



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 2014

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

1(a) A Consolidated Statement of Comprehensive Income (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 2014

	1 st quarter ended		Change %
	31/3/2014	31/3/2013	
	RMB 'million		
Revenue	427.3	384.0	11%
Cost of sales	345.3	328.0	5%
Gross profit	82.0	56.0	46%
Other income	1.7	2.4	(29%)
Selling and distribution expenses	13.2	10.3	28%
Administrative expenses	35.6	28.1	27%
Other operating expenses	0.2	1.2	(83%)
Finance expenses	3.5	3.0	17%
Profit before tax	31.2	15.8	97%
Income tax expenses	8.4	4.1	105%
Net profit	22.8	11.7	95%
Other comprehensive income/(losses):			
Exchange differences on translation, net of tax	0.3	(0.4)	175%
Total comprehensive income for the period	23.1	11.3	104%
Gross profit margin	19.2%	14.6%	4.6pts
Earnings per share (RMB cents)	4.91	2.52	95%

Notes to the Consolidated Statement of Comprehensive Income:

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

	31/3/2014	1 st quarter ended 31/3/2013	Change %
	RMB'million		
Interest income	(0.3)	(0.3)	-
Interest on borrowing	3.5	3.0	17%
Depreciation of property, plant and equipment	18.5	17.6	5%
Amortisation of land use rights	0.1	0.1	-
Allowance/(Reversal) for Impairment on receivables	*	(0.2)	n.m
Foreign exchange (gain)/loss	(0.1)	1.4	107%

n.m. - not meaningful

* - amount less than RMB 0.1 million.

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

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		31/3/2014 RMB' million	31/12/2013 RMB' million	31/3/2014 RMB' million	31/12/2013 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary		-	-	350.0	350.0
Property, plant and equipment	(1)	528.4	470.3	-	-
Land use rights		25.5	25.6	-	-
		<u>553.9</u>	<u>495.9</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	(2)	113.9	143.5	-	-
Trade receivables	(3)	439.4	479.0	-	-
Other receivables, deposits and prepayment		63.9	60.6	0.1	-
Amount owing from a subsidiary		-	-	13.2	12.4
Cash and bank balances		146.6	107.8	10.6	11.5
		<u>763.8</u>	<u>790.9</u>	<u>23.9</u>	<u>23.9</u>
TOTAL ASSETS		<u>1,317.7</u>	<u>1,286.8</u>	<u>373.9</u>	<u>373.9</u>
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(28.2)	(28.2)	(28.2)	(28.2)
Merger reserve		0.3	0.3	-	-
Statutory reserves		141.1	141.1	-	-
Exchange on translation		(6.2)	(6.5)	(5.9)	(6.1)
Retained profits		416.0	393.2	88.6	89.4
TOTAL EQUITY		<u>836.5</u>	<u>813.4</u>	<u>368.0</u>	<u>368.6</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(4)	73.7	63.1	-	-
Other payables and accruals	(5)	101.9	133.1	4.7	4.1
Deferred grant		7.5	8.6	-	-
Bank loans	(6)	260.0	230.0	-	-
Current tax payable		38.1	38.6	1.2	1.2
TOTAL LIABILITIES		<u>481.2</u>	<u>473.4</u>	<u>5.9</u>	<u>5.3</u>
TOTAL EQUITY AND LIABILITIES		<u>1,317.7</u>	<u>1,286.8</u>	<u>373.9</u>	<u>373.9</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 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
RMB'million	RMB'million	RMB'million	RMB'million
150.0	110.0	100.0	130.0

Details of any collateral

RMB 130.0 million short term bank borrowings were secured by personal guarantee from Mr Xu Chengqiu, the Company's Executive Chairman; RMB 20.0 million short term bank borrowings were secured by both personal guarantee from Mr Xu Chengqiu and corporate guarantee from Weifang Sunsine Chemical Co., Ltd., the Company's subsidiary.

Notes to Statements of Financial Position

Note (1) Property, plant and equipment (PPE) increased by RMB 58.1 million from RMB 470.3 million to RMB 528.4 million due to RMB 76.6 million additions in construction in progress and purchase of capital equipment less RMB 18.5 million of depreciation.

