

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

**RESPONSE TO SGX QUERIES ON THE FIRST QUARTER RESULTS FOR
THE PERIOD ENDED 31 MARCH 2017**

All capitalised terms used herein, unless the context otherwise requires, shall bear the meanings ascribed to them in the 1Q2017 results (as defined below).

Sunvic Chemical Holdings Limited (the "Company") has received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") regarding the Company's First Quarter Results for the financial period ended 31 March 2017 ("Q1 2017") announced on 16 May 2017 (the "1Q2017 results"). The Company's responses to the queries of the SGX-ST are set out below:-

1. On Page 11 of the Company's 1Q2017 results, we note that the trade receivables from Related parties increased by 39% from RMB349million as at 31 December 2016 to RMB485million as at 31 March 2017. Please disclose:-
 - (i) The Aging schedule;
 - (ii) The nature of the underlying trade receivables;
 - (iii) Who are the related parties;
 - (iv) The reason why the related parties are taking longer than expected to pay;
 - (v) How are the credit terms of these trade receivables arm's length and disclose whether there are any penalties or interest charged for late payments; and
 - (vi) How sound is the financial standing of related parties and do they have the financial resources to repay the RMB485 million owed to the Company. Please elaborate on the AC's view whether the debts are recoverable based on the current financial position of these related parties and disclose the basis for their views.

Company's response:

- (i) The ageing of the trade receivables from related parties as at 31 March 2017 is as follows:-

	RMB'000
Current	274,294
Past due from 1 to 90 days	133,534
Past due from 91 to 180 days	13,179
Past due for more than 180 days	64,153
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	485,160
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- (ii) The trade receivables due from related parties arose as a result of the sale of AA and AE as well as other chemical products to the related parties.

- (iii) Breakdown of the trade receivables from related parties of approximately RMB485.2million is as follows:-

	RMB'000
Jiangsu Yinyan	87,923
Yixing Danson	107,636
Taixing Jinyan	223,684
Arkema Group of companies	65,917
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	485,160
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Jiangsu Yinyan, Yixing Danson and Taixing Jinyan are classified as "Interested Persons" of the Company.

- (iv) Jiangsu Yinyan, Yixing Danson and Taixing Jinyan are taking longer than expected to pay due to credit tightening from their bankers and the expansion of production plants by these companies; thereby resulting in tight cash flows in these companies.

- (v) The credit terms granted to all trade receivables (including 3rd parties and related parties) are generally on 30 to 90 days' terms. There are no penalties or interest charged for late payments.
- (vi) The Management has obtained the unaudited net tangible assets ("NTA") and profit/(loss) ("P&L") of Yixing Danson, Taixing Jinyan and Jiangsu Yinyan as follows:-

	NTA as at 31 March 2017 RMB'000	P&L 3M 2017 RMB'000
Yixing Danson	400,152	4,755
Taixing Jinyan	411,049	7,528
Jiangsu Yinyan	103,672	(946)

After taking into consideration of the general operating and business environments in which these entities are operating, the Management is of the view that Yixing Danson and Taixing Jinyan have the financial resources to repay the outstanding debts.

Despite a relatively weaker financial position, Jiangsu Yinyan has a good credit record with our Group and our Group has been transacting with Jiangsu Yinyan for more than 10 years. As such, the Management believes that, subject to the AC (who recently joined our Board in May 2017) further review as stated below, no impairment allowance is necessary at this stage.

The Management will continue to monitor the repayments from these related parties and their cash flow situation closely to minimise the credit exposure.

The AC members have discussed the collectability of the long outstanding debts owed by these related parties with the Management, and have instructed the Management to provide more details on the long outstanding debts, in particular Jiangsu Yinyan, to allow the AC members to assess the collectability of these long outstanding debts and whether there is any need to make doubtful debts provision.

2. We refer to Para 13 of the Company's 1Q2017 results where the Company disclosed the aggregate value of interested person transactions. Please disclose:-

- (i) Are any of the interested persons in Para 13, the same "Related parties" in page 11 who have been taking longer to repay debts owing to the Company for trade receivables? If so, please disclose who and whether any of the guarantees extended by the Company on the interested person's loans in Para 13 are at risk of being called; and
- (ii) If there has been any breach of any financial covenants or terms of the loans of any of the interested persons set in the table where Company has provided guarantee for the interested person's loans? If so, please provide further details.

Company's response:

- (i) Among others, the Group has extended corporates guarantees to Yixing Danson and Taixing Jinyan. The Group has not extended any corporate guarantee to Jiangsu Yinyan.

As far as the Management is aware, none of the interested person's loans are at risk of being recalled.

- (ii) As far as the Management is aware, there is no breach of any financial covenants or terms of the loans of all of the interested persons.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
21 June 2017