

SUNVIC CHEMICAL HOLDINGS LIMITED
(Registration Number: 200406502E)

Financial Statement and Dividend Announcement for the Second Quarter and Half Year Ended 30 June 2017

INFORMATION REQUIRED FOR ANNOUNCEMENT OF SECOND QUARTER AND HALF YEAR 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.

Statement of Comprehensive Income

	Q2 2017	Q2 2016	+/(-) %	1H 2017	1H 2016	+/(-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	555,132	515,578	7.7	1,144,053	937,876	22.0
Cost of sales	(486,573)	(501,691)	(3.0)	(992,859)	(925,416)	7.3
Gross profit	68,559	13,887	393.7	151,194	12,460	1113.4
Other operating income	10,241	110,662	(90.7)	19,158	127,326	(85.0)
Distribution expenses	(19,983)	(10,784)	85.3	(42,878)	(23,014)	86.3
Administrative expenses	(30,620)	(51,174)	(40.2)	(62,818)	(79,917)	(21.4)
Other operating expenses	(6,500)	(9,734)	(33.2)	(14,507)	(20,865)	(30.5)
Results from operating activities	21,697	52,857	(59.0)	50,149	15,990	213.6
Finance expenses	(17,966)	(21,798)	(17.6)	(46,488)	(43,765)	6.2
Profit/(loss) before income tax	3,731	31,059	(88.0)	3,661	(27,775)	113.2
Income tax expense	(3,359)	(565)	494.5	(7,012)	(2,866)	144.7
Profit/(loss) for the period	372	30,494	(98.8)	(3,351)	(30,641)	(89.1)
Other comprehensive income						
Translation differences relating to financial statements of subsidiaries with functional currencies other than RMB	(209)	293	(171.3)	(230)	234	(198.3)
Total comprehensive income/(loss) for the period	163	30,787	(99.5)	(3,581)	(30,407)	88.2
Attributable to:						
Owners of the Company	(33)	30,766	(100.1)	(3,730)	(30,096)	(87.6)
Non-controlling interests	196	21	833.3	149	(311)	147.9
Total comprehensive income/(loss) for the period	163	30,787	(99.5)	(3,581)	(30,407)	(88.2)

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

	Q2 2017	Q2 2016	+/(-) %	1H 2017	1H 2016	+/(-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	(1,578)	(458)	244.5	(2,170)	(1,338)	62.2
Gain on partial disposal of subsidiary	-	100,000	(100.0)	-	100,000	(100.0)
Reversal of write down of inventories	-	-	-	(2,649)	(15,601)	(83.0)
Exchange (gain)/loss, net	(894)	6,908	112.9	774	6,742	(88.5)
Depreciation of property, plant and equipment	32,079	45,301	(29.2)	64,312	85,331	(24.6)
Amortisation of intangible assets	182	56	225.0	280	455	(38.5)
Amortisation of lease prepayments	362	391	(7.4)	806	526	53.2
Interest paid and payable	17,966	21,798	(17.6)	46,488	43,765	6.2

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 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,193,609	1,206,559	-	-
Intangible assets	9,750	9,915	-	-
Land use rights	47,966	48,772	-	-
Subsidiaries	-	-	342,623	342,623
Deferred tax asset	24,430	24,430	-	-
Value-added tax recoverable	85,123	86,380	-	-
	<u>1,360,878</u>	<u>1,376,056</u>	<u>342,623</u>	<u>342,623</u>
Current assets				
Inventories	171,529	81,893	-	-
Non-current assets held for sale	12,239	12,532	-	-
Trade and other receivables	1,100,850	990,299	46,312	45,283
Pledged deposits	84,192	65,709	-	-
Cash and bank balances	130,221	196,507	640	1,036
	<u>1,499,031</u>	<u>1,346,940</u>	<u>46,952</u>	<u>46,319</u>
Total assets	<u>2,859,909</u>	<u>2,722,996</u>	<u>389,575</u>	<u>388,942</u>
Equity				
Share capital	291,516	291,516	291,516	291,516
Reserves	708,929	712,659	63,729	65,151
Total equity attributable to equity holders of the Company	<u>1,000,445</u>	<u>1,004,175</u>	<u>355,245</u>	<u>356,667</u>
Non-controlling interests	<u>(76,969)</u>	<u>(77,118)</u>	<u>-</u>	<u>-</u>
Total equity	<u>923,476</u>	<u>927,057</u>	<u>355,245</u>	<u>356,667</u>
Non-current liabilities				
Interest bearing liabilities	168,750	180,000	-	-
Deferred tax liabilities	7,500	7,500	-	-
Total non-current liabilities	<u>176,250</u>	<u>187,500</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	900,015	645,956	34,330	32,275
Interest-bearing liabilities	856,761	957,300	-	-
Current tax payable	3,407	5,183	-	-
Total current liabilities	<u>1,760,183</u>	<u>1,608,439</u>	<u>34,330</u>	<u>32,275</u>
Total equity and liabilities	<u>2,859,909</u>	<u>2,722,996</u>	<u>389,575</u>	<u>388,942</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 30 June 2017		As at 31 December 2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
14,226	842,535	14,568	942,732

