



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 1st Quarter Ended 31 March 2012

	1st quarter ended		
	31/03/2012	31/03/2011	Change
	RMB' million		
Revenue	324.0	254.8	27%
Cost of sales	255.5	187.4	36%
Gross profit	68.5	67.4	2%
Other operating income	2.6	2.1	24%
Selling and distribution expenses	11.0	7.0	57%
Administrative expenses	22.8	15.5	47%
Other expenses	0.8	20.3	(96%)
Finance expenses	2.4	1.2	100%
Profit before tax	34.1	25.5	34%
Income tax expenses	7.2	12.5	(42%)
Profit after tax	26.9	13.0	107%
Other Comprehensive income:			
Exchange differences on translation, net of tax	1.1	0.1	1000%
Total comprehensive income for the period	28.0	13.1	114%
Gross profit margin	21.1%	26.5%	(5.4pt)
Earnings per share (RMB cents)	5.68	2.73	113%

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:-

	1st quarter ended		Change
	31/03/2012	31/03/2011	
	RMB' million		
Interest income	(0.2)	(0.3)	(33%)
Interest on borrowing	2.4	1.2	100%
Depreciation of property, plant and equipment	10.6	6.6	61%
Amortization of intangible assets	0.1	0.1	0%
Impairment on receivables	0.5	0.4	25%
(Writeback) on receivables	(0.6)	-	n.m.
Net foreign exchange (gain)/loss	0.4	0.5	(20%)
Impairment on property, plant and equipment	-	18.3	n.m.

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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>	
		31/03/2012 RMB' million	31/12/2011 RMB' million	31/03/2012 RMB' million	31/12/2011 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary		-	-	350.0	350.0
Property, plant and equipment	(1)	426.9	422.9	-	-
Land use rights		27.6	27.7	-	-
Available-for-sale financial assets		9.7	9.5	9.5	9.5
		464.2	460.1	359.5	359.5
CURRENT ASSETS					
Inventories	(2)	101.0	137.1	-	-
Trade receivables	(3)	364.6	276.9	-	-
Other receivables, deposits and prepayment	(4)	38.0	42.6	0.3	0.1
Amount owing from a subsidiary		-	-	21.6	20.4
Available-for-sale financial assets		5.0	4.9	5.0	4.9
Cash and cash equivalents		101.7	118.6	2.0	16.8
		610.3	580.1	28.9	42.2
TOTAL ASSETS		1,074.5	1,040.2	388.4	401.7
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(28.2)	(14.5)	(28.2)	(14.5)
Fair Value Reserve		0.3	0.3	0.3	0.3
Merger reserve		0.3	0.3	-	-
Statutory reserves		100.9	100.9	-	-
Exchange on translation		(5.4)	(6.5)	(5.1)	(6.3)
Retained profits		386.9	360.0	99.2	100.8
TOTAL EQUITY		768.3	754.0	379.7	393.8
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(5)	49.5	45.5	-	-
Other payables and accruals	(6)	81.4	93.1	6.0	5.3
Deferred grant		4.0	0.6	-	-
Bank loans	(7)	157.0	140.0	-	-
Current tax payable		14.3	7.0	2.7	2.6
TOTAL LIABILITIES		306.2	286.2	8.7	7.9
TOTAL EQUITY AND LIABILITIES		1,074.5	1,040.2	388.4	401.7

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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 31/03/2012		As at 31/12/2011	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	157.0	-	140.0

Details of any collateral

No collateral

Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 4.0 million from RMB 422.9 million to RMB 426.9 million due mainly to RMB 14.6 million purchase of machinery and equipment relating to various projects less RMB 10.6 million depreciation.

Note (2) Inventories decreased by RMB 36.1 million from RMB 137.1 million to RMB 101.0 million as finished goods inventory declined as demand increased due to the Group's marketing efforts. Raw materials also decreased as the Group stocked up larger than usual level of raw material in December 2011 in view of the Chinese New Year holiday in January 2012.

