



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 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 2nd Quarter Ended 30 June 2012

	2nd quarter ended		Change %	6 months ended		Change %
	30/06/2012	30/06/2011		30/06/2012	30/06/2011	
	RMB' million			RMB' million		
Revenue	363.3	314.2	16%	687.3	569.0	21%
Cost of sales	290.6	237.2	23%	546.1	424.6	29%
Gross profit	72.7	77.0	(6%)	141.2	144.4	(2%)
Other operating income	1.5	3.2	(53%)	4.1	5.3	(23%)
Selling and distribution expenses	10.7	9.1	18%	21.7	16.1	35%
Administrative expenses	40.7	18.3	122%	63.6	33.9	88%
Other expenses	0.2	0.6	(67%)	1.0	20.9	(95%)
Finance expenses	3.3	1.1	200%	5.6	2.3	143%
Profit before tax	19.3	51.1	(62%)	53.4	76.5	(30%)
Income tax expenses	8.1	13.9	(42%)	15.3	26.3	(42%)
Profit after tax	11.2	37.2	(70%)	38.1	50.2	(24%)
Other Comprehensive income:						
Exchange differences on translation, net of tax	(0.5)	0.4	(225%)	0.6	0.5	20%
Total comprehensive income for the period	10.7	37.6	(72%)	38.7	50.7	(24%)
Gross profit margin	20.0%	24.5%	(4.5pt)	20.5%	25.4%	(4.9pt)
Earnings per share (RMB cents)	2.42	7.79	(69%)	8.13	10.52	(23%)

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		
	30/06/2012	30/06/2011	Change	30/06/2012	30/06/2011	Change
	RMB' million			RMB' million		
Interest income	(0.4)	(0.7)	(43%)	(0.6)	(1.0)	(40%)
Interest on borrowing	3.2	1.1	191%	5.6	2.3	143%
Depreciation of property, plant and equipment	12.2	6.3	94%	22.8	12.9	77%
Amortization of intangible assets	0.2	0.1	100%	0.3	0.2	50%
Impairment on receivables	-	0.1	n.m	(0.1)	1.0	(110%)
Net foreign exchange (gain)/loss	(0.4)	0.7	(157%)	-	1.2	n.m
Impairment on property, plant and equipment	-	-	n.m	-	18.3	n.m
Writeback of impaired property, plant and equipment	-	(1.3)	n.m	-	(1.3)	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>	
		30/06/2012 RMB' million	30/12/2011 RMB' million	30/06/2012 RMB' million	30/12/2011 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary		-	-	350.0	350.0
Property, plant and equipment	(1)	423.8	422.9	-	-
Land use rights		27.5	27.7	-	-
Available-for-sale financial assets		9.6	9.5	9.6	9.5
		460.9	460.1	359.6	359.5
CURRENT ASSETS					
Inventories	(2)	114.7	137.1	-	-
Trade receivables	(3)	387.2	276.9	-	-
Other receivables, deposits and prepayment	(4)	26.0	42.6	0.1	0.1
Amount owing from a subsidiary		-	-	8.8	20.4
Available-for-sale financial assets		5.0	4.9	5.0	4.9
Cash and cash equivalents		106.3	118.6	4.0	16.8
		639.2	580.1	17.9	42.2
TOTAL ASSETS		1,100.1	1,040.2	377.5	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		(5.9)	(6.5)	(5.6)	(6.3)
Retained profits		375.0	360.0	88.6	100.8
TOTAL EQUITY		755.9	754.0	368.6	393.8
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(5)	51.5	45.5	-	-
Other payables and accruals		92.7	93.1	6.5	5.3
Deferred grant		1.9	0.6	-	-
Bank loans	(6)	177.0	140.0	-	-
Current tax payable		21.1	7.0	2.4	2.6
TOTAL LIABILITIES		344.2	286.2	8.9	7.9
TOTAL EQUITY AND LIABILITIES		1,100.1	1,040.2	377.5	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 30/06/2012		As at 31/12/2011	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	177.0	-	140.0

Details of any collateral

No collateral

Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 0.9 million from RMB 422.9 million to RMB 423.8 million due mainly to RMB 23.7 million purchase of machinery and equipment relating to various projects less RMB 22.8 million depreciation.