Amount repayable after one year

As at 30 June 2017		As at 31 December 2016	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
168,750	-	180,000	-

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.

	Q2 2017 RMB'000	Q2 2016 RMB'000	1H 2017 RMB'000	1H 2016 RMB'000
Operating activities				
Profit/(loss) before income tax	3,731	31,059	3,661	(27,775)
Adjustments for:				
Interest expense	17,966	21,798	46,488	43,765
Interest income	(1,578)	(458)	(2,170)	(1,338)
Amortisation of intangible assets	182	56	280	455
Amortisation of lease prepayments	362	391	806	526
Depreciation of property, plant and equipment	32,079	45,301	64,312	85,331
Reversal of write down of inventories	-	-	(2,649)	(15,601)
Exchange difference	(208)	293	(230)	234
Operating profit before working capital changes	52,534	98,440	110,498	85,597
Changes in working capital:				
Inventories	32,878	20,752	(86,987)	17,730
Trade and other receivables	(183,883)	(142,983)	(109,001)	49,328
Trade and other payables	(39,654)	42,340	302,651	(43,172)
Cash (used in)/generated from operations	(138,125)	18,549	217,161	109,483
Income taxes (paid)/refunded	(2,528)	1,546	(8,788)	(5,907)
Cash flows from operating activities	(140,653)	20,095	208,373	103,576
Investing activities				
Interest received	1,578	458	2,170	1,338
Purchase of property, plant & equipment and intangible assets	(11,357)	-	(100,069)	(45,503)
Cash flows from investing activities	(9,779)	458	(97,899)	(44,165)
Financing activities				
Proceeds from bank loans	485,676	594,600	784,238	1,220,781
Repayments of bank loans	(559,866)	(554,481)	(896,027)	(1,290,749)
Interest paid	(17,966)	(21,798)	(46,488)	(43,765)
Deposits pledged	133,683	(66,811)	(18,483)	(12,591)
Cash flows from financing activities	41,527	(48,490)	(176,760)	(126,324)
Net decrease in cash and cash equivalents	(108,905)	(27,937)	(66,286)	(66,913)
Cash and cash equivalents at beginning of the period	239,126	134,577	196,507	173,553
Cash and cash equivalents at end of the period	130,221	106,640	130,221	106,640

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 RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	291,516	(1,575)	(499)	305,600	(15,630)	424,763	1,004,175	(77,118)	927,057
Total comprehensive loss for the period	-	-	-	-	(230)	(3,500)	(3,730)	149	(3,581)
At 30 June 2017	291,516	(1,575)	(499)	305,600	(15,860)	421,263	1,000,445	(76,969)	923,476
At 1 January 2016	291,516	(1,575)	(499)	305,600	(15,979)	766,252	1,345,315	(53,802)	1,291,513
Total comprehensive loss for the period	-	-	-	-	234	(30,330)	(30,096)	(311)	(30,407)
At 30 June 2016	291,516	(1,575)	(499)	305,600	(15,745)	735,922	1,315,219	(54,113)	1,261,106

Statement of Changes in Equity – The Company

	Share capital RMB'000	Treasury Shares RMB'000	Accumulated profits RMB'000	Total equity RMB'000
At 1 January 2017	291,516	(1,575)	66,726	356,667
Total comprehensive loss for the period	-	-	(1,422)	(1,422)
At 30 June 2017	291,516	(1,575)	65,304	355,245
At 1 January 2016	291,516	(1,575)	68,149	358,090
Total comprehensive income for the period	-	-	(1,210)	(1,210)
At 30 June 2016	291,516	(1,575)	66,939	356,880

- 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 1H 2017. Total number of ordinary shares bought back as at 30 June 2017 amounted to 1,650,000. These shares are held as treasury shares.