Note (2) Inventories decreased by RMB 29.6 million from RMB 143.5 million to RMB 113.9 million mainly due to the increased sales in the two months following Chinese New Year.

Note (3) Trade receivables decreased by RMB 39.6 million from RMB 479.0 million to RMB 439.4 million due mainly to decrease in notes receivables. Trade receivables included notes receivables provided by trade debtors which were promissory notes issued by 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 2014 and 31 December 2013, the notes receivables were RMB 123.5 million and RMB 158.1 million, respectively. The decrease in notes receivables were mainly due to the Group using more notes to pay our construction suppliers. Excluding the notes receivables, the trade receivables from trade debtors would have decreased by RMB 5.0 million from RMB 320.9 million to RMB 315.9 million, as some customers made the payment in advance in order to obtain our accelerator products.

Note (4) Trade payables increased by RMB 10.6 million from RMB 63.1 million to RMB 73.7 million as the Group increased purchases in anticipation of increased demand for our products and increased production capacity.

Note (5) Other payables decreased by RMB 31.2 million from RMB 133.1 million to RMB 101.9 million as some of the outstanding payments to building contractors for the construction projects were settled. This was partially offset by higher accruals for social insurance and higher advance payments from customers.

Note (6) Bank loans increased by RMB 30.0 million from RMB 230.0 million to RMB 260.0 million as higher working capital was required for our increased production.

1(c) **A Consolidated Statement of Cash Flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Cash Flows

	1 st quarter ended	
	31/3/2014	31/3/2013
Note	RMB'million	
Cash flows from operating activities		
Profit before tax	31.2	15.8
Adjustments for:-		
Depreciation of property, plant and equipment (PPE)	18.5	17.6
Amortisation of land use rights	0.1	0.1
Grants recognised in income statement	(1.1)	-
Interest income	(0.3)	(0.3)
Interest expense	3.5	3.0
Translation difference	0.1	(0.4)
Operating profit before working capital changes	52.0	35.8
Changes in working capital:		
Inventories	29.6	29.8
Trade and other receivables	36.3	(55.8)
Trade and other payables and accruals	(20.7)	8.8
Cash deposit (placed with)/released from bank	(0.1)	26.5
Cash generated from operations	97.1	45.1
Income taxes paid	(8.8)	(2.5)
Net cash generated from operating activities	(1) 88.3	42.6
Cash flows from investing activities		
Additions to PPE	(76.6)	(12.1)
Interest income received	0.3	0.3
Net cash used in investing activities	(2) (76.3)	(11.8)
Cash flows from financing activities		
Interest expense paid	(3.5)	(3.0)
Grant received	-	1.3
Proceeds from bank loan	30.0	-
Net cash generated from/(used in) financing activities	(3) 26.5	(1.7)
Net increase in cash and cash equivalents balances	38.5	29.1
Effect of currency translation on cash & cash equivalents	0.2	0.3
Cash and cash equivalents at beginning of period	105.9	71.8
Cash and cash equivalents at end of period	144.6	101.2
Cash and bank balances at end of period includes the followings		
Cash and cash equivalents	146.6	107.8
Cash deposit pledged with bank	(2.0)	(6.6)
Cash and bank balances at end of period	144.6	101.2

Notes to Consolidated Statement of Cash flows for 1QFY2014

- (1) Net cash generated from operating activities amounting to RMB 88.3 million was due mainly to higher profit as well as decreased trade receivables.
- (2) Net cash used in investing activities amounting to RMB 76.3 million was mainly due to the purchase of PPE.
- (3) Net cash generated from financing activities amounted to RMB 26.5 million was mainly due to drawdown of RMB 30.0 million bank loans, offset by RMB 3.5 million interest expenses.