Note (3) Trade receivables increased by RMB 87.7 million from RMB 276.9 million to RMB 364.6 million due to higher sales in 1QFY2012 compared to 4QFY2011. However, trade receivables included notes receivables provided by trade debtors which were promissory notes issued by the local banks. Consequently, the risks of non-recoverability of these notes receivables by local banks are significantly lower than those amounts owing by trade debtors. As at 31 March 2012 and 31 December 2011, the notes receivables were RMB 135.0 million and RMB 58.8 million respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 11.5 million from RMB 218.1 million to RMB 229.6 million.

Note (4) Other receivables, deposits and prepayment decreased by RMB 4.6 million from RMB 42.6 million to RMB 38.0 million mainly due to lower advance payment to contractors.

Note (5) Trade payables increased by RMB 4.0 million from RMB 45.5 million to RMB 49.5 million as the Group increased the payment period made to suppliers. The average creditors' turnover days were 19 days for 3MFY2012 compared to 15 days for 12MFY2011.

Note (6) Other payables and accruals decreased by RMB 11.7 million from RMB 93.1 million to RMB 81.4 million due to the payment of accruals such as housing allowance and social insurances as well as settlement of payables for construction materials and equipment classified under Construction in Progress.

Note (7) Bank loans increased by RMB 17 million from RMB 140 million to RMB 157 million as higher working capital was required with the trial production of 6PPD.

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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	1st quarter ended	
		31/03/2012	31/03/2011
		RMB' million	
Cash flows from operating activities			
Profit before tax		34.1	25.5
Adjustments for:-			
Depreciation of Property, plant and Equipment		10.6	6.6
Amortization of Intangible Assets		0.1	0.1
(Write-back)/Impairment on receivables		(0.1)	0.4
Impairment on Fixed assets		-	18.3
Interest income		(0.2)	(0.3)
Interest expense		2.4	1.2
Translation difference		0.8	(0.1)
Operating profit before working capital changes		47.7	51.7
Changes in working capital:			
Inventories		36.1	7.5
Trade and other receivables		(83.0)	12.7
Trade and other payables and accruals		(7.7)	(1.9)
Cash deposit released from /(pledged with) bank		(1.6)	(14.1)
Cash generated (used in)/from operations		(8.5)	55.9
Income taxes paid		-	(3.4)
Net cash (used in)/generated from operating activities	(1)	(8.5)	52.5
Cash flows from investing activities			
Purchase of plant and equipment		(14.6)	(31.3)
Purchase of plant and equipment using grant proceed		(0.6)	-
Interest income received		0.2	0.3
Net cash used in investing activities	(2)	(15.0)	(31.0)
Cash flows from financing activities			
Interest expense paid		(2.4)	(1.2)
Grant received		4.1	0.8
Purchase of treasury share		(13.7)	-
Proceeds from bank loan		20.0	-
Repayment of bank loan		(3.0)	(10.0)
Net cash generated from/(used in) from financing activities		5.0	(10.4)
Net (decrease)/increase in cash and bank balances		(18.5)	11.1
Cash and bank balances at beginning of period/year		84.7	130.0
Cash and bank balances at end of period/year		66.2	141.1
Cash and bank balances at end of period/year includes the followings			
Cash and cash equivalents		101.7	190.3
Cash deposit pledged with bank		(35.5)	(49.2)
Cash and bank balances at end of period/year		66.2	141.1

Notes to Cash flows for 1Q2012

- (1) Net cash used in operating activities amounted to RMB 8.5 million due mainly to the increase in trade receivables which was offset by the positive operating cash profit and lower inventories. The increase in trade receivables was due to higher sales in 1QFY2012 compared to 4QFY2011.
- (2) Net cash used in investing activities amounted to RMB 15.0 million due mainly to the RMB 14.6 million payment for capital equipment and construction in progress.
- (3) Net cash generated from financing activities amounted to RMB 5.0 million due mainly to a RMB 20 million bank loan.