	As at 30 June 2017 (‘000)	As at 31 December 2016 (‘000)
Number of issued shares	533,651	533,651
Number of treasury shares	(1,650)	(1,650)
Number of issued shares excluding treasury shares	<u>532,001</u>	<u>532,001</u>

- 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.**

	As at 30 June 2017 (‘000)	As at 31 December 2016 (‘000)
Number of issued shares excluding treasury shares	<u>532,001</u>	<u>532,001</u>

- 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 30 June 2017.

- 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.**

	Q2 2017	Q2 2016	1H 2017	1H 2016
Earnings per share (RMB cents):-				
Basic and diluted	<u>(0.1)</u>	<u>5.7</u>	<u>(0.7)</u>	<u>(5.6)</u>

	Q2 2017 RMB'000	Q2 2016 RMB'000	1H 2017 RMB'000	1H 2016 RMB'000
Basic earnings per share is based on:				
Net (loss)/profit attributable to ordinary shareholders	<u>(242)</u>	<u>30,473</u>	<u>(3,960)</u>	<u>(29,862)</u>

	Number of shares			
	Q2 2017 ('000)	Q2 2016 ('000)	1H 2017 ('000)	1H 2016 ('000)
Weighted average number of ordinary shares outstanding at beginning and end of the period	<u>532,001</u>	<u>532,001</u>	<u>532,001</u>	<u>532,001</u>

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 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Net assets attributable to the shareholders of the Company (RMB'000)	1,000,445	1,004,175	355,245	356,667
Net asset value per ordinary share (RMB cents)	188.1	188.8	66.8	67.0
Number of shares at the end of the period ('000)	532,001	532,001	532,001	532,001

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

Our revenue in Q2 2017 increased by RMB39.6 million to RMB555.1 million compared to RMB515.6 million Q2 2016. This was mainly due to an increase in revenue from sale of AA and AE by RMB35.9 million.

The increase in revenue from AA and AE was mainly attributable to higher average selling prices in Q2 2017 of RMB7,100 when compared to Q2 2016 of RMB6,000. This was partially offset by slightly lower sale volume in Q2 2017 of 65,200 tonnes compared to 67,000 tonnes in Q2 2016.

Gross profit

The Group incurred a gross profit of RMB68.6 million in Q2 2017 compared RMB13.9 million in Q2 2016. Sales of AA and AE as well as other chemical products contributed RMB61.9 million and RMB6.7 million respectively.

Overall gross profit margin improved from 2.7% in Q2 2016 to 12.4% in Q2 2017. We have seen a temporary rebound in AA and AE selling prices in Q2 2017 due to shut-down maintenance by some of the AA producers in the PRC during the period which resulted in better margins.

Gross profit margins for AA and AE improved from 1.6% in Q2 2016 to 14.2% in Q2 2017.

Other operating income

The other operating income in Q2 2016 included a one-off gain amounted to RMB100.0 million as a result of re-negotiation of joint venture agreement with Arkema. There was no such gain in Q2 2017 which resulted in a decrease in other operating income by RMB100.4 million.

Distribution expenses

Distribution expenses increased by RMB9.2 million to RMB20.0 million in Q2 2017 compared to RMB10.8 million in Q2 2016. Distribution expenses consisted of transportation charges and packaging costs as well as other sales related expenses. Distribution expenses increased mainly due to increase in freight rates charged by carriers.

Administrative expenses

Administrative expenses decreased by RMB20.6 million to RMB30.6 million in Q2 2017 compared to RMB51.2 million in Q2 2016. This was mainly due to (i) decrease in depreciation charge amounted to RMB5.0 million as a result of lower carrying amount for property, plant and equipment after taking into consideration of impairment loss made; and (ii) incurrence of a net exchange loss of RMB6.9 million in Q2 2016 compared to a net gain of RMB0.9 million in Q2 2017.

Other operating expenses

Other operating expenses decreased by RMB3.2 million to RMB6.5 million in Q2 2017 compared to RMB9.7 million in Q2 2016.

Finance expenses

Finance expenses decreased by RMB3.8 million to RMB18.0 million in Q2 2017 compared to RMB21.8 million in Q2 2016. This was mainly due to lower interest bearing liabilities in Q2 2017 compared to Q2 2016.

Income tax expense

Income tax expense increased by RMB2.8 million to RMB3.4 million in Q2 2017 compared to RMB0.6 million in Q2 2016. Income tax was paid on profit incurred in the joint venture entity.

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 RMB13.0 million to RMB1,193.6 million as at 30 June 2017 compared to RMB1,206.6 million as at 31 December 2016. This was mainly due to depreciation charge for the period which was partially offset by additional of property, plant and equipment.

Inventories increased by RMB89.6 million to RMB171.5 million as at 30 June 2017 compared to RMB81.9 million as at 31 December 2016. This was mainly due to an increase in raw material, propylene, to cater for our production plan for the months of July and August 2017.