- 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 Statements of Changes in Equity

GROUP

	Share Capital	Treasury Shares	Statutory, Merger, Exchange reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2014	313.5	(28.2)	134.9	393.2	813.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	22.8	22.8
Exchange differences on translation, net of tax	-	-	0.3	-	0.3
Total comprehensive income, net of tax	-	-	0.3	22.8	23.1
Balance as at 31 March 2014	313.5	(28.2)	135.2	416.0	836.5
Balance as at 1 January 2013	313.5	(28.2)	111.6	364.1	761.0
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	11.7	11.7
Exchange differences on translation, net of tax	-	-	(0.4)	-	(0.4)
Total comprehensive income, net of tax	-	-	(0.4)	11.7	11.3
Balance as at 31 March 2013	313.5	(28.2)	111.2	375.8	772.3

COMPANY

	Share Capital	Treasury Shares	Statutory, Merger, Exchange reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2014	313.5	(28.2)	(6.1)	89.4	368.6
<i>Total Comprehensive Income</i>					
Loss for the period	-	-	-	(0.8)	(0.8)
Exchange differences on translation, net of tax	-	-	0.2	-	0.2
Total comprehensive income, net of tax	-	-	0.2	(0.8)	(0.6)
Balance as at 31 March 2014	313.5	(28.2)	(5.9)	88.6	368.0
Balance as at 1 January 2013	313.5	(28.2)	(4.9)	88.9	369.3
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	1.0	1.0
Exchange differences on translation, net of tax	-	-	(0.4)	-	(0.4)
Total comprehensive income, net of tax	-	-	(0.4)	1.0	0.6
Balance as at 31 March 2013	313.5	(28.2)	(5.3)	89.9	369.9

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 2014 and 31 March 2014	<u>465,504,000</u>	<u>56,856,844</u>
As at 1 January 2013 and 31 March 2013	<u>465,504,000</u>	<u>56,856,844</u>

There are no outstanding convertibles issued by the Company as at 31 March 2014.

*Number of issued shares excludes 26,190,000 treasury shares (FY2013: 26,190,000, FY2012: 26,190,000)

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.

See above table. There is no sale, transfer, disposal, cancellation of treasury shares at the end of 1QFY2014. Total number of treasury shares at end 1QFY2014 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).

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 financial statements for the current reporting period compared with those of the audited financial statements for the financial year ("FY") ended 31 December 2013 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 2014. 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 2014.

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.**

	1Q2014 RMB	1Q2013 RMB
Basic earnings per share (Basic EPS' cents) - based on weighted average number of shares on issue	4.91	2.52
The calculations of EPS is based on net profit and number of shares shown below:		
Profit attributable to equity holders (RMB'million)	22.8	11.7
Weighted average number of shares applicable to basic EPS ('000)	465,504	465,504

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 March 2014.

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	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Net asset attributable to shareholders (RMB'million)	836.5	813.4	368.0	368.6
Net asset value per ordinary share (RMB cents)	179.71**	174.74	79.05	79.18
Number of issued shares * ('000)	465,504	465,504	465,504	465,504

* number of issued shares excludes treasury shares

** equivalent to SGD 36.73 cents at exchange rate of 4.8924 as at 31 March 2014

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	1Q2014	1Q2013	Change
Group Revenue	427.3	384.0	11%
Gross Profit	82.0	56.0	46%
Profit before tax	31.2	15.8	97%
Net profit	22.8	11.7	95%

Commentaries on performance

Revenue in 1QFY2014 increased by 11% to RMB 427.3 million as compared to RMB 384.0 million in 1QFY2013, due to the increase in our sales volume as well as the increase in the Overall Average Selling Price ("**ASP**"). Sales volume increased 8% to 23,899 tons in 1Q2014 as compared to 22,049 tons in 1QFY2013 due to increased demand and increased marketing efforts.

ASP increased by 3% to RMB 17,881 per ton in 1QFY2014 as compared to RMB 17,417 per ton in 1QFY2013 due to the increased demand and lesser supply of Accelerator products in the market. On a quarter to quarter comparison, the ASP was RMB 17,028 in 4QFY2013.

	Sales Volume (Tons)		Sales (RMB' million)	
	1Q2014	1Q2013	1Q2014	1Q2013
Accelerators	17,039	16,660	329.4	310.8
Insoluble sulphur	2,596	3,012	30.0	34.8
Anti-oxidant	4,002	2,072	62.8	33.2
Others	262	305	5.1	5.2
Total	23,899	22,049	427.3	384.0
Domestic Sales	14,661	14,652	244.1	238.9
International sales	9,238	7,397	183.2	145.1

Sales volume for Accelerators and Anti-oxidant increased due to the Group's ability to increase its production capacity to meet the increased demand. The decrease in sales volume of insoluble sulphur in 1QFY2014 was mainly due to higher competition as more competitors had entered this business segment. The Group continued to increase its domestic market share. International sales volume increased mainly due to improved sales to Asia Pacific countries.

