstances which led to the default of the loan within the short period of one month of loan inception;
- (g) When did the Borrower's financial condition start to deteriorate?
- (h) Who signed on the guarantee documents on behalf of the Company? Was the Board's approval obtained for the guarantee and the signing of the guarantee documents?
- (i) How is the extension of the Guarantee by the Sunvic Group in the best interest of the Company and its shareholders as a whole?
- (j) What are the circumstances which led to the introduction of the Lender and the Borrower to the Company? Please identify the person who introduced them to the Company, and the person in the Sunvic Group responsible for deciding on the provision of the Guarantee. Please identify the introducer and disclose the relationship of the introducer to the Company/Group, its directors, substantial shareholders or key management.

Company's response:

- (a) The Board was only informed by the Management about the YFC Letter of Demand on 7 January 2019.
- (b) Yixing Futao Credit was incorporated on 31 August 2011. Its paid-up capital amounted to RMB120.0 million and principal business activities include providing financing and guarantee, and developing finance products approved by the government of the People's Republic of China (the "**PRC**").

The Management informed the Board that they were not able to obtain information regarding the size of operations and financial position of Yixing Futao Credit.

- (c) Jiangsu Donglai was incorporated on 10 June 1992. Its paid-up capital amounted to RMB100.0 million and shareholders are Cheng Qiang (承强), Ma Fuqin (马福琴), Zhang Xiaoping (张晓平), Zhang Huiyun (张惠云) and Cheng Qing (承庆). The board of directors of Jiangsu Donglai consists of Cheng Qiang (managing director), Ma Fuqin, Zhang Xiaoping and Zhang Huiyun. Cheng Qing is the supervisor, whilst Shen Ruihua (沈锐华) is the legal representative, of Jiangsu Donglai. Its principal address is at New Green Town Area Commercial Block, Yixing City (宜兴市新城绿园小区综合商住楼).

The principal activities of Jiangsu Donglai are that of construction and sale of property, interior and exterior design, wiring, piping and equipment installation, and sale of construction materials.

None of the shareholders, directors, legal representative, supervisor and key management of Jiangsu Donglai are connected to or have any relationship with the Group's directors, substantial shareholders, legal representatives, key management, employees or their respective associates.

The Management informed the Board that they were not able to obtain information regarding the size of operations and financial position of Jiangsu Donglai.

- (d) The YFC Loan of RMB180.0 million was a bridging loan from Yixing Futao Credit to Jiangsu Donglai for a period of seven days from 8 October 2018 to 15 October 2018. The interest amount for the YFC Loan is RMB0.7 million if it is repaid on its repayment date of 15 October 2018. In the event that the YFC Loan is not repaid on the repayment date, the interest is calculated based on 2 times of the PRC bank's lending rate.

There was no fee or commission paid for the YFC Loan and the YFC Corporate Guarantee, and to anyone in relation to the YFC Loan and the YFC Corporate Guarantee.

- (e) The Management did not inform the Board on the YFC Corporate Guarantee prior to signing of the guarantee documents. The Management did not provide the Board with any due diligence evidence on Yixing Futao Credit and Jiangsu Donglai.

The Board has not been informed about the circumstances in which the YFC Corporate Guarantee was extended to Jiangsu Donglai. As at the date of this announcement, the Management is in the process of preparing a response to update the Board.

- (f) The YFC Loan was a bridging loan to allow Jiangsu Donglai to repay its bank and Jiangsu Donglai expected its bank to release the same amount back to Jiangsu Donglai within one week of the repayment. However, its bank did not release the loan amount back to Jiangsu Donglai resulting in Jiangsu Donglai's inability to repay Yixing Futao Credit on the repayment date of the YFC Loan.

As at the date of this announcement, Jiangsu Donglai has not received the loan from its bank.

- (g) Jiangsu Donglai's financial position started to deteriorate when its bank did not release the loan back to Jiangsu Donglai after Jiangsu Donglai made the initial repayment.
- (h) Mr Liu Wen, the legal representative of Yixing Yinyan signed the YFC Corporate Guarantee.

The Management did not obtain the Board's approval prior to signing of the YFC Corporate Guarantee.

- (i) The Board has not been informed about the circumstances in which the YFC Corporate Guarantee was extended to Jiangsu Donglai. As at the date of this announcement, the Management is in the process of preparing a response to update the Board.
 - (j) The Management informed the Board that there was no introducer on the YFC Corporate Guarantee.
2. The Company also disclosed that “the Company’s wholly-owned subsidiary, Jiangsu Jurong Chemical Co., Ltd (“Jiangsu Jurong”), received a letter of demand dated 15 December 2018 (the “BOC Letter of Demand”) from the lawyers acting on behalf of Bank of China Co., Ltd., Xiangshui County Sub-branch (“Bank of China”) in respect of a loan agreement entered into between Bank of China and Jiangsu Dahe Lvjian Chemical Co., Ltd (江苏大和绿碱化工有限公司) (“Jiangsu Dahe”) dated 10 January 2018 for the loan amount of RMB42,500,000 (the “BOC Loan”)”. Please provide further information required in (a) to (i) in Question 1 above in relation to the BOC Letter of Demand.

