

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the First Quarter Ended 31 March 2015

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST 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.**

	Q1 2015	Q1 2014	+ / (-)
	RMB'000	RMB'000	%
Revenue	577,528	1,562,439	(63.0)
Cost of sales	(583,268)	(1,391,802)	(58.1)
Gross (loss)/profit	(5,740)	170,637	(103.4)
Other operating income	118,324	3,986	NA
Distribution expenses	(19,473)	(31,726)	(38.6)
Administrative expenses	(56,437)	(41,633)	35.6
Other operating expenses	(108,607)	(781)	NA
(Loss)/profit from operations	(71,933)	100,483	(171.6)
Finance expenses	(25,760)	(49,811)	(48.3)
(Loss)/profit before income tax	(97,693)	50,672	(292.8)
Income tax expense	(720)	(14,093)	(94.9)
(Loss)/profit for the period	(98,413)	36,579	(369.0)
Other comprehensive income			
Translation difference relating to financial statements of foreign subsidiaries with functional currency other than RMB	110	2,037	(94.6)
Total comprehensive (loss)/income for the period	(98,303)	38,616	(354.6)
Attributable to:			
Owners of the Company	(95,806)	38,979	(345.8)
Non-controlling interests	(2,497)	(363)	587.9
Total comprehensive (loss)/income for the period	(98,303)	38,616	(354.6)

The following items have been included in arriving at profit before taxation:-

	Q1 2015 RMB'000	Q1 2014 RMB'000	+/(-) %
Interest income	(2,679)	(2,163)	23.9
Exchange loss, net	9,657	11,057	(12.7)
Depreciation of property, plant and equipment	72,506	75,708	(4.2)
Amortisation of land use rights	327	393	(16.8)
Amortisation of intangible assets	504	64	687.5
Interest paid and payable to banks	25,760	49,811	(48.3)
Reversal of write down of inventories	(35,575)	-	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 31 March 2015	As at 31 December 2014	As at 31 March 2015	As at 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,619,842	1,658,244	-	-
Intangible assets	10,869	11,373	-	-
Land use rights	51,897	51,800	-	-
Subsidiaries	-	-	342,623	342,623
Deposits paid for property, plant and equipment and land use rights	54,453	56,754	-	-
Deferred tax asset	24,430	24,430	-	-
	<u>1,761,491</u>	<u>1,802,601</u>	<u>342,623</u>	<u>342,623</u>
Current assets				
Inventories	451,029	195,331	-	-
Non-current assets held for sale	685,581	705,061	-	-
Trade and other receivables	2,206,204	1,655,079	33,815	32,664
Pledged deposits	346,859	333,682	-	-
Cash and bank balances	189,796	486,881	527	230
	<u>3,879,469</u>	<u>3,376,034</u>	<u>34,342</u>	<u>32,894</u>
Total assets	<u>5,640,960</u>	<u>5,178,635</u>	<u>376,965</u>	<u>375,517</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	1,737,243	1,833,049	45,745	45,989
Total equity attributable to equity holders of the Company	2,028,759	2,124,565	337,261	337,505
Non-controlling interests	(42,179)	(39,682)	-	-
Total equity	<u>1,986,580</u>	<u>2,084,883</u>	<u>337,261</u>	<u>337,505</u>
Non-current liabilities				
Interest bearing liabilities	274,506	287,099	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	<u>282,006</u>	<u>294,599</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	2,083,072	1,558,304	39,704	38,012
Interest-bearing liabilities	1,288,464	1,221,136	-	-
Current tax payable	838	19,713	-	-
Total current liabilities	<u>3,372,374</u>	<u>2,799,153</u>	<u>39,704</u>	<u>38,012</u>
Total equity and liabilities	<u>5,640,960</u>	<u>5,178,635</u>	<u>376,965</u>	<u>375,517</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 31 March 2015		As at 31 December 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
308,480	979,984	460,441	760,695

Amount repayable after one year

As at 31 March 2015		As at 31 December 2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
64,506	210,000	77,099	210,000

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 Mdm Hu Yan Ping, Mr and Mrs Sun Xiao, Jiangsu Yinyan Specialty Chemicals Co., Ltd group of companies, in which Mdm Hu Yan Ping and Mr Sun Xiao are deemed to have significant interest.

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.