Breakdown of trade and other receivables is as follows:-

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade receivables:		
- 3 rd parties	96,237	200,531
- Related parties	640,468	349,317
Receivable from joint venture entity	149,016	239,390
Notes receivables	116,147	65,423
Value added tax recoverable	54,538	79,891
Prepayments and deposits	23,165	21,084
Other receivables	21,279	34,663
	<hr/> 1,100,850 <hr/>	<hr/> 990,299 <hr/>

Trade and other receivables increased by RMB110.6 million to RMB1,100.9 million as at 30 June 2017 compared to RMB990.3 million as at 31 December 2016. This was mainly due to increase in receivables due from related parties and notes receivables. These were partially offset by decrease in receivables due from joint venture entity and value added tax recoverable.

Breakdown of trade and other payables is as follows:-

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables:		
- 3rd parties	417,564	386,070
- Related parties	58,329	14,072
Payable to joint venture entity	132,874	130,406
Notes payables	155,457	-
Accrued operating expenses	69,126	42,537
Other payables	66,665	72,871
	<hr/> 900,015 <hr/>	<hr/> 645,956 <hr/>

Trade and other payables increased by RMB254.1 million to RMB900.0 million as at 30 June 2017 compared to RMB646.0 million as at 31 December 2016. This was mainly attributable to an increase in purchase of raw materials to cater for higher production plan in the months of July and August 2017.

Total non-current and current interest-bearing liabilities decreased by RMB111.8 million to RMB1,025.5 million as at 30 June 2017 compared to RMB1,137.3 million as at 31 December 2016. This was mainly due to repayments made in Q2 2017.

Cash Flow Statement

Our Group generated negative operating cash flow of RMB140.7 million in Q2 2017 mainly due to an increase in trade and other receivables and a decrease in trade and other payables. These were partially offset by a decrease in inventories.

Financing activities resulted in positive cash flow of RMB41.5 million in Q2 2017 mainly due to a decrease in pledged deposits and proceeds from interest-bearing. These were partially offset by repayments of interest-bearing liabilities and interest paid.

There was a net cash outflow of RMB9.8 million in Q2 2017 from the Group's investing activities mainly due to acquisitions of property, plant and equipment.

As a result of the above, cash and cash equivalents decreased from RMB196.5 million as at 31 December 2016 to RMB130.2 million as at 30 June 2017.

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

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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.**

The operating environment of AA industry remains challenging due to the current oversupply situation in the PRC.

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 Q2 2016.

(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) ⁽¹⁾	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Yixing Danson Technology Co., Ltd (“ Yixing Danson ”)	Corporate guarantees in favour of Yixing Danson - RMB590,000,000 Sale of crude AA to Yixing Danson - RMB146,589,000 Purchase of residual crude AA and finished goods from Yixing Danson - RMB77,904,000	-
Taixing Jinyan Chemical Technology Co., Ltd (“ Taixing Jinyan ”)	Corporate guarantees in favour of Taixing Jinyan - RMB475,000,000 Supply of chemical raw materials to Taixing Jinyan - RMB177,939,000	-
Taixing Jinyan Cangchu Co., Ltd. (“ Taixing Cangchu ”)	Corporate guarantees in favour of Taixing Cangchu - RMB260,000,000	-
Jiangsu Yinyan Specialty Chemical Co., Ltd (“Jiangsu Yinyan”)	Sales of chemical products to Jiangsu Yinyan - RMB20,490,000	Sales of chemical products to Jiangsu Yinyan - RMB9,462,000
Jiangsu Jurong Petrochemicals Co., Ltd (“Jiangsu Jurong”)	Sales of chemical products to Jiangsu Jurong – RMB5,324,000	Sales of chemical products to Jiangsu Jurong - RMB3,183,000

Note:

- (1) The Company is in 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.
- (2) As at 30 June 2017, the aggregate amount of the corporate guarantees that the Group provided to Yixing Danson, Taixing Jinyan and Taixing Cangchu was approximately RMB1,325,000,000, whilst the aggregate amount of corporate guarantees that these same entities provided to the Group was approximately RMB1,420,000,000.

- 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 30 June 2017 to be false or misleading in any material aspect.**
- 15. The Company confirms that all the required undertakings under Rule 720(1) of the Listing Manual have been obtained from its Directors and Executive Officers in the format set out in Appendix 7.7.**

BY ORDER OF THE BOARD

Sun Xiao
Executive Director and Chief Executive Officer
14 August 2017