

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

**RESPONSE TO SGX QUERIES ON THE SECOND QUARTER RESULTS
FOR THE PERIOD ENDED 30 JUNE 2016**

Sunvic Chemical Holdings Limited (the “Company”) has received queries from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) regarding the Company’s Second Quarter Results for the financial period ended 30 June 2016 (“Q2 2016”) announced on 12 August 2016 (the “Q2 2016 Announcement”). The Company’s responses to the queries of SGX-ST are set out below:-

1. The Company disclosed that “In Q2 2016, other operating income included: (i) a gain of RMB 100.0 million (Q2 2015: Nil) as a results of our recent agreement with Arkema on the joint venture arrangement, ...”. Please explain how the gain was derived, providing the details of consideration received, the dates of receipt and terms of the agreement where appropriate.

Company’s response:

We refer to our announcement on 20 June 2016 titled “Update on Joint Venture – Amendments to the Joint Venture Agreement and Ancillary Documents”. We had negotiated and agreed with Arkema that the shareholding proportion in Sunke shall remain at 55%-45% between Arkema and Taixing Jurong respectively and in return, we would receive RMB100.0 million, which we had recognised as other operating income in Q2 2016.

Taixing Jurong received this sum of RMB100.0 million on 4 August 2016.

2. The Company disclosed trade receivables from “Related parties” of RMB 436.0 million, which is material compared to revenue of RMB 515.6 million and NTA of RMB 1,261.1 million.
- (a) Please provide further details on these related parties and disclose whether they are interested persons.
 - (b) Please explain why the amount is so significant, and provide reasons for a 25.6% increase since 31 December 2015.
 - (c) Please disclose if their credit terms are within credit terms extended to 3rd parties, and whether payments have been made within the credit terms. If not, please explain why.
 - (d) Please provide an aging schedule for the receivables.

Company’s response:

- 2(a) Breakdown of the trade receivables from related parties of RMB436.0 million is as follows:-

	RMB’000
Jiangsu Yinyan	77,424
Yixing Danson	12,992
Taixing Jinyan	217,467
Taixing Yumeng	28,080
Arkema group of companies	100,001
	435,964

Jiangsu Yinyan, Yixing Danson, Taixing Jinyan and Taixing Yumeng are classified as “Interested Persons” of the Company. The Arkema group of companies is classified as related parties of the Company.

- 2(b) Trade receivables from related parties increased mainly due to slow repayment from Jiangsu Yinyan and Taixing Jinyan. As at 30 June 2016, outstanding amounts owed by Jiangsu Yinyan and Taixing Jinyan, which have been past due, were RMB65.7 million and RMB121.9 million respectively.

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

As highlighted above, repayments from Jiangsu Yinyan and Taixing Jinyan have been slow in 1H 2016. In July and August 2016, we have received all of the outstanding past due receivable from Taixing Jinyan. For the outstanding past due receivables from Jiangsu Yinyan, the Management believes that no impairment allowance is necessary in respect of these receivables as Jiangsu Yinyan has a good credit record with our Group and our Group has been transacting with Jiangsu Yinyan for more than 10 years.

- 2(d) The ageing of the trade receivables from related parties as at 30 June 2016 is as follows:-

	RMB'000
Current	248,386
Past due from 1 to 90 days	96,935
Past due from 91 to 180 days	50,672
Past due for more than 180 days	39,971
	435,964

3. The Company disclosed "Receivable from joint venture entity" of RMB 524.9 million.
- (a) Please disclose the terms of when the receivable(s) must be paid and explain why the amount is so significant.
- (b) Please provide an aging schedule for the receivables.

Company's response:

- 3(a) The receivable from the joint venture entity is stated after elimination in accordance with the proportionate accounting method for joint operations. This amount includes receivable from the sale of the Line 3 AA plant (inclusive of the relevant taxes) recorded under Taixing Jurong. Taixing Jurong received a sum of RMB700.0 million for the sale of the Line 3 AA plant on 1 August 2016.
- 3(b) The ageing of the receivable from the joint venture entity is current as at 30 June 2016.

4. The Company disclosed “Other taxes receivable” of RMB 100.1 million.
- (a) Please provide details of what these “Other taxes receivable” are and explain why the amount is so significant.
- (b) Please provide an aging schedule for the receivables.

Company’s response:

- 4(a) The other taxes receivable relate to the 17% value added tax on property, plant and equipment at the time of acquisition incurred mainly by (1) JJP on the heavy oil cracking plant; and (2) JJC on the MTBE plant. According to the tax regulations in the PRC, these taxes are only deductible upon commencement of operations of the respective plants. Since both JJP’s heavy oil cracking plant and JJC’s MTBE plant have not commenced operations since their completion, these taxes are recorded as taxes receivable.
- 4(b) The ageing of the taxes receivable is not meaningful as the realisation of the taxes receivable is to be deducted as and when they are due according to the tax regulations in the PRC.

5. The Company disclosed “Other receivables” of RMB 106.3 million.
- (a) Please provide details of what these “Other receivables” are, disclosing the details of the underlying transactions/contracts, and explain why the amount is so significant.
- (b) Please provide an aging schedule for the receivables.

Company’s response:

- 5(a) Breakdown of other receivables of RMB106.3 million is as follows:-

	RMB’000
Receivable from Arkema	100,000
Miscellaneous taxes receivable	6,276
	106,276

Please refer to Query 1 above for information relating to the receivable from Arkema which amounted to RMB100.0 million.

- 5(b) The ageing of other receivables of RMB106.3 million is current as at 30 June 2016.

6. The Company disclosed that it 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”.

Please disclose when the Company is targeting to complete this.

Company’s response:

The Company is currently working with its legal advisors in the preparation of the draft Circular containing updated information, and will submit the same for the Exchange’s approval within 3 months once the draft has been finalised before convening a general meeting to seek shareholders’ approval.

7. Please provide a confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

Company’s response:

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
25 August 2016