



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited Consolidated Statement of Comprehensive Income for 2nd Quarter Ended 30 June 2017

	2nd quarter ended		Change %	6 months ended		Change %
	30/06/2017	30/06/2016		30/06/2017	30/06/2016	
	RMB' million			RMB' million		
Revenue	656.2	491.1	34%	1,230.7	936.2	31%
Cost of sales	469.1	357.0	31%	903.6	694.2	30%
Gross profit	187.1	134.1	40%	327.1	242.0	35%
Other operating income	2.3	0.5	360%	4.0	2.5	60%
Selling and distribution expenses	22.3	18.3	22%	40.1	35.4	13%
Administrative expenses	66.9	44.8	49%	105.5	88.8	19%
Other expenses	7.3	0.7	943%	7.9	1.3	508%
Finance expenses	-	0.8	n.m	-	3.4	n.m
Profit before tax	92.9	70.0	33%	177.6	115.6	54%
Income tax expenses	18.4	21.0	(12%)	45.9	33.0	39%
Profit after tax	74.5	49.0	52%	131.7	82.6	59%
Other Comprehensive income:						
Exchange differences on translation, net of tax	(0.2)	0.3	(167%)	0.7	1.4	(50%)
Total comprehensive income for the period	74.3	49.3	51%	132.4	84.0	58%
Gross profit margin	28.5%	27.3%	1.2 pts	26.6%	25.8%	0.8 pts
Earnings per share (RMB cents)	15.53	10.53	47%	27.90	17.75	57%

n.m – not meaningful

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Notes to the Group Statement of Comprehensive Income:

1. Profit before tax is arrived at after charging/(crediting) the following:-

	2nd quarter ended			6 months ended		
	30/06/2017	30/06/2016	Change	30/06/2017	30/06/2016	Change
	RMB' million			RMB' million		
			%			%
Interest income	(0.8)	(0.1)	700%	(1.9)	(0.3)	533%
Interest on borrowing	-	0.8	n.m	-	3.4	n.m
Depreciation of property, plant and equipment	23.4	23.5	-	46.9	46.4	1%
Amortisation of land use rights	0.3	0.3	-	0.6	0.6	-
(Write back)/Allowance for impairment on receivables	(1.1)	(3.4)	(132%)	0.7	(3.2)	122%
Foreign exchange loss/(gain)	5.7	(0.3)	(2000%)	7.0	(1.3)	(6385%)

n.m – not meaningful

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/6/2017 RMB' million	31/12/2016 RMB' million	30/6/2017 RMB' million	31/12/2016 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary corporation		-	-	350.0	350.0
Property, plant and equipment	(1)	576.3	549.4	-	-
Land use rights		41.9	42.5	-	-
		<u>618.2</u>	<u>591.9</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	(2)	173.7	145.4	-	-
Trade receivables	(3)	554.3	547.5	-	-
Other receivables, deposits and prepayment	(4)	97.3	81.7	0.2	-
Amount owing from a subsidiary corporation		-	-	30.6	29.7
Cash and bank balances		408.5	275.9	80.1	*
		<u>1,233.8</u>	<u>1,050.5</u>	<u>110.9</u>	<u>29.7</u>
TOTAL ASSETS		<u>1,852.0</u>	<u>1,642.4</u>	<u>460.9</u>	<u>379.7</u>
Share capital		313.5	313.5	313.5	313.5
Treasury shares	(5)	-	(31.3)	-	(31.3)
Other reserves	(5)	326.8	271.5	50.9	(4.4)
Retained profits		905.1	807.9	80.7	84.1
TOTAL EQUITY		<u>1,545.4</u>	<u>1,361.6</u>	<u>445.1</u>	<u>361.9</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(6)	58.4	52.2	-	-
Other payables and accruals		169.5	170.4	14.6	16.6
Deferred grants		2.1	-	-	-
Bills payable	(7)	7.5	-	-	-
Current tax payable		69.1	58.2	1.2	1.2
		<u>306.6</u>	<u>280.8</u>	<u>15.8</u>	<u>17.8</u>
TOTAL LIABILITIES		<u>306.6</u>	<u>280.8</u>	<u>15.8</u>	<u>17.8</u>
TOTAL EQUITY AND LIABILITIES		<u>1,852.0</u>	<u>1,642.4</u>	<u>460.9</u>	<u>379.7</u>

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1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/2017		As at 31/12/2016	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	-	-	-

Details of any collateral

No collateral

Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 26.9 million from RMB 549.4 million to RMB 576.3 million mainly due to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Note (2) Inventories increased by RMB 28.3 million from RMB 145.4 million to RMB 173.7 million mainly due to the increase in unit cost as a result of increased raw material prices.

