

SUNVIC CHEMICAL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200406502E)

ANNOUNCEMENT REGARDING (A) EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR, (B) NOTICE OF 3 CONSECUTIVE YEARS' LOSSES AND (C) MATERIAL VARIANCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR FY2016

(A) EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR FY2016

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Exchange**" or "**SGX-ST**"), the Board of Directors of Sunvic Chemical Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Foo Kon Tan LLP ("**Independent Auditor**"), had included an emphasis of matter ("**Emphasis of Matter**") in the Independent Auditor's Report on the Group's financial statements for the financial year ended 31 December 2016 ("**FY2016**"). The opinion of the Independent Auditor remains unqualified.

The Independent Auditor's Report is attached as Appendix I to this announcement for Shareholders' ease of reference.

Shareholders of the Company ("**Shareholders**") are advised to read the Independent Auditor's Report and the Group's financial statements for FY2016 set out in the Annual Report 2016 of the Company, which will be despatched to Shareholders in due course.

(B) NOTICE OF 3 CONSECUTIVE YEARS' LOSSES

In compliance with Rule 1312 of the Listing Manual, the Company hereby gives notice that:

- (i) it has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and
- (ii) its latest 6-month average daily market capitalisation as at 11 April 2017 is S\$53,385,910.

The Company wishes to draw investors' attention to Rule 1311(1) of the Listing Manual which states that the Exchange will place an issuer on a watch-list if it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.

Investors should also note that pursuant to Practice Note 13.2 Paragraph 2.1, the Exchange conducts quarterly reviews to identify issuers to be included on the watch-list. The quarterly review will take place on the first market day of March, June, September and December of each year. The Company will make an immediate announcement should it be notified by the Exchange that it will be placed on the watch-list.

(C) MATERIAL VARIANCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR FY2016

The Board of Directors refers to the unaudited full year financial results announcement for FY2016 released via SGXNet on 1 March 2017 (the “**Unaudited Financial Statements**”). Further reference is made to the audited financial statements of the Company for FY2016 (the “**Audited Financial Statements**”) set out in the Annual Report 2016 of the Company, which will be despatched to Shareholders in due course.

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to announce and clarify material differences between the Audited Financial Statements and the Unaudited Financial Statements. The details and explanation of the material variances are shown below:

Extract of Consolidated Statement of Comprehensive Income for FY2016

	Unaudited Financial Statements (RMB'000)	Audited Financial Statements (RMB'000)	Variance (RMB'000)	Note
Revenue	2,133,553	2,133,553		
Cost of sales	(2,063,433)	(2,063,433)		
Gross profit/(loss)	70,120	70,120		
Other income	168,202	168,202		
Distribution expenses	(36,205)	(36,205)		
Administrative expenses	(172,967)	(172,967)		
Other operating expenses	(67,176)	(245,703)	(178,527)	a
Finance costs	(78,682)	(78,682)		
Loss before taxation	(116,708)	(295,235)	(178,527)	
Taxation	(69,570)	(69,570)		
Loss for the year	(186,278)	(364,805)	(178,527)	
Other comprehensive income after tax:				
Foreign currency translation	349	349		
Total comprehensive loss for the year	(185,929)	(364,456)	(178,527)	
Total comprehensive loss attributable to:				
Owners of the Company	(179,199)	(341,140)	(161,941)	
Non-controlling interests	(6,730)	(23,316)	(16,586)	
Total comprehensive loss for the year	(185,929)	(364,456)	(178,527)	

Extract of Statement of Financial Position as at 31 December 2016

	GROUP			
	Unaudited Financial Statements (RMB'000)	Audited Financial Statements (RMB'000)	Variance (RMB'000)	Note
ASSETS				
Non-current assets				
Property, plant and equipment	1,385,086	1,206,559	(178,527)	a
Intangible assets	10,689	9,915	(774)	b
Land use rights	47,998	48,772	774	b
Deferred tax assets	24,430	24,430		
Value-added tax recoverable	86,380	86,380		
	<u>1,554,583</u>	<u>1,376,056</u>	<u>(178,527)</u>	
Current assets				
Inventories	81,893	81,893		
Trade and other receivables	990,299	990,299		
Cash and cash equivalents	262,216	262,216		
	<u>1,334,408</u>	<u>1,334,408</u>		
Non-current assets held for sale	12,532	12,532		
Total assets	<u>2,901,523</u>	<u>2,722,996</u>	<u>(178,527)</u>	
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	291,516	291,516		
Reserves	874,600	712,659	(161,941)	
	<u>1,166,116</u>	<u>1,004,175</u>	<u>(161,941)</u>	
Non-controlling interests	(60,532)	(77,118)	(16,586)	
Total equity	<u>1,105,584</u>	<u>927,057</u>	<u>(178,527)</u>	
Non-current liabilities				
Borrowings	180,000	180,000		
Deferred tax liabilities	7,500	7,500		
	<u>187,500</u>	<u>187,500</u>		
Current liabilities				
Borrowings	957,300	957,300		
Trade and other payables	645,956	645,956		
Income tax payable	5,183	5,183		
	<u>1,608,439</u>	<u>1,608,439</u>		
Total liabilities	<u>1,795,939</u>	<u>1,795,939</u>		
Total equity and liabilities	<u>2,901,523</u>	<u>2,722,996</u>	<u>(178,527)</u>	

Notes:

- a. The difference is due to impairment loss provided on property, plant and equipment amounting to RMB178,527,000 based on depreciated replacement cost method.
- b. The difference is due to reclassification between intangible assets and land use rights.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and CEO
12 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of SunVic Chemical Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Impairment of property, plant and equipment	The Group has been incurring operating losses since year 2014. The market demand for the Group's core products acrylic acid and acrylate esters, remained weak throughout first three quarters of year 2016. In view of the unfavourable market outlook, there is material uncertainty in the Group's ability to generate future economic cash inflow from certain property, plant and equipment. Hence, there is a risk relating to the impairment of property, plant and equipment due to the uncertain global economic environment, depressed crude oil prices as well as oversupply and low market demand for its products.	We have identified the impairment of property, plant and equipment is significant to our audit. Our audit procedures included, among others, obtaining an understanding of and challenging management's assumptions in determining the recoverable amounts of the non-financial assets. The recoverable amount of non-financial assets was based on fair value less costs of disposal, estimated using depreciated replacement cost method. The depreciated replacement cost method is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation, technical, functional obsolescence considering the assets' total estimated useful life and anticipated residual value (if any). The management has assessed the depreciated replacement cost method to be the most appropriate valuation method given the lack of market data for comparison. We have critically evaluated management's methodologies in preparing impairment models and documented basis for key assumptions. The most significant input of the depreciated replacement cost valuation relates to the estimated obsolescence of the assets over physical, functional and technological aspects.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
		Our procedures to address the key audit matter includes: • assessing internal controls designed to identify impairment indicators; • evaluating the reasonableness of the Group's judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests of non-current assets; • critically assessing the Group's assumptions and estimates used to determine the recoverable amount of non-financial assets and consequently any impairment losses recognised; • critically assessing the Group's identification of assets that were idle, using our experience of the Group and review of historical experience, whether such assets have any recoverable value; • running a range of sensitivity analyses to confirm that no impairment was required if a range of less optimistic assumptions were adopted. Management's disclosures on the impairment of non-financial assets is included in Note 9 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Other Information

Management is responsible for the other information. The other information refers to the "Directors' Statement" section of the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Other matters

Yixing Danson

On 30 April 2013, the Company announced that (i) the transactions between the Group and Yixing Danson Technology Co., Ltd ("Yixing Danson") were interested person transactions which exceeded 5% in FY2011, 2012, first quarter 2013 ("Past Interested Person Transactions") and (ii) the Company would be seeking approval from shareholders to ratify the Past Interested Person Transactions at an extraordinary general meeting to be convened. During the financial year ended 31 December 2016, the transactions consist of the sale of chemical products of RMB475.5 million (2015 – RMB340.6 million) and purchase of inventories of RMB130.3 million (2015 – RMB26.1 million). We understand that the Company has appointed the relevant professional advisers to assist in the compliance. The Company has not convened the extraordinary general meeting as at the date of this report as they are in the process of obtaining SGX's approval in respect of the contents in the shareholder's circular to the extraordinary general meeting. We draw your attention to the uncertainty related to the outcome of this convening of extraordinary general meeting or the non-compliance of the SGX listing rules.

Taixing Jinyan

The transactions between the Group and Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan") were interested person transactions. Ms. Hu Yanping, the substantial shareholder of the Group, Mr Sun Xiao (the Chief Executive Officer of the Company) and their associates own in aggregate 100% of the equity interest in Jiaying Jinyan Chemical Co. Ltd. ("Jiaying Jinyan"), while Taixing Jinyan is a 86% owned subsidiary company of Jiaying Jinyan. The transactions consist of the purchase of assets on behalf of RMB Nil million (2015 – RMB3.2 million), the sale of chemical products of RMB Nil million (2015 – RMB294.0 million), purchase of inventories of RMB0.7 million (2015 – RMB0.3 million) and sale of raw material RMB2.2 mil (2015 – RMB Nil). We understand that the Company has appointed the relevant professional advisers to assist in the compliance. The Company has not convened the extraordinary general meeting as at the date of this report as they are in the process of obtaining SGX's approval in respect of the contents in the shareholder's circular to the extraordinary general meeting. We draw your attention to the uncertainty related to the outcome of this convening of extraordinary general meeting or the non-compliance of the SGX listing rules.

Disposal of subsidiary

On 2 September 2016, the Company announced that the Company's subsidiary, Jiangsu Jurong Chemical Co., Ltd and the Company's associated company, SunVic Asia Pacific Investments Holdings Pte. Ltd., have entered a framework agreement to dispose of their aggregate 100% equity interest in the capital of Jiangsu Jurong Petrochemicals Co., Ltd to Shenzhen Qianhai Gatsway Petrochemical Co., Ltd.

The Company has not convened an extraordinary general meeting as at the date of this report to obtain approval from shareholders for this transaction.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNVIC CHEMICAL HOLDINGS LIMITED

Resignation of independent directors

On 25 November 2016, the lead independent director and Chairman of the audit committee, Siow Chee Keong resigned. This was followed by the resignation of Yap Chee Wee, the independent director and chairman of the remuneration committee on 19 December 2016.

Section 201B of the Companies Act states that every listed company shall have an audit committee comprising of more than 3 members. If a member of an audit committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

In addition, pursuant to Rule 704(8) of the Listing Manual, in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than three) the issuer should endeavour to fill the vacancy within two months, but in any case, not later than three months.

As the Company, has been unsuccessful to-date in part due to potential candidates' concerns about the financial position and outlook of the Company and their needs for more time to consider the role, the Company had accordingly applied to the Singapore Exchange Securities Trading Limited for an extension of time up to 1 June 2017 to appoint new independent directors. In the interim period before suitable independent directors and audit committee members are appointed, the duties and obligations of the audit committee are discharged by the Board of Directors.

The engagement partner on the audit resulting in this independent auditor's report is Tei Tong Huat.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore, 10 April 2017