	Q1 2015	Q1 2014
	RMB'000	RMB'000
Operating activities		
(Loss)/profit before income tax	(97,693)	50,672
Adjustments for:		
Interest expense	25,760	49,811
Interest income	(2,679)	(2,163)
Amortisation of intangible assets	504	64
Amortisation of land use rights	327	393
Depreciation of property, plant and equipment	72,506	75,708
Reversal of write down of inventories	(35,575)	-
Exchange differences	110	2,037
Operating (loss)/profit before working capital changes	(36,740)	176,522
Changes in working capital:		
Inventories	(220,123)	(69,943)
Trade and other receivables	(551,125)	(18,434)
Trade and other payables	524,768	159,960
Cash generated from operations	(283,220)	248,105
Income taxes paid	(19,595)	(22,204)
Cash flows from operating activities	(302,815)	225,901
Investing activities		
Interest received	2,679	2,163
Purchase of property, plant and equipment and land use rights	(12,747)	(232,038)
Cash flows used in investing activities	(10,068)	(229,875)
Financing activities		
Proceeds from interest-bearing liabilities	1,063,444	1,552,181
Repayments of interest-bearing liabilities	(1,008,709)	(1,435,775)
Net repayments of factoring facilities	-	(15,608)
Interest paid	(25,760)	(49,811)
Deposits pledged	(13,177)	(7,333)
Cash flows from financing activities	15,798	43,654
Net (decrease)/increase in cash and cash equivalents	(297,085)	39,680
Cash and cash equivalents at beginning of the period	486,881	341,246
Cash and cash equivalents at end of the period	189,796	380,926

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	Merger reserve	Other reserves	Foreign currency translation reserve	Accumulated profits	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	291,516	(499)	346,941	(17,798)	1,504,405	2,124,565	(39,682)	2,084,883
Total comprehensive (loss)/income for the period	-	-	-	110	(95,916)	(95,806)	(2,497)	(98,303)
At 31 March 2015	291,516	(499)	346,941	(17,688)	1,408,489	2,028,759	(42,179)	1,986,580
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	-	-	-	2,037	36,942	38,979	(363)	38,616
At 31 March 2014	291,516	(499)	282,822	(15,849)	1,735,310	2,293,300	54,344	2,347,644

Statement of Changes in Equity – The Company

	Share capital	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2015	291,516	45,989	337,505
Total comprehensive loss for the period	-	(244)	(244)
At 31 March 2015	291,516	45,745	337,261
At 1 January 2014	291,516	110,933	402,449
Total comprehensive loss for the period	-	(630)	(630)
At 31 March 2014	291,516	110,303	401,819

- 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 in Q1 2015. The Company does not have any treasury shares as at 31 March 2015.

	Company	
	As at 31 March 2015	As at 31 December 2014
Number of shares excluding treasury shares at the end of the period ('000)	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.**

	Company	
	As at 31 March 2015	As at 31 December 2014
Number of shares excluding treasury shares at the end of the period ('000)	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 31 March 2015.

- 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.**

	Group	
	Q1 2015	Q1 2014
Earnings per share (RMB cents):-		
Basic and diluted	(17.9)	6.9

	Group	
	Q1 2015	Q1 2014
	RMB'000	RMB'000
Basic earnings per share is based on:		
Net (loss)/profit attributable to ordinary shareholders of the Company	(95,696)	36,942

	No. of shares	
	Q1 2015	Q1 2014
	('000)	('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	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 31 March 2015	As at 31 December 2014	As at 31 March 2015	As at 31 December 2014
Net assets attributable to the shareholders of the Company (RMB'000)	2,028,759	2,124,565	337,261	337,505
Net asset value per ordinary share (RMB cents)	380.2	398.1	63.2	63.2
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

Total revenue in Q1 2015 decreased by RMB984.9 million to RMB577.5 million compared to RMB1,562.4 million Q1 2014. This was mainly due to decrease in revenue from sales of AA & AE, PMIDA & glyphosate and other chemical products by RMB743.5 million, RMB53.5 million and RMB187.8 million respectively.

The decrease in revenue from AA & AE and PMIDA & glyphosate were mainly attributable to lower sale volume and average selling prices.

Sales of AA and AE decreased mainly due to lower sales volume as well as lower average selling prices. Sales volume for AA and AE decreased from 121,600 tonnes in Q1 2014 to 84,400 tonnes in Q1 2015 whilst average selling prices also decreased from RMB11,300 to RMB7,800 per tonne during the respective period. All of these are due to over-supply situation of AA in the PRC.

Gross profit

The Group incurred a gross loss of RMB5.7 million in Q1 2015 compared to a gross profit of RMB170.6 million in Q1 2014. Sales of AA & AE contributed a gross profit of RMB3.8 million whilst sales of PMIDA & glyphosate contributed a gross loss of RMB10.6 million in Q1 2015.

Overall gross profit margin decreased from 10.9% in Q1 2014 to a negative margin of 1.0% in Q1 2015. Gross profit margins for AA & AE reduced from 12.0% for Q1 2014 to 0.7% in Q1 2014 whilst gross profit margins for PMIDA & glyphosate reduced from a positive 10.0% in Q1 2014 to a negative 26.1% in Q1 2015. Selling prices for glyphosate decreased due to fierce competition in the market.

