

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2014

INFORMATION REQUIRED FOR ANNOUNCEMENT OF THIRD 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.

Statement of Comprehensive Income

	Q3 2014	Q3 2013	+ / (-)	9-months	9-months	+ / (-)
	RMB'000	RMB'000	%	ended 30	ended 30	%
				September	September	
				2014	2013	
				RMB'000	RMB'000	
Revenue	1,094,113	1,603,651	(31.8)	4,086,448	4,486,940	(8.9)
Cost of sales	(1,046,953)	(1,373,543)	(23.8)	(3,745,940)	(3,878,483)	(3.4)
Gross profit	47,160	230,108	(79.5)	340,508	608,457	(44.0)
Other operating income	5,064	18,050	(71.9)	15,970	28,585	(44.1)
Distribution expenses	(29,502)	(48,186)	(38.8)	(94,431)	(119,689)	(21.1)
Administrative expenses	(26,092)	(35,252)	(26.0)	(110,682)	(83,027)	33.3
Other operating expenses	(1,131)	(15,168)	(92.5)	(4,165)	(19,116)	(78.2)
Results from operating activities	(4,501)	149,552	(103.0)	147,200	415,210	(64.5)
Finance expenses	(45,688)	(39,921)	14.4	(137,272)	(113,682)	20.8
(Loss)/profit before income tax	(50,189)	109,631	(145.8)	9,928	301,528	(96.7)
Income tax expense	(3,433)	(23,374)	(85.3)	(29,694)	(62,101)	(52.2)
(Loss)/profit for the period	(53,622)	86,257	(162.2)	(19,766)	239,427	(108.3)
Other comprehensive income						
Translation differences relating to financial statements of subsidiaries with functional currencies other than RMB	-	(682)	(100.0)	2,046	(4,961)	141.2
Total comprehensive income for the period	(53,622)	85,575	(162.7)	(17,720)	234,466	(107.6)
Attributable to:						
Owners of the Company	(53,216)	85,538	(162.2)	(15,752)	234,449	(106.7)
Non-controlling interests	(406)	37	NM	(1,968)	17	NM
Total comprehensive income for the period	(53,622)	85,575	(162.7)	(17,720)	234,466	(107.6)

The following items have been included in arriving at profit/(loss) before income tax:-

	Q3 2014	Q3 2013	+ / (-)	9-months	9-months	+ / (-)
	RMB'000	RMB'000	%	ended 30	ended 30	%
				September	September	
				2014	2013	
				RMB'000	RMB'000	
Interest income	(2,620)	(8,847)	(70.4)	(8,148)	(15,856)	(48.6)
Exchange (gain)/loss, net	(1,384)	747	285.3	16,958	(1,993)	(950.9)
Depreciation of property, plant and equipment	66,828	59,038	13.2	214,701	185,712	15.6
Amortisation of lease prepayments	309	942	(67.2)	1,014	1,435	(29.3)
Amortisation of intangible assets	215	61	252.5	418	246	69.9
Interest paid and payable	45,688	39,921	14.4	137,272	113,682	20.8
Property, plant and equipment written off	-	13,843	(100.0)	-	14,858	(100.0)

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 30 September 2014 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000	As at 31 December 2013 RMB'000
Non-current assets				
Property, plant and equipment	3,472,518	2,942,244	-	-
Intangible assets	11,689	2,551	-	-
Land use rights	35,927	36,941	-	-
Subsidiaries	-	-	398,946	398,946
Deposits paid for property, plant and equipment and land use rights	229,460	204,555	-	-
	<u>3,749,594</u>	<u>3,186,291</u>	<u>398,946</u>	<u>398,946</u>
Current assets				
Inventories	469,638	329,770	-	-
Trade and other receivables	2,178,755	2,344,653	31,835	28,735
Pledged deposits	333,991	441,100	-	-
Cash and bank balances	195,952	341,246	669	2,787
	<u>3,178,336</u>	<u>3,456,769</u>	<u>32,504</u>	<u>31,522</u>
Total assets	<u>6,927,930</u>	<u>6,643,060</u>	<u>431,450</u>	<u>430,468</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	1,947,053	1,962,805	109,005	110,934
Total equity attributable to equity holders of the Company	<u>2,238,569</u>	<u>2,254,321</u>	<u>400,521</u>	<u>402,450</u>
Non-controlling interests	<u>52,739</u>	<u>54,707</u>	<u>-</u>	<u>-</u>
Total equity	<u>2,291,308</u>	<u>2,309,028</u>	<u>400,521</u>	<u>402,450</u>
Non-current liabilities				
Interest bearing liabilities	300,442	248,035	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	<u>307,942</u>	<u>255,535</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	2,262,685	1,412,332	30,106	27,202
Interest-bearing liabilities	2,065,050	2,642,409	-	-
Current tax payable	945	23,756	823	816
Total current liabilities	<u>4,328,680</u>	<u>4,078,497</u>	<u>30,929</u>	<u>28,018</u>
Total equity and liabilities	<u>6,927,930</u>	<u>6,643,060</u>	<u>431,450</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 September 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
1,621,542	443,508	2,043,409	599,000

Amount repayable after one year

As at 30 September 2014		As at 31 December 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
300,442	-	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.