Note (2) Inventories decreased by RMB 22.4 million from RMB 137.1 million to RMB 114.7 million as the Group boosted its production level and stocked up larger than usual level of raw material in December 2011 in view of the Chinese New Year holiday in January 2012. Thus the base level of inventory in 2011 was high.

Note (3) Trade receivables increased by RMB 110.3 million from RMB 276.9 million to RMB 387.2 million due to higher sales in 2QFY2012 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 30 June 2012 and 31 December 2011, the notes receivables were RMB 118.6 million and RMB 58.8 million, respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 50.5 million from RMB 218.1 million to RMB 268.6 million.

Note (4) Other receivables, deposits and prepayment decreased by RMB 16.6 million from RMB 42.6 million to RMB 26.0 million mainly due to lower advance payment to building contractors as the Group completed most of the construction works at both Shanxian and Weifang facilities.

Note (5) Trade payables increased by RMB 6.0 million from RMB 45.5 million to RMB 51.5 million in line with the increase in purchases as production capacity increased.

Note (6) Bank loans increased by RMB 37.0 million from RMB 140.0 million to RMB 177.0 million as higher working capital was required for the trial production of 6PPD as well as the increase in the production of accelerators.

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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	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RMB'million		RMB'million	
Cash flows from operating activities				
Profit before taxation	19.4	51.1	53.4	76.5
Adjustments for:-				
Depreciation of property, plant and equipment	12.2	6.3	22.8	12.9
Amortisation of intangible assets	0.1	0.1	0.3	0.2
Impairment of fixed assets	-	-	-	18.3
(Writeback) of impaired fixed assets	-	(1.3)	-	(1.3)
(Writeback)/Impairment on receivables	-	0.1	(0.1)	0.5
Interest income	(0.4)	(0.7)	(0.6)	(1.0)
Interest expense	3.3	1.1	5.6	2.3
Translation difference	(1.4)	0.2	(0.6)	0.1
Operating profit before working capital changes	33.2	56.9	80.8	108.5
Changes in working capital:				
Inventories	(13.7)	(4.3)	22.4	3.2
Trade and other receivables	(10.7)	(29.4)	(93.7)	(16.6)
Trade and other payables and accruals	13.3	(1.0)	5.5	(2.8)
Cash deposit (pledged with)/released from bank	(5.1)	6.0	(6.7)	(8.1)
Cash generated from operations	17.0	28.2	8.3	84.2
Income taxes paid	(0.2)	(13.9)	(0.2)	(17.4)
Net cash generated from operating activities	(1) 16.8	14.3	8.1	66.8
Cash flows from investing activities				
Purchase of plant and equipment and additional CIP	(11.2)	(26.2)	(26.4)	(57.5)
Purchase of Intangible assets	-	(15.2)	-	(15.2)
Interest income received	0.4	0.7	0.6	1.0
Net cash used in investing activities	(2) (10.8)	(40.7)	(25.8)	(71.7)
Cash flows from financing activities				
Interest expense paid	(3.3)	(1.1)	(5.6)	(2.3)
Dividend paid	(23.1)	(25.2)	(23.1)	(25.2)
Purchase of Treasury Shares	-	-	(13.7)	-
Grant received	-	1.0	4.1	1.8
Repayment of bank borrowings	(80.0)	(50.0)	(83.0)	(60.0)
Proceeds from bank loan	100.0	50.0	120.0	50.0
Net cash used in financing activities	(3) (6.4)	(25.3)	(1.3)	(35.7)
Net decrease in cash and bank balances	(0.4)	(51.7)	(19.0)	(40.6)
Cash and bank balances at beginning of period	66.1	141.1	84.7	130.0
Cash and bank balances at end of period	65.7	89.4	65.7	89.4
Cash and bank balances at end of period includes the followings				
Cash and cash equivalents	106.3	132.6	106.3	132.6
Cash deposit pledged with bank	(40.6)	(43.2)	(40.6)	(43.2)
Cash and bank balances at end of period	65.7	89.4	65.7	89.4

Notes to Cash flows for 2Q2012

- (1) Net cash generated from operating activities amounted to RMB 16.8 million due mainly to operating cash profit generated, offset by the increase in receivables and inventories.
- (2) Net cash used in investing activities amounted to RMB 10.8 million due mainly to the RMB 11.2 million payment for capital equipment and construction in progress
- (3) Net cash generated used in financing activities amounted to RMB 6.4 million mainly due to the distribution of dividend and payment of loan interest which was partially funded by net proceeds drawn from the banks.

