

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

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**RESPONSE TO SGX QUERIES ON THE THIRD QUARTER RESULTS  
ENDED 30 SEPTEMBER 2015**

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Sunvic Chemical Holdings Limited (the "Company") has received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") regarding the Third Quarter Results for the financial period ended 30 September 2015 ("Q3 2015") announced on 13 November 2015 (the "Q3 2015 Announcement"). The Company's responses to the queries of SGX-ST are set out below:-

1. Paragraph 8 of the Announcement states that "Inventories increased by RMB84.7 million to RMB280.0 million as at 30 September 2015 compared to RMB195.3 million as at 31 December 2014. This was mainly due to an increase in raw material, propylene, due to lower operating utilisation as a result of difficult market sentiment".
  - (i) Please provide a breakdown by inventories type and the aging of the inventories as at 30 September 2015.
  - (ii) Please state if there is any stock obsolescence.

***Company's response:***

- 1(i) Breakdown of inventories is as follows:-

	<b>As at 30 September 2015 RMB'000</b>	<b>As at 31 December 2014 RMB'000</b>
Raw materials	113,565	70,523
Work-in-progress	20,806	19,620
Finished goods	141,063	134,861
Packaging materials	4,612	5,845
Goods-in-transit	-	514
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	280,046	231,363
Less: Inventories written-down	-	(36,032)
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	280,046	195,331
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Majority of the raw materials (mainly propylene) and finished goods (mainly AA and AE) were less than 60 days old.

- 1(ii) The Group did not make any provision for stock obsolescence as at 30 September 2015.

The provision for inventories written-down made as at 31 December 2014 was mainly due to a sharp decrease of selling prices for AA and AE in January 2015 for inventories remained as at 31 December 2014. As there was no such sharp decrease in the average selling price of AA and AE in October 2015, no provision for inventories written-down was made as at 30 November 2015.

2. Please provide details on the classification of items contributing to the Cost of Sales, resulting in a lower gross profit margin from 4.3% in 3Q2014 to a negative margin of 11.4% in 3Q2015. Please also provide details on the trend of Cost of Sales.

***Company's response:***

Cost of sales mainly consisted of cost of raw materials (propylene), depreciation of property, plant and equipment, direct labour as well as utilities (such as water, electricity and steam).

The main reason that caused the negative margin of 11.4% in Q3 2015 was due to the sharp decrease in AA and AE average selling price from RMB10,000 per tonne in Q3 2014 to RMB6,700 per tonne in Q3 2015 whilst the average cost of propylene in the same period did not decrease as sharply as the AA and AE average selling price (RMB9,100 per tonne in Q3 2014 to RMB6,900 per tonne in Q3 2015).

The average price of AA and AE and the average cost of propylene are as follows:

	<b>Average price of AA and AE RMB</b>	<b>Average cost of propylene RMB</b>
Q1 2014	11,000	9,500
Q2 2014	10,300	9,000
Q3 2014	10,000	9,100
Q4 2014	9,000	7,900
Q1 2015	7,300	5,400
Q2 2015	7,400	6,400
Q3 2015	6,700	6,900

3. We refer to paragraph 9 of the Announcement. Please comment whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous second quarter results announcement.

***Company's response:***

The current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous annual results announcement, where the Company had stated that conditions will remain challenging due to the situation of oversupply and excess production capacity of AA in the PRC.

4. Paragraph 10 of the Announcement states that "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". Please elaborate on the Company's plans to address the current situation.

***Company's response:***

We remain confident in the long-term prospect of the AA industry as AA is a fundamental chemical uses in the production of a wide range of industrial and consumer products. We believe that the global demand growth of AA will eventually catch up with the supply. The current difficult situation of AA industry is due to sharp increase in the supply of AA in the PRC during the past 2 years.

We intend to continue maintaining our market leadership in the AA industry through efficient production, procurement management, cash flows management and strategic joint venture with partners to enhance our brand and product's quality.

**BY ORDER OF THE BOARD**

**Sun Xiao**  
**Executive Director and Chief Executive Officer**  
**30 November 2015**