	Q3 2014	Q3 2013	9-months ended 30 September 2014	9-months ended 30 September 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
(Loss)/Profit before income tax	(50,189)	109,631	9,928	301,528
Adjustments for:				
Interest expense	45,688	39,921	137,272	113,682
Interest income	(2,620)	(8,847)	(8,148)	(15,856)
Amortisation of intangible assets	215	61	418	246
Amortisation of lease prepayments	309	942	1,014	1,435
Depreciation of property, plant and equipment	66,828	59,038	214,701	185,712
Property, plant and equipment written off	-	13,843	-	14,858
Exchange difference	-	(682)	2,046	(4,961)
Operating profit before working capital changes	60,231	213,907	357,231	596,644
Changes in working capital:				
Inventories	(20,799)	(36,004)	(139,868)	92,612
Trade and other receivables	148,623	(61,035)	165,898	(591,849)
Trade and other payables	335,554	(38,896)	754,575	230,001
Cash generated from operations	523,609	77,972	1,137,836	327,408
Income taxes (paid)/credited	(7,481)	(21,010)	(52,505)	(76,927)
Cash flows from operating activities	516,128	56,962	1,085,331	250,481
Investing activities				
Interest received	2,620	8,847	8,148	15,856
Purchase of property, plant and equipment	(337,743)	(119,134)	(674,102)	(298,574)
Purchase of intangible assets	(82)	-	(9,556)	-
Cash flows from investing activities	(335,205)	(110,287)	(675,510)	(282,718)
Financing activities				
Proceeds from bank loans	1,577,849	1,082,622	4,060,085	3,363,331
Repayments of bank loans	(1,676,269)	(854,838)	(4,569,429)	(2,977,622)
Net proceeds from/(repayment to) factoring facilities	-	-	(15,608)	(16,342)
Proceeds from issuance of bonds	-	-	-	250,000
Redemption of bonds	-	-	-	(250,000)
Interest paid	(45,688)	(39,921)	(137,272)	(113,682)
Deposits pledged	(73,236)	178,214	107,109	50,297
Cash flows from financing activities	(217,344)	366,077	(555,115)	305,982
Net (decrease)/increase in cash and cash equivalents	(36,421)	312,752	(145,294)	273,745
Cash and cash equivalents at beginning of the period	232,373	287,603	341,246	326,610
Cash and cash equivalents at end of the period	195,952	600,355	195,952	600,355

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	(17,798)	(15,752)	(1,968)	(17,720)
At 30 September 2014	291,516	(499)	282,822	(15,840)	1,680,570	2,238,569	52,739	2,291,308
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	-	-	-	(4,961)	239,410	234,449	17	234,466
At 30 September 2013	291,516	(499)	235,946	(15,306)	1,599,874	2,111,531	57,199	2,168,730

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	-	(1,929)	(1,929)
At 30 September 2014	291,516	109,005	400,521
At 1 January 2013	291,516	111,156	402,672
Total comprehensive income for the period	-	246	246
At 30 September 2013	291,516	111,402	402,918

- 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 for the 9-months period ended 30 September 2014. The Company does not have any treasury shares as at 30 September 2014.

	As at 30 September 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 September 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 September 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.**

	Q3 2014	Q3 2013	9-months ended 30 September 2014	9-months ended 30 September 2013
Earnings per share (RMB cents):-				
Basic and diluted	(10.0)	16.2	(3.3)	44.9
	Q3 2014 RMB'000	Q3 2013 RMB'000	9-months ended 30 September 2014 RMB'000	9-months ended 30 September 2013 RMB'000
Basic earnings per share is based on:				
Net (loss)/profit attributable to ordinary shareholders	(53,216)	86,220	(17,798)	239,410
	Q3 2014 ('000)	Q3 2013 ('000)	9-months ended 30 September 2014 ('000)	9-months ended 30 September 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 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Net assets attributable to the shareholders of the Company (RMB'000)	2,238,569	2,254,321	400,521	402,450
Net asset value per ordinary share (RMB cents)	419.5	422.4	75.1	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 Q3 2014 decreased by RMB509.5 million to RMB1,094.1 million compared to RMB1,603.7 million in Q3 2013. This was mainly due to decrease in revenue from acrylic acid ("AA") and acrylate esters ("AE"), PMIDA and glyphosate by RMB563.8 million and RMB63.4 million respectively. This was partially offset by an increase in sale of other chemical products amounting to RMB117.7 million.