Other operating income and other operating expenses

Included in other operating income was revenue from sale of propylene and other chemical material to joint venture entity amounted to RMB111.2 million (Q1 2014: Nil) and interest income amounted to RMB2.7 million (Q1 2014: RMB2.2 million).

The corresponding cost from sale of propylene and other chemical material was included in the other operating expenses resulting in an increase in other operating expenses by RMB107.8 million to RMB108.6 million in Q1 2015 compared to RMB0.8 million in Q1 2014.

Distribution expenses

Distribution expenses decreased by RMB12.3 million to RMB19.5 million in Q1 2015 compared to RMB31.7 million in Q1 2014. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses.

Administrative expenses

In Q1 2015, administrative expenses increased by RMB14.8 million to RMB56.4 million compared to RMB41.6 million in Q1 2014. This was mainly due to an increase in depreciation charge for property, plant and equipment relating to “idle” assets for the heavy oil cracking plant.

Finance expenses

Finance expenses decreased by RMB24.0 million to RMB25.8 million in Q1 2015 compared to RMB49.8 million in Q1 2014. This was mainly due to lower interest bearing liabilities in Q1 2015 compared to Q1 2014.

Income tax expense

Income tax expense decreased by RMB13.4 million to RMB0.7 million in Q1 2015 compared to RMB14.1 million in Q1 2014 due to loss incurred in Q1 2015.

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 decreased by RMB38.4 million to RMB1,619.8 million as at 31 March 2015 compared to RMB1,658.2 million as at 31 December 2014. This was mainly due to depreciation charge for the period which was partially offset by additions of property, plant and equipment in Q1 2015.

Inventories increased by RMB255.7 million to RMB451.0 million as at 31 March 2015 compared to RMB195.3 million as at 31 December 2014. This was mainly due to an increase in raw material, propylene, which will be sold to the joint venture entity.

Trade and other receivables increased by RMB551.1 million to RMB2,206.2 million as at 31 March 2015 compared to RMB1,655.1 million as at 31 December 2014. This was mainly due to increase in advances to suppliers for purchase of raw material, propylene.

Trade and other payables increased by RMB524.8 million to RMB2,083.1 million as at 31 March 2015 compared to RMB1,558.3 million as at 31 December 2014. This was mainly due to higher trade and notes payables for purchase of propylene.

Total non-current and current interest-bearing liabilities increased by RMB54.7 million to RMB1,563.0 million as at 31 March 2015 compared to RMB1,508.2 million as at 31 December 2014. This was mainly due to drawn down of banking facilities in Q1 2015.

Cash Flow Statement

Our Group generated negative operating cash flow of RMB302.8 million in Q1 2015 mainly due to loss before income tax, interest income as well as increase in inventories and trade & other receivables. These were partially offset by depreciation charge and interest expense as well as an increase in trade and other payables.

Financing activities resulted in positive cash flow of RMB15.8 million in Q1 2015 mainly due to proceeds from interest-bearing liabilities. These were partially offset by repayment of interest-bearing liabilities, interest paid and an increase in pledged fixed deposits.

There was a net cash outflow of RMB10.1 million in Q1 2015 from the Group's investing activities mainly due to acquisitions of property, plant and equipment as well as land use rights.

As a result of the above, cash and cash equivalents decreased from RMB486.9 million as at 31 December 2014 to RMB189.8 million as at 31 March 2015.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

-

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 conditions will remain challenging in the near future due to the current situation of oversupply and excess production capacity of AA in the PRC. Our profit margin for AA and AE will continue to be under pressure.

We are exploring acquisition of or investment into companies for upstream and/or downstream products to diversify and broaden our revenue base, so as to better achieve cost efficiency, stabilise and improve overall margins through vertical integration.

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 Q1 2014.

(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 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	-	17,848
Sales of chemical products:-		
- Jiangsu Jurong Petrochemicals Co., Ltd	-	2,334
Purchase of raw materials:-		
- Jiaxing Jinyan Chemical Co., Ltd	-	6,312

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 3-months ended 31 March 2015 amounted to RMB166.2 million. In addition, the Group purchased chemical material from Yixing Danson amounted to RMB8.1 million in Q1 2015.

The Group also entered into new IPTs with the following companies for the 3-months ended 31 March 2015:

Taixing Jinyan Chemical Technology Co., Ltd ("Taixing Jinyan")

- Purchase of raw material on behalf: RMB22.1 million

Taixing Yumeng Wuzhi Co., Ltd ("Taixing Yumeng")

- Purchase of spare parts and equipment: RMB0.2 million

The transactions with Yixing Danson, Taixing Jinyan and Taixing Yumeng 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 first quarter financial statements ended 31 March 2015 to be false or misleading in any material aspect.**

BY ORDER OF THE BOARD

**Sun Xiao
Executive Director and Chief Executive Officer
14 May 2015**