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 2012	313.5	(14.5)	95.0	360.0	754.0
Total Comprehensive Income for the year	-	-	0.6	38.1	38.7
Shares buy back held in treasury	-	(13.7)	-	-	(13.7)
Dividend paid	-	-	-	(23.1)	(23.1)
Balance as at 30 June 2012	313.5	(28.2)	95.6	375.0	755.9
Balance as at 1 January 2011	313.5	(13.0)	65.1	326.1	691.7
Total Comprehensive Income for the year	-	-	0.5	50.7	50.7
Dividend paid	-	-	-	(25.2)	(25.2)
Balance as at 30 June 2011	313.5	(13.0)	65.6	351.1	717.2

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 2012	313.5	(14.5)	(6.0)	100.8	393.8
Total Comprehensive Income/ (loss) for the year	-	(13.7)	0.7	10.9	(2.1)
Dividend paid	-	-	-	(23.1)	(23.1)
Balance as at 30 June 2012	313.5	(28.2)	(5.3)	88.6	368.6
Balance as at 1 January 2011	313.5	(13.0)	(5.4)	84.4	379.5
Total Comprehensive loss for the year	-	-	0.5	23.4	23.9
Dividend paid	-	-	-	(25.2)	(25.2)
Balance as at 30 June 2011	313.5	(13.0)	(4.9)	82.6	378.2

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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 30 June 2012	<u>465,504,000</u>	<u>56,856,844</u>
Balance as at 1 January and 30 June 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 30 June 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 2Q2012. Total number of treasury shares at end 2Q2012 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.**

	2Q2012 RMB (cents)	2Q2011 RMB (cents)	1H2012 RMB (cents)	1H2011 RMB (cents)
Basic Earnings per share (Basic EPS) - based on weighted average number of shares on issue	2.42	7.79	8.13	10.52
The calculations of EPS is based on net profit and number of shares shown below:				
Profit attributable to equity holders (RMB'000)	11,269	37,184	38,136	50,199
Weighted average number of shares applicable to basic EPS ('000)	465,504	477,357	469,071	477,357

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Net asset attributable to shareholders (RMB'000)	755,879	704,806	368,609	376,402
Net asset value per ordinary share (RMB cents)	162.38	147.65	79.18	78.85
Number of issued shares * ('000)	465,504	477,357	465,504	477,357

* number of issued shares excludes treasury shares

** equivalent to 32.67 SGD cents at exchange rate of about 4.9704

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	2Q2012	2Q2011	Change %	1H2012	1H2011	Change %
Group Revenue	363.3	314.2	16%	687.3	569.0	21%
Gross Profit	72.7	77.0	(6%)	141.2	144.4	(2%)
Profit before tax	19.3	51.1	(62%)	53.4	76.5	(30%)
Net profit	11.2	37.2	(70%)	38.1	50.2	(24%)

Commentaries on performance

2Q2012 revenue increased by 15% to RMB 363.3 million as compared to RMB 314.2 million in 2Q2011 due to the increase in sales volume partially offset by the decrease in average selling price. Sales volume improved 29% to another record level at 20,411 tons as compared to 15,796 tons in 2Q2011 as the Group increased its production capacity and marketing efforts.

Overall average selling price (ASP) for all products decreased to RMB 17,801 per ton in 2Q2012 as compared to RMB 19,894 per ton in 2Q2011. The decrease in ASP was in line with the Group's marketing strategy to expand its market share. On a quarter to quarter comparison, the ASP was RMB 17,671 in 1Q2012.

Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB'm)			
	2Q2012	2Q2011	1H2012	1H2011	2Q2012	2Q2011	1H2012	1H2011
Accelerators	16,567	13,192	31,687	24,173	313.3	281.3	597.2	510.9
Insoluble sulphur	2,672	1,625	5,154	3,054	31.0	19.1	58.9	35.8
Anti-oxidant	857	836	1,271	1,279	12.9	10.9	19.2	16.7
Others	315	143	624	261	6.1	2.9	12.0	5.6
Total	20,411	15,796	38,746	28,767	363.3	314.2	687.3	569.0
Local Sales	13,455	9,184	25,434	17,239	221.3	169.0	413.7	314.0
International Sales	6,956	6,612	13,312	11,528	142.0	145.2	273.6	255.0

Sales volume across all products increased 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 decreased by 6% from RMB 77.0 million in 2Q2011 to RMB 72.7 million in 2Q2012 as the gross profit margins (GPM) dropped from 24.5% in 2Q2011 to 20.0% in 2Q2012. This was mainly due to the reduction in ASP and higher cost of raw material.

Other operating income was RMB 1.5 million in 2Q2012, consisting of mainly sales of scrap materials.

Selling and distribution expenses increased by 18% from RMB 9.1 million in 2Q2011 to RMB 10.7 million in 2Q2012, in line with the increase in sales volume.

Administrative expenses increased by 122% from RMB 18.3 million in 2Q2011 to RMB 40.7 million in 2Q2012, mainly due to:

- RMB 9.3 million of research and development expenses related to the trial production of 6PPD, including raw materials and utilities costs. With the successful completion of the trial production of 6PPD, such research and development expenses are not expected to recur.
- RMB 6.2 million of additional accruals for social insurance, namely retirement, medical, injury, unemployment and pregnancy insurance.
- RMB 4.0 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 0.2 million in 2Q2012 was mainly due to exchange loss as Chinese Yuan appreciated against other major currencies.

Finance expenses increased from RMB 1.1 million in 2Q2011 to RMB 3.3 million in 2Q2012 in line with the increase of loan amounts.

Profit before tax (PBT) decreased by 62% from RMB 51.1 million in 2Q2011 to RMB 19.3 million in 2Q2012 due to the above factors. However, tax decreased by 42% from RMB 13.9 million in 1Q2011 to RMB 8.1 million in 2Q2012 in line with decrease in taxable profit. As a result, **Net profit attributable to shareholders** decreased by 70% from RMB 37.2 million in 2Q2011 to RMB 11.2 million in 2Q2012.

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 2Q2012 economic growth slowed to 7.6%¹ year-on-year. This was the lowest growth since the first quarter of 2009 during the depths of the global financial crisis. Its export slowed as the sovereign debt crisis in Europe deepened and the US economy continued to struggle. Domestic retail sales growth has declined too as consumers tighten their spending in view of the complexity of the economic conditions faced by the country. Its auto sales grew a marginal 2.9% in the first half from a year earlier to 9.6² million vehicles after the government removed buying incentives and some cities imposed tough restrictions on car numbers to ease chronic traffic congestion and pollution. Despite the challenging operating environment, the Group has been able to increase its sales volume. Moving forward, both the domestic and global economies will face tough challenges. The Group will continue to engage its customers and work together to achieve higher sales at competitive prices. Gross profit margin may face downward pressure in the short term as the Group seeks to increase its market share in such times. At the same time, the Group will manage its expenses and cash flows prudently.

In July 2012, the cost of major raw material Aniline increased and is expected to stabilize towards September 2012. This will add further pressure on the Group's profit margin. Nevertheless, the Group remains cautiously optimistic of growing its sales volume given its established track record and portfolio of quality products. Selling prices will be adjusted according to the prices of raw materials, the exchange rate between US Dollar and Chinese Yuan, and prevailing market conditions.

Expansion Plan Update

During 2Q2012, the Group has completed the following projects:

- Successfully completed the trial production of 6PPD. All major customers have been given samples; and
- Completed 6,000-ton CBS plant and trial production at Weifang facility.

In the next 2 quarters, the Group will focus on achieving successful 6PPD accreditation from customers. Depending on the internal procedures of each customer, product certification could take 2 to 6 months or longer. The Group is positive of attaining certifications from its customers.

Below is a summary of our Annual Capacity³ at the 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: National Bureau of Statistics

² Source: China Association of Automobile Manufacturers

³ Excludes capacity of intermediary material