The decrease in revenue from sale of AA and AE was attributable to lower sales volume as well as lower average selling prices compared to Q3 2013. Sales volume of AA and AE decreased by 32,600 tonnes to 93,400 tonnes in Q3 2014 mainly due to major maintenance and improvement works carried out at our Yancheng's AA and AE plants. The decrease in revenue from sale of glyphosate was due to weak market demands.

Gross profit

Total gross profit for Q3 2014 amounted to RMB47.2 million compared to RMB230.1 million in Q3 2013. Sale of AA and AE contributed RMB33.2 million whilst sale of other chemical products contributed RMB20.2 million. There was a small loss incurred from sale of PMIDA and glyphosate amounting to RMB6.2 million in Q3 2014.

Overall gross profit margin decreased from 14.3% in Q3 2013 to 4.3% in Q3 2014. Gross profit margins for AA and AE deteriorated to 3.8% in Q3 2014 from 12.6% in Q3 2013. This was largely attributable to lower average selling prices of AA and AE which decreased from RMB12,350 per tonne in Q3 2013 to RMB10,300 per tonne in Q3 2014.

Distribution expenses

Distribution expenses decreased by RMB18.7 million to RMB29.5 million in Q3 2014 compared to RMB48.2 million in Q3 2013. This was mainly due to a decrease in freight and transportation charges due to decrease in sales volume. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses.

Administrative expenses

Administrative expenses decreased by RMB9.2 million to RMB26.1 million in Q3 2014 compared to RMB35.3 million in Q3 2013.

Other operating expenses

Other operating expenses decreased by RMB14.0 million to RMB1.1 million in Q3 2014 compared to RMB15.2 million in Q3 2013. This was mainly due to written off of property, plant and equipment amounted to RMB13.8 million in Q3 2013.

Finance expenses

Finance expenses increased by RMB5.8 million to RMB45.7 million in Q3 2014 compared to RMB39.9 million in Q3 2013.

Income tax expense

Income tax expense decreased by RMB19.9 million to RMB3.4 million in Q3 2014 compared to RMB23.4 million in Q3 2013 mainly due to losses incurred in Q3 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 RMB530.3 million to RMB3,472.5 million as at 30 September 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 for the 9-months period ended 30 September 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.

Inventories increased by RMB139.9 million to RMB469.6 million as at 30 September 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 RMB165.9 million to RMB2,178.8 million as at 30 September 2014 compared to RMB2,344.7 million as at 31 December 2013. This was mainly due to lower revenue incurred in Q3 2014.

Trade and other payables increased by RMB850.4 million to RMB2,262.7 million as at 30 September 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 September 2014.

Total non-current and current interest-bearing liabilities decreased by RMB525.0 million to RMB2,365.5 million as at 30 September 2014 compared to RMB2,890.4 million as at 31 December 2013. This was mainly due to repayments made during the 9-months period ended 30 September 2014.

Cash Flow Statement

Our Group generated positive operating cash flow of RMB516.1 million in Q3 2014 mainly due to interest expense, depreciation charge as well as decrease in trade and other receivables and increase in trade and other payables. These were partially offset by losses incurred, interest income as well as an increase in inventories.

Financing activities resulted in negative cash flow of RMB217.3 million in Q3 2014 mainly due to an increase in pledged deposits, repayments of interest-bearing liabilities and interest paid. These were partially offset by proceeds from bank loans during the period.

There was a net cash outflow of RMB335.2 million in Q3 2014 from the Group's investing activities mainly due to acquisitions of property, plants and equipment which was partially offset by interest received.

Cash and cash equivalents decreased from RMB232.4 million as at 31 December 2014 to RMB196.0 million as at 30 September 2014.

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.

We have re-commenced production of 2 units out of 4 units of AA plants in Yancheng City recently. The remaining 2 units and the AE plant are targeted to re-commence production in December 2014.

The recent completion of the transfer of 55% stake in our wholly owned subsidiary company, Taixing Sunke Chemicals Co., Ltd, to Arkema Asie SAS for a consideration of RMB1.45 billion will have a significant impact to our FY2014 financial performance as well as cash flows going forward. This will enable us to focus on our long-term customers of which pricing is based on cost-plus basis to ensure better profit margins.

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 Q3 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 for the 9-months ended 30 September 2014 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	-	68,662
- Jiangsu Jurong Petrochemicals Co., Ltd	-	15,378
Purchase of inventories:-		
- Jiangsu Yinyan Specialty Chemical Co., Ltd	-	5,837
Purchase of raw materials:-		
- Jiaying Jinyan Chemical Co., Ltd	-	47,520

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 for the 9-months period ended 30 September 2014 amounted to RMB308.2 million.

The Group also has new IPTs with Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan"). For the 9-months period ended 30 September 2014, the Group entered into the following IPTs with Taixing Jinyan:-

- Purchase of equipment on behalf: RMB34.7 million; and
- Purchase of raw material on behalf: RMB209.7 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 third quarter financial statements ended 30 September 2014 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
14 November 2014