Company’s response:

- (a) The Board was only informed by the Management about the BOC Letter of Demand on 3 January 2019.
- (b) Bank of China is one of the biggest banks in the PRC.
- (c) Jiangsu Dahe was incorporated on 6 January 2006. Its paid-up capital amounted to RMB270.0 million and shareholder is Hua Kong Construction Investment Group Co., Ltd (华控建投集团有限公司). The board of directors of Jiangsu Dahe consists of Xu Wei (徐卫), Jiang Lili (蒋丽丽), Xu Jianping (徐建萍), Xu Jiandi (徐建娣) and Wang Zengzhan (王增战). Tian Yu (田羽) and Sheng Guangen (盛关根) are the supervisors, whilst Xu Wei (徐卫) is the legal representative, of Jiangsu Dahe. Its principal address is at Xiangshui County, Chen Jiagang Chemical Zone.

The principal activities of Jiangsu Dahe are that of manufacturing and sale of chemical products such as chlorine (氯), liquor sodium hydroxide (氢氧化钠溶液), hydrochloric acid (盐酸), liquor sodium hypochlorite (次氯酸钠溶液), hydrogen (氢), aniline (苯胺), nitrobenzene (硝基苯), chloride of lime (漂白粉), chloroacetic acid (氯乙酸钠) and sulphuric acid (硫酸).

None of the shareholders, directors, legal representative, supervisor and key management of Jiangsu Dahe are connected to or have any relationship with the Group's directors, substantial shareholders, legal representatives, key management, employees or their respective associates.

The Management informed the Board that they were not able to obtain information regarding the size of operations and financial position of Jiangsu Dahe.

- (d) The BOC Loan of RMB42.5 million was a working-capital loan for purchase of raw materials from Bank of China to Jiangsu Dahe for a period of eleven months from 10 January 2018 to 9 December 2018. The interest was calculated on monthly basis based on 0.92% on top of the PRC bank's base lending rate (the "**Normal Interest**"). In the event of default, the default interest is calculated based on 40% on top of the Normal Interest.

Apart from the BOC Corporate Guarantee by Jiangsu Jurong, the BOC Loan was also secured by eight other corporate and personal guarantees in favour of Bank of China, namely (1) Zhejiang Zhenya Heat & Electricity Co., Ltd (浙江振亚热电有限公司); (2) Zhejiang Dahe Textile Dye & Print Clothing (Group) Co., Ltd. (浙江大和纺织印染服装(集团)有限公司); (3) Zhejiang Namei Chemical Technology Co., Ltd (浙江纳美化工科技有限公司); (4) Xu Wei (徐卫) and Jiang Lili (蒋丽丽); (5) Xu Meican (徐美灿) and Feng Caiying (冯彩英); and (6) Xiangshui Guanjiang Group Holdings Co., Ltd (响水县灌江控股集团有限公司).

There was no fee or commission paid for the BOC Loan and the BOC Corporate Guarantee, and to anyone in relation to the BOC Loan and the BOC Corporate Guarantee.

- (e) The Management did not inform the Board on the BOC Corporate Guarantee prior to signing of the guarantee documents. The Management did not provide the Board with any due diligence evidence on Jiangsu Dahe.

The Board has not been informed about the circumstances in which the BOC Corporate Guarantee was extended to Jiangsu Dahe. As at the date of this announcement, the Management is in the process of preparing a response to update the Board.

- (f) In early May 2018, Jiangsu Dahe's plants in Xiangshui County was ordered to shut-down due to a media exposure about pollution by chemical producers in the region. The local government of Yancheng City ordered a shutdown of all chemical producers to evaluate the compliance of environment regulations of each of these producers. Since then, the operating cash flows of Jiangsu Dahe started to deteriorate.
- (g) In early May 2018, Jiangsu Dahe's plants in Xiangshui County was ordered to shut-down due to a media exposure about pollution by chemical producers in the region. The local government of Yancheng City ordered a shutdown of all chemical producers to evaluate the compliance of environment regulations of each of these producers. Since then, the operating cash flows situation of Jiangsu Dahe started to deteriorate.
- (h) Mr Yang Guoqiang, the legal representative of Jiangsu Jurong signed the BOC Corporate Guarantee.

The Management did not obtain the Board's approval prior to signing of the BOC Corporate Guarantee.

- (i) The Board has not been informed about the circumstances in which the BOC Corporate Guarantee was extended to Jiangsu Dahe. As at the date of this announcement, the Management is in the process of preparing a response to update the Board.
3. Please state whether the corporate guarantees under the above 2 loans had previously been disclosed. Please provide dates of disclosure.

Company's response:

The YFC Corporate Guarantee and the BOC Corporate Guarantee have not been disclosed previously as they were signed in October and January 2018 respectively. The YFC Corporate Guarantee and the BOC Corporate Guarantee will be disclosed accordingly in our audited financial statements for the financial year ended 31 December 2018.

4. Please provide monthly updates on the state of negotiations between the issuer and the lenders and the issuer's future direction or other material development that may have a significant impact on the issuer's financial position. If any material development occurs between the monthly updates, it must be announced immediately.

Company's response:

We will provide monthly updates on the developments of matters in relation to the YFC Corporate Guarantee and the BOC Corporate Guarantee, and also immediate updates for any material developments in relation thereto.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
18 January 2019