

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

**RESPONSE TO SGX QUERIES ON THE THIRD QUARTER RESULTS FOR
THE PERIOD ENDED 30 SEPTEMBER 2016**

Sunvic Chemical Holdings Limited (the "Company") has received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") regarding the Company's Third Quarter Results for the financial period ended 30 September 2016 ("Q3 2016") announced on 14 November 2016 (the "Q3 2016 Announcement"). The Company's responses to the queries of the SGX-ST are set out below:-

1. Please disclose the reasons for the decrease in "Other operating expenses" of RMB50.3 million in Q3 2016, and a total decrease of RMB325.25 million for 9M 2016. Please provide a breakdown and explain the material expenses incurred.

Company's response:

Please refer to the enclosed Appendix A for details.

2. Administrative expenses decreased by RMB37.2 million, of which RMB26.4 million is due to a decrease in net exchange loss. Please elaborate on and quantify the other factors which had an impact on administrative expenses.

Company's response:

Please refer to the enclosed Appendix B for details.

3. Trade receivables from “Related parties” amounted to RMB198.8 million. Please disclose the identities of these “Related parties” and whether these fall under the definition of “interested persons” under the Listing Rules, the nature of these transactions and the credit terms. Please disclose whether these trade receivables are within the credit terms.

Company’s response:

Breakdown of the trade receivables from related parties of RMB198.8 million is as follows:-

	RMB’000
Jiangsu Yinyan	70,587
Yixing Danson	6,108
Taixing Jinyan	122,143
	<hr/>
	198,838
	<hr/>

Jiangsu Yinyan, Yixing Danson and Taixing Jinyan are classified as “Interested Persons” of the Company.

The credit terms granted to all trade receivables (including 3rd parties and related parties) are generally on 30 to 90 days’ terms. The ageing of the trade receivables from related parties as at 30 September 2016 is as follows:-

	RMB’000
Current	127,991
Past due from 1 to 90 days	2,577
Past due from 91 to 180 days	10,697
Past due for more than 180 days	57,573
	<hr/>
	198,838
	<hr/>

Majority of the past due trade receivables stated above was due from Jiangsu Yinyan. Repayments from Jiangsu Yinyan have been slow during 9M 2016. However, the Management believes that no impairment allowance is necessary in respect of these trade 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.

The trade receivables due from related parties arose as a result of sale of AA and AE as well as other chemical products to the related parties.

4. Please explain, under paragraph 9, any deviation from the commentary/discussion under Paragraph 10 of the Company's financial statements from the previous period. Where there is no deviation, please provide an explicit statement to that effect.

Company's response:

There is no deviation.

5. We note that the aggregate value of all interested person transactions ("IPT") during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) amounts to RMB874,687,000, amounting to 67.7% of the Company's latest audited net tangible assets.
 - a. Please disclose whether the Company has complied with the Listing Manual requirements relating to IPTs. If yes, please explain how the Company has complied with the requirements.
 - b. If not, please disclose why the Company has not complied with the requirements and what the Company is doing with regard to compliance with the relevant Listing Rules.

Company's response:

As there were further developments since the previous results announcement, the Company is currently in consultation with its legal advisers and independent financial adviser on the IPT matters and will also actively engage the Exchange on the same.

6. For each Interested Person that the Company has provided corporate guarantees to, please disclose the financial standings of the entities. Please also disclose the terms and the repayment of the loans which are guaranteed by the Company.

Company's response:

For the financial period ended 30 September 2016, the unaudited net tangible assets ("NTA") as well as profit/(loss) ("P&L") of the entities which the Group extended corporate guarantees to are as follows:-

	NTA as at 30 September 2016 RMB'000	P&L 9M 2016 RMB'000
Yixing Danson	385,145	4,457
Taixing Jinyan	400,943	12,802
Jiaxing Jinyan	542,996	828

The bank borrowings drawn down by the related parties consist of short-term working capital loans as well as long-term equipment loans. These loans are secured by the property, plant and equipment of the respective related parties, corporate guarantees from the Group, and personal guarantees from Mdm Hu Yan Ping, a substantial shareholder of the Company, Mr. Sun Xiao, the Executive Director and Chief Executive Officer of the Company, and his spouse. These loans bear interest rates ranging from 4.4% to 7.0% per annum with repayment periods ranging from 2017 to early 2018."

7. Please provide an update, the milestones and the proposed schedule for “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”, as disclosed on page 16.

Company’s response:

As mentioned above, there were further developments since the previous results announcement and the Company is currently in consultation with its legal advisers and independent financial adviser on the IPT matters. In addition, the Company is also concurrently considering qualified candidates to appoint as an Independent Director to constitute part of the Audit Committee. Given these latest developments, the Company regrets to inform that it is unable to provide a proposed schedule at this juncture. Notwithstanding the foregoing, the Company will engage the Exchange actively on the IPT matters and will update the shareholders of the Company as and when there are material developments in this regard.

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
16 December 2016

SunVic Chemical Holdings Limited
Other operating expenses

Appendix A

	9M 2016	9M 2015	
	RMB'000	RMB'000	Remarks
Costs relating to sale of steam and provision of waste water treatment services	25,444	28,399	<i>Note 1</i>
Costs of propylene and crude residuals sold to the joint venture entity	-	324,739	<i>Note 2</i>
Other miscellaneous expenses	4,577	2,133	
Total	<u>30,021</u>	<u>355,271</u>	

Note 1:

This related to costs incurred for sale of steam as well as waste water treatment services provided by the joint venture entity. The decrease was due to lesser waste water treated during 9M 2016 compared to 9M 2015.

Note 2:

There was a decrease as there were no sale of propylene and crude residuals to the joint venture entity during 9M 2016.

SunVic Chemical Holdings Limited
Administrative expenses

Appendix B

	9M 2016	9M 2015	
	RMB'000	RMB'000	Remarks
Staff costs	38,014	29,255	<i>Note 1</i>
Depreciation and amortisation	32,978	44,950	<i>Note 2</i>
Maintenance	1,357	1,243	
Office expenses	2,847	8,468	<i>Note 3</i>
Traveling expenses	3,501	5,113	<i>Note 3</i>
Business development expenses	1,210	3,043	<i>Note 3</i>
Stamp duty	1,210	1,560	
Waste treatment	1,506	3,261	<i>Note 4</i>
Testing fee	91	376	
Insurance	1,580	1,692	
Professional fees	2,467	2,393	
Bank charges	3,562	8,391	<i>Note 5</i>
Exchange loss, net	6,745	35,353	<i>Note 6</i>
Other miscellaneous expenses	19,797	18,698	
Total	<u>116,864</u>	<u>163,796</u>	

Note 1:

Increase mainly due to higher salary paid for staff at the joint venture entity.

Note 2:

Decrease mainly due to sale of assets to the joint venture entity resulting in lower depreciation for PPE.

Note 3:

Decrease mainly due to Management's efforts to cut down expenses.

Note 4:

Decrease mainly due to the lower production activities for the Group's Xiangshui AA plants.

Note 5:

Decrease mainly due to lesser banking facilities granted in 9M 2016 compared to 9M 2015.

Note 6:

Decrease due to depreciation of RMB against USD in 9M 2016 compared to 9M 2015.