Note (3) Trade receivables increased by RMB 6.8 million from RMB 547.5 million to RMB 554.3 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with lower risks of non-recoverability. As at 30 June 2017 and 31 December 2016, the notes receivables were RMB 97.6 million and RMB 150.2 million respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 59.4 million from RMB 397.3 million to RMB 456.7 million. This increase was mainly due to higher sales in 2Q2017.

The aging report of our trade receivables as at 30 June 2017 was as follows:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	97.6	-	-	-	97.6
Trade receivables	437.2	19.9	1.9	11.3	470.3
Allowance for impairment	-	(0.4)	(1.9)	(11.3)	(13.6)
Net trade receivables	534.8	19.5	-	-	554.3

Note (4) Other receivables increased by RMB 15.6 million from RMB 81.7 million to RMB 97.3 million mainly due to higher advance payments made to contractors for new projects as at 30 June 2017.

Note (5) The Company successfully placed out all its treasury shares to various investors for a net cash consideration of approximately S\$17.5 million (equivalent to RMB 85.9 million). Therefore, the treasury shares decreased from RMB 31.3 million to Nil, and the other reserves increased by RMB 55.3 million from RMB 271.5 million to RMB 326.8 million.

Note (6) Trade payables increased by RMB 6.2 million from RMB 52.2 million to RMB 58.4 million due mainly to the increase in prices of raw materials purchased at the end of 2Q2017.

Note (7) Bills payable are bank notes issued by the Group to pay its suppliers.

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

Note	2 nd quarter ended		6 months ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RMB' million		RMB' million	
Cash flows from operating activities				
Profit before taxation	92.9	70.0	177.6	115.6
Adjustments for:-				
Depreciation of property, plant and equipment	23.4	23.5	46.9	46.4
Amortisation of intangible assets	0.3	0.3	0.6	0.6
PPE written off	*	-	0.4	0.6
Interest income	(0.8)	(0.1)	(1.9)	(0.3)
Interest expense	-	0.8	-	3.4
Translation difference	(0.2)	(1.9)	0.8	(1.4)
Operating profit before working capital changes	115.6	92.6	224.4	164.9
Changes in working capital:				
Inventories	(12.8)	(13.6)	(28.3)	13.5
Trade and other receivables	(35.9)	(36.8)	(22.3)	(52.1)
Trade and other payables and accruals	(3.9)	(14.2)	5.2	(3.6)
Cash generated from operations	63.0	28.0	179.0	122.7
Income taxes paid	(14.2)	(31.0)	(35.1)	(46.7)
Net cash generated from/(used in) operating activities	(1) 48.8	(3.0)	143.9	76.0
Cash flows from investing activities				
Additions to PPE	(36.4)	(22.2)	(75.5)	(31.1)
Additions to intangible assets	-	-	-	-
Proceeds from disposal of PPE	-	0.3	-	0.3
Interest income received	0.8	0.1	1.9	0.3
Net cash used in investing activities	(2) (35.6)	(21.8)	(73.6)	(30.5)
Cash flows from financing activities				
Interest expense paid	-	(0.8)	-	(3.4)
Dividend paid	(34.5)	(33.2)	(34.5)	(33.2)
Grant received	-	-	3.3	-
Cash deposit released from/(pledged with) bank	0.4	6.5	(0.6)	(0.3)
Repayment of notes payable/bank borrowings	(12.0)	(38.7)	(12.0)	(39.2)
Purchase of treasury shares	-	(0.9)	-	(0.9)
Placement of treasury shares	85.9	-	85.9	-
Proceeds from notes payable/bank loan	18.0	-	19.5	-
Net cash generated from/(used in) financing activities	(3) 57.8	(67.1)	61.6	(77.0)
Net increase/(decrease) in cash and cash equivalents	71.0	(91.9)	131.9	(31.5)
Effect of currency translation on cash & cash equivalents	*	*	*	*
Cash and cash equivalents at beginning of period	335.1	399.9	274.2	339.5
Cash and cash equivalents at end of period	406.1	308.0	406.1	308.0
Cash and cash equivalents at end of period includes the followings				
Cash and bank balances	408.5	310.1	408.5	310.1
Cash deposit pledged with bank	(2.4)	(2.1)	(2.4)	(2.1)
Cash and cash equivalents at end of period	406.1	308.0	406.1	308.0

Notes to cash flows for 2Q2017

- (1) Net cash generated from operating activities amounted to RMB 48.8 million was mainly due to higher profit generated during the quarter.
- (2) Net cash used in investing activities amounted to RMB 35.6 million was mainly due to additions to properties, plant and equipment.
- (3) Net cash generated from financing activities amounted to RMB 57.8 million was mainly due to proceeds from the placement of treasury shares, offset by the distribution of dividends.