- 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

<u>GROUP</u>	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2012	313.5	(14.5)	95.0	360.0	754.0
Total Comprehensive Income for the year	-	-	1.1	26.9	28.0
Shares buy back held in treasury	-	(13.7)	-	-	(13.7)
Balance as at 31 March 2012	313.5	(28.2)	96.1	386.9	768.3
Balance as at 1 January 2011	313.5	(13.0)	65.1	326.1	691.7
Total Comprehensive Income for the year	-	-	0.1	13.0	13.1
Balance as at 31 March 2011	313.5	(13.0)	65.2	339.1	704.8
<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2012	313.5	(14.5)	(6.0)	100.8	393.8
Total Comprehensive Income/ (loss) for the year	-	-	1.2	(1.6)	(0.4)
Shares buy back held in treasury	-	(13.7)	-	-	(13.7)
Balance as at 31 March 2012	313.5	(28.2)	(4.8)	99.2	379.7
Balance as at 1 January 2011	313.5	(13.0)	(5.4)	84.4	379.5
Total Comprehensive loss for the year	-	-	0.1	(3.2)	(3.1)
Balance as at 31 March 2011	313.5	(13.0)	(5.3)	81.2	376.4

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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*	Resultant issued and paid up share capital S\$
As at 1 January 2012	476,096,000	59,589,547
Share buyback – held as treasury	(10,592,000)	(2,732,703)
Balance as at 31 March 2012	<u>465,504,000</u>	<u>56,856,844</u>
Balance as at 1 January and 31 March 2011	<u>477,357,000</u>	<u>59,900,882</u>

* number of issued shares excludes treasury shares

There are no outstanding convertibles issued by the Company as at 31 March 2012.

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.

See above table. There is no sale, transfer, disposal, cancellation of treasury shares at the end of 1Q2012. Total number of treasury shares at end 1Q2012 stands at 26,190,000.

[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 2011 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 2012. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements.

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

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.**

	1Q2012 RMB	1Q2011 RMB
Basic Earnings per share (Basic EPS' cents) - based on weighted average number of shares on issue	5.68	2.73
The calculations of EPS is based on net profit and number of shares shown below: Profit attributable to equity holders (RMB'000)	26,868	13,048
Weighted average number of shares applicable to basic EPS ('000)	472,637	477,357

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 March 2012.

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	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Net asset attributable to shareholders (RMB'000)	768,197	704,806	379,683	376,402
Net asset value per ordinary share (RMB cents)	165.02	147.65**	81.56	78.85
Number of issued shares * ('000)	465,504	477,357	465,504	477,357

* number of issued shares excludes treasury shares

** equivalent to 32.79 SGD cents at exchange rate of about 5.032

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	1Q2012	1Q2011	Change
Group Revenue	324.0	254.8	27%
Gross Profit	68.5	67.4	2%
Profit before tax	34.1	25.5	34%
Net profit	26.9	13.0	107%

Commentaries on performance

1Q2012 revenue increased by 27% to RMB 324.0 million as compared to RMB 254.8 million in 1Q2011 due to the increase in sales volume. Sales volume improved 41% to another record level at 18,333 tons as compared to 12,971 tons in 1Q2011 as the Group managed to increase its production capacity. The production capacity in 1Q2011 was lower as the Group had shut down its old facility in Shanxian in preparation for the move to the new facility in Shanxian and Weifang.

Overall average selling price (ASP) for all products decreased to RMB 17,671 per ton in 1Q2012 as compared to RMB 19,642 per ton in 1Q2011. On a quarter to quarter comparison, the ASP was RMB 18,136 in 4Q2011. The decrease in ASP was in line with the Group's marketing strategy to expand its market share.

Analysis of Sales and Volume

	Sales Volume (Tons)		Sales (RMB' million)	
	1Q2012	1Q2011	1Q2012	1Q2011
Accelerators	15,129	10,981	283.9	229.5
Insoluble sulphur	2,482	1,429	27.8	16.7
Anti-oxidant	413	443	6.3	5.9
Others	309	118	6.0	2.7
Total	18,333	12,971	324.0	254.8
Domestic Sales	11,978	8,055	192.5	145.0
International sales	6,355	4,916	131.5	109.8

Sales volume across all product categories increased except anti-oxidant TMQ. The increase was due to the Group's ability to increase its production capacity to meet the increased demand given its marketing and pricing strategies. The Group also gained market share in the domestic market despite the slowdown in auto sales and the overcapacity situation facing the rubber chemicals industry. International sales volume increased mainly due to the strong sales to Asia (excluding Japan).

Gross profit increased by 2% from RMB 67.4 million in 1Q2011 to RMB 68.5 million in 1Q2012 as the gross profit margins (GPM) dropped from 26.5% in 1Q2011 to 21.1% in 1Q2012. This was mainly due to the reduction in ASP.