Gross profit increased by 46% from RMB 56.0 million in 1QFY2013 to RMB 82.0 million in 1QFY2014, as the Gross Profit Margin ("**GPM**") increased 4.6 percentage points from 14.6% to 19.2%. The increase in GPM was due mainly to the increase in the ASP as well as the reduction in the cost of raw materials. Unit cost of Aniline, the main raw material for accelerators, had decreased by 14% in 1QFY2014 as compared to 1QFY2013 as a result of over-supply in the market due to overproduction.

Other operating income was RMB 1.7 million in 1QFY2014, consisting of mainly interest income, foreign exchange gain and sales of scrap materials.

Selling and distribution expenses increased by 28% from RMB 10.3 million in 1QFY2013 to RMB 13.2 million in 1QFY2014 due mainly to the increase in freight cost as a result of increased sales.

Administrative expenses increased by 27% from RMB 28.1 million in 1QFY2013 to RMB 35.6 million in 1QFY2014 due mainly to increase in staff salaries and social insurance, as well as increase in business tax as sales increase.

Other operating expenses was RMB 0.2 million in 1QFY2014, consisting of mainly donations to charitable organisations.

Profit before tax (PBT) increased by 97% from RMB 15.8 million in 1QFY2013 to RMB 31.2 million in 1QFY2014 mainly due to the increase in revenue and gross profit.

Net profit attributable to shareholders increased by 95% from RMB 11.7 million in 1QFY2013 to RMB 22.8 million in 1QFY2014 due to the reasons mentioned above.

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 was made.

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 1QFY2014, China's economic growth weakened to 7.4%¹, the slowest growth rate since 1999. However, the automakers sold 5.9² million vehicles in the world's largest car market, up 9.2 percent year-on-year. Sales of new energy vehicles (such as hybrid and electric cars) reached 6,853² units, representing 1.2 times increase as compared to 1Q2013. Moving forward, with the rapid increase of the middle class population and the introduction of new energy vehicles, auto sales are likely to increase. However, the increase in car sales may slow down as more cities have implemented curbing policies in its effort to ease air pollution and traffic congestion.

As the China government is placing more emphasis on environmental protection, some medium- and small-sized players in the rubber chemicals industry were forced to suspend their production. Further, due to the China government's comprehensive measures on environmental protection, a few large-sized players also suspended their production. As such, the supply of accelerators in the market is decreasing. In order to maintain their productions to meet higher demand of tires, the tire makers placed more orders to purchase accelerators. The Group anticipates that the sales volume of accelerator products will continue to increase. However, as Insoluble Sulphur and Anti-oxidant products cause less harmful environmental effects, and the Chinese government has not introduced environmental controls on such products, some players have switched into these business segments. As such, the Group anticipates the competition in these business segments to be more intense.

The outlook for the global economic recovery is still uncertain. Locally, the rubber chemicals industry in China continues to face overcapacity problem. Moving forward, the rubber chemicals industry will be undergoing a re-structuring process, some smaller players may exit the industry and the industry may see some consolidation. On the whole, the Group remains positive on the outlook for this year given its established track record, healthy cashflows and portfolio of quality products.

Status Update

The Group continues to liaise with its major customers on the accreditation of 6PPD.

The Group intends to complete the new heating plant at Shanxian by the third quarter.

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

Tons	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014e
Accelerators	55,000	56,500	56,500	66,500	70,500	75,000
Insoluble Sulphur	8,000	10,000	10,000	10,000	20,000	20,000
Anti-oxidant	10,000	10,000	25,000	25,000	25,000	30,000
Total	73,000	76,500	91,500	101,500	115,500	125,000

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturers

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

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

(e) Last cum-dividend Trading Date

Not applicable

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

Not applicable

13. Interested Person Transactions

None

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
Dated: 28 April 2014

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 first quarter financial results for the period ended 31 March 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 28 April 2014

Liu Jing Fu
Executive Director

[End of Report]