* - amount less than RMB 0.1 million

- 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.

Unaudited Consolidated Statement of Changes in Equity

GROUP	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2017	313.5	(31.3)	271.5	807.9	1,361.6
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	131.7	131.7
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	131.7	132.4
<i>Transactions with owners, recorded directly in equity</i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(34.5)	(34.5)
Total distributions to owners	-	31.3	54.6	(34.5)	51.4
Balance as at 30 June 2017	313.5	-	326.8	905.1	1,545.4
Balance as at 1 January 2016	313.5	(28.2)	226.5	663.5	1,175.3
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	82.6	82.6
Exchange differences on translation, net of tax	-	-	1.4	-	1.4
Total comprehensive income, net of tax, for the period	-	-	1.4	82.6	84.0
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(33.2)	(33.2)
Total contributions to owners	-	(0.9)	-	(33.2)	(34.1)
Balance as at 30 June 2016	313.5	(29.1)	227.9	712.9	1,225.2

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COMPANY

	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2017	313.5	(31.3)	(4.4)	84.1	361.9
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	31.1	31.1
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	31.1	31.8
<i>Transactions with owners, recorded directly in equity</i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(34.5)	(34.5)
Total distributions to owners	-	31.3	54.6	(34.5)	51.4
Balance as at 30 June 2017	313.5	-	50.9	80.7	445.1
Balance as at 1 January 2016	313.5	(28.2)	(5.3)	98.4	378.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	14.0	14.0
Exchange differences on translation, net of tax	-	-	1.4	-	1.4
Total comprehensive income, net of tax, for the period	-	-	1.4	14.0	15.4
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(33.2)	(33.2)
Total distributions to owners	-	(0.9)	-	(33.2)	(34.1)
Balance as at 30 June 2016	313.5	(29.1)	(3.9)	79.2	359.7

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 number of shares held as treasury shares, if any, against the total 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.

	Number of shares*	S\$
As at 1 January 2017	464,040,800	56,202,460
Placement of treasury shares	27,653,200	6,446,725
As at 30 June 2017	491,694,000	62,649,185
As at 1 January 2016	465,504,000	56,856,844
Purchase of treasury shares	(490,000)	(190,338)
As at 30 June 2016	465,014,000	56,666,506

There were no outstanding convertibles issued by the Company as at 30 June 2017

*Number of issued shares excludes treasury shares. The number of treasury shares as at 30 June 2017 was Nil (30 June 2016: 26,680,000)

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.

See above table.

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.

	Number of treasury shares	S\$
As at 1 January 2017	27,653,200	6,446,725
Placement of treasury shares*	(27,653,200)	(6,446,725)
As at 30 June 2017	-	-
As at 1 January 2016	26,190,000	5,792,341
Purchase of treasury shares	490,000	190,338
As at 30 June 2016	26,680,000	5,982,679

* The Company had on 9 May 2017 successfully placed out all of its treasury shares to various investors for a net cash consideration of approximately S\$17.5 million. For more details, please refer to Company's announcement dated 10 May 2017.

[Note – The disclosures required in 1(d)(ii), (iii) and (iv) may be made in form of statement paragraphs or, in tabular form.]

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 the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Nil

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 financial statements for the current reporting period compared with those of the audited financial statements for the financial year ("FY") ended 31 December 2016 except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2017. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial year ending 31 December 2017.

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.

None

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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.**

	2Q2017 RMB (cents)	2Q2016 RMB (cents)	1H2017 RMB (cents)	1H2016 RMB (cents)
Basic Earnings per share (Basic EPS) - based on weighted average number of shares on issue	15.53	10.53	27.90	17.75
The calculations of EPS was based on net profit and number of shares shown below:				
Profit attributable to equity holders (RMB' million)	74.5	49.0	131.7	82.6
Weighted average number of shares applicable to basic EPS ('000)	479,843	465,342	471,985	465,423

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 2017.