Other operating income was RMB 2.6 million in 1Q2012, consisting of mainly sales of scrap materials.

Selling and distribution expenses, increased by 57% from RMB 7.0 million in 1Q2011 to RMB 11.0 million in 1Q2012, in line with the increase in sales volume.

Administrative expenses increased by 47% from RMB 15.5 million in 1Q2011 to RMB 22.8 million in 1Q2012, mainly due to:

- RMB 3.5 million of additional accruals for social insurance, namely retirement, medical, injury, unemployment and pregnancy insurance.
- RMB 2.5 million of additional depreciation as the R&D centre, office facilities and other common facilities are completed in 2Q2011; and
- Additional operating expenses as the Group increased its production scale in Shanxian and Weifang facilities.

Other expenses amounting to RMB 0.8 million in 1Q2012 was mainly due to exchange loss as Chinese Yuan appreciated against other major currencies. In 1Q2011, the RMB 20.3 million of other expenses included plant and equipment impairment amounting to RMB 18.3 million.

Finance expenses increased from RMB 1.2 million in 1Q2011 to RMB 2.4 million in 1Q2012 as bank loan interest rates and loan amounts increased as compared to 1Q2011.

Profit before tax (PBT) increased by 34% from RMB 25.5 million in 1Q2011 to RMB 34.1 million in 1Q2012 due to the above factors. However, tax decreased by 42% from RMB 12.5 million in 1Q2011 to RMB 7.2 million in 1Q2012 as the adjusted taxable profit for 1Q2011 was higher than 1Q2012. This was because RMB 18.3 million of plant and equipment impairment has not been approved as a deductible tax expense by the local tax authority in 1Q2011. As a result, **Net profit attributable to shareholders** increased by 107% from RMB 13.0 million in 1Q2011 to RMB 26.9 million in 1Q2012.

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

Not applicable as no forecast or prospect statement has been previously made known to shareholders.

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.

China's 1Q2012 economic growth slowed to 8.1% primarily as a result of the slowdown in exports and real estate investment. Such slowdown was also reflected in the auto sales which shrank by 3.4% from a year earlier to 4.79¹ million units. Restrictions on license plates implemented in various cities have also caused the drop in auto sales. Despite the challenging operating environment, the Group has been able to increase its sales volume. The Group will adopt aggressive marketing strategies and relax its gross profit margin targets in the short term in a bid to further increase its domestic market share.

Although the European sovereign debt crisis has persisted and Japan's accelerator supply has been restored which will affect our export sales to Japan, Asian economies such as Indonesia and Thailand have been doing well. Marketing efforts will be targeted at this region to increase the sales to Asia (excluding Japan).

In April 2012, the cost of major raw material Aniline had increased and such trend may continue. This will add further pressure on the Group's profit margin. Nevertheless, the Group remains optimistic of growing its sales volume given its established track record and portfolio of quality products. Selling price will be adjusted accordingly based on the prices of raw materials, the exchange rate between US Dollar and Chinese Yuan and market conditions.

Expansion Plan Update

During 1Q2012, the Group completed the following projects:

- Commenced and successfully completed the trial production of 4ADP A², an intermediary material of 6PPD.
- Completed 4,000-ton MBTS plant at Weifang facility in March 2012.

In 2Q2012, the Group will complete the 6,000-ton CBS plant at Weifang facility. At the same time, the Group will commence the trial production of 6PPD. Thus operating cost will increase, although corresponding sales may not be booked as most customers require product certification before committing to any orders. Depending on the internal procedures of each customer, product certification could take 2 to 6 months. The Group is positive of attaining certifications from customers given the successful trial production of 4ADPA.

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

Tons	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012e
Accelerators	39,000	50,000	55,000	56,500	56,500	66,500
Insoluble Sulphur	5,000	5,000	8,000	10,000	10,000	10,000
Anti-oxidant	-	5,000	10,000	10,000	25,000	25,000
Total	44,000	60,000	73,000	76,500	91,500	101,500

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

¹ Source: China Association of Automobile Manufacturers

² Know as 4-Aminodiphenylamine

³ Excludes capacity of intermediary material