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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset attributable to shareholders (RMB' million)	1,545.4	1,361.6	445.1	361.9
Net asset value per ordinary share (RMB cents)	314.30**	293.42	90.52	77.99
Number of issued shares * ('000)	491,694	464,041	491,694	464,041

* number of issued shares excludes treasury shares

** equivalent to SGD 63.97 cents at exchange rate of 4.9133 as at 30 June 2017

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
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

RMB million	2Q2017	2Q2016	Change %	1H2017	1H2016	Change %
Group Revenue	656.2	491.1	34%	1,230.7	936.2	31%
Gross Profit	187.1	134.1	40%	327.1	242.0	35%
Profit before tax	92.9	70.0	33%	177.6	115.6	54%
Net profit	74.5	49.0	52%	131.7	82.6	59%

Commentaries on performance

Revenue increased by 34% to RMB 656.2 million in 2Q2017 as compared to RMB 491.1 million in 2Q2016, mainly due to the increase in its overall Average Selling Price ("**ASP**").

ASP increased by 33% to RMB 18,904 per ton in 2Q2017 as compared to RMB 14,193 per ton in 2Q2016. The increase in ASP was mainly due to the Group being able to pass on the increase in raw material costs to its customers. On a quarter to quarter comparison, the ASP also increased 9% from RMB 17,300 per ton in 1Q2017.

Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB'm)			
	2Q2017	2Q2016	1H2017	1H2016	2Q2017	2Q2016	1H2017	1H2016
Rubber Chemical								
Accelerators	21,334	20,222	41,692	39,324	462.9	345.4	871.3	676.5
Insoluble Sulphur	4,913	5,212	10,024	9,153	52.2	48.9	105.6	86.7
Anti-oxidant	7,893	8,499	15,074	15,061	129.7	86.8	231.7	153.9
Others	418	550	814	996	8.5	8.3	16.3	16.0
Total	34,558	34,483	67,604	64,534	653.3	489.4	1,224.9	933.1
<i>Local Sales</i>	<i>23,242</i>	<i>24,447</i>	<i>45,910</i>	<i>44,442</i>	<i>413.0</i>	<i>322.2</i>	<i>784.7</i>	<i>590.8</i>
<i>International Sales</i>	<i>11,316</i>	<i>10,036</i>	<i>21,694</i>	<i>20,092</i>	<i>240.3</i>	<i>167.2</i>	<i>440.2</i>	<i>342.3</i>
Heating Power	16,508	8,743	32,506	15,583	2.7	1.3	5.3	2.4
Hotel & Restaurant	-	-	-	-	0.2	0.4	0.5	0.7

2Q2017 Sales volume for Accelerators increased by 5% to 21,334 tons as compared to 20,222 tons in 2Q2016, mainly due to some of our competitors' production being affected by the stringent environmental protection standards imposed by the authorities. However, the sales volume for Insoluble Sulphur ("IS") and Anti-oxidant products in 2Q2017 decreased by 6% and 7%, to 4,913 tons and 7,893 tons respectively. The decrease was mainly due to the decreased demand from domestic tyre manufacturers, as their utilisation rate decreased in 2Q2017 as a result of decreased rubber price. Domestic sales decreased mainly due to the decreased sales of IS and anti-oxidant products. However, international sales increased mainly due to more sales to Southeast Asia and US market.

For the First Half Year of 2017 ("1H2017"), the Group's sales volumes across all categories continued to increase to a total of 67,604 tons, equivalent to approximately 5% increase as compared to 64,534 tons in 1H2016. ASP for 1H2017 increased by 25% from RMB 14,459 per ton in 1H2016 to RMB 18,119 per ton. As such, the revenue for 1H2017 increased from RMB 936.2 million in 1H2016 to RMB 1,230.7 million, representing an increase of approximately 31%.

In 2Q2017, our heating company sold 16,508 tons of steam to three third parties and generated revenue of RMB 2.7 million. The total revenue generated by the heating company for 1H2017 was RMB 5.3 million.

Gross profit for 2Q2017 increased by 40% to RMB 187.1 million from RMB 134.1 million in 2Q2016, while the Gross Profit Margin ("GPM") increased by 1.2 percentage points from 27.3% to 28.5%. On a half-year basis, gross profit increased by 35% from RMB 242.0 million in 1H2016 to RMB 327.1 million in 1H2017, and GPM increased 0.8 percentage points from 25.8% to 26.6%. The increases were mainly due to the increase in ASP.

Other operating income was RMB 2.3 million in 2Q2017, consisting of mainly interest income and sales of scrap materials.

Selling and distribution expenses increased by 22% from RMB 18.3 million in 2Q2016 to RMB 22.3 million in 2Q2017, mainly due to higher incentive payment to sales personnel. On a half-year basis, selling and distribution expenses increased by 13% from RMB 35.4 million in 1H2016 to RMB 40.1 million in 1H2017 mainly due to higher freight costs as well as higher incentive payment to sales personnel.

Administrative expenses increased by 49% from RMB 44.8 million in 2Q2016 to RMB 66.9 million in 2Q2017. The increase was mainly due to (i) increase in staff salaries and accrued bonus of RMB 16.4 million as a result of better performance; (ii) lower reversal of impairment for trade receivables which resulted in higher Administrative expense by RMB 2.3 million (iii) increase in bank charges and other administrative expenses by RMB 6.3 million (iii) offset by the decrease in safety production expenses of RMB 2.9 million.

On a half-year basis, administrative expenses increased by 19% from RMB 88.8 million in 1H2016 to RMB 105.5 million in 1H2017, mainly due to (i) increase in staff salaries and accrued bonus of RMB 4.7 million; (ii) increase in safety production expense by RMB 2.8 million; (iii) impairment for trade

receivables recorded in 1H2017 of RMB 0.7 million, as opposed to a reversal of RMB 3.2 million in 1H2016, giving rise to a net impact of an increase in administrative expenses of RMB 3.9 million, (iv) increase in bank charges and other administrative expenses by RMB 6.0 million.

Other expenses was RMB 7.3 million in 2Q2017, mainly consisting of foreign exchange loss.

Profit before tax (“PBT”) increased by 33% from RMB 70.0 million in 2Q2016 to RMB 92.9 million in 2Q2017. PBT for 1H2017 increased by 54% from RMB 115.6 million in 1H2016 to RMB 177.6 million, mainly due to higher gross profit generated.

Net profit attributable to shareholders increased by 52% from RMB 49.0 million in 2Q2016 to RMB 74.5 million in 2Q2017 mainly due to higher PBT generated. Net profit for 1H2017 increased by 59% from RMB 82.6 million in 1H2016 to RMB 131.7 million, mainly due to increase in PBT generated in 1H2017.

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

In paragraph 10 of 1Q2017 results announcement, the Company stated that “Our Group will maintain our strategy of growing sales volume to stimulate higher production, thereby achieving economies of scale, and increasing our competitiveness. We remain positive on our performance and profitability for FY2017.” Therefore, the current results are in line with the Company’s commentary in paragraph 10 of its previous quarterly results announcement.

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.

In 2Q2017, China’s economy grew 6.9%¹, which is the same as that of 1Q2017. Automakers sold a total of 13.35² million units in China in the first half of 2017, representing 3.81% growth in auto sales year-on-year.

Notwithstanding the growth in China’s auto industry, there are uncertainties in both global and domestic economic conditions. With natural and synthetic rubber prices remaining depressed, the utilisation rate of China’s tyre industry may be impacted. Furthermore, the regularity of environmental and safety enforcement measures in China have remained unabated. These factors, whether on its own or collectively, may affect our production in the future.

Our Group will continue to maintain our strategy of growing sales volume to stimulate higher production, thereby achieving economies of scale, and increasing our competitiveness. We remain cautiously positive of our performance in the next 12 months.

Project updates

The testing of the machineries under the new Phase 1 10,000-ton TBBS production line has been completed. We have submitted our trial-run application to the relevant Government Authorities and now awaiting their approval.

The construction of the new 10,000-ton Insoluble Sulphur production line in Ding Tao facility is still in progress, and is expected to be completed by end of 3Q2017.

The expansion of Guangshun Heating Plant is on schedule, and is expected to be completed by end of 2017.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

Below is a summary of our estimated Annual Capacity³ at the end of each financial year:

Tons	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017e
Accelerators	66,500	70,500	87,000	87,000	87,000	97,000
Insoluble Sulphur	10,000	20,000	20,000	20,000	20,000	30,000
Anti-oxidant	25,000	25,000	45,000	45,000	45,000	45,000
Total	101,500	115,500	152,000	152,000	152,000	172,000

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	Proposed Interim
Dividend Type	Cash
Dividend amount per share	SGD0.005 per ordinary share
Tax Rate	One-tier Tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

18 August 2017

(d) Books closure date

8 August 2017

(e) Last cum-dividend Trading Date

2 August 2017

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

None

14. Negative confirmation pursuant to Rule 705(5)

Please see below confirmation.

15. Confirmation that issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured undertakings from all directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

³ Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
Dated: 27 July 2017

Confirmation by the Board pursuant to Rule 705(5) of the SGX Listing Manual

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited second quarter financial results for the period ended 30 June 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 27 July 2017

Liu Jing Fu
Executive Director & CEO

[End of Report]