



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 2019

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 2019

	2nd quarter ended		Change %	6 months ended		Change %
	30/06/2019	30/06/2018		30/06/2019	30/06/2018	
	RMB' million			RMB' million		
Revenue	727.0	880.6	(17%)	1,413.6	1,737.5	(19%)
Cost of sales	(474.7)	(557.0)	(15%)	(925.6)	(1,115.1)	(17%)
Gross profit	252.3	323.6	(22%)	488.0	622.4	(22%)
Other income	23.5	26.1	(10%)	16.6	14.9	11%
Other losses, net	(5.5)	(3.5)	57%	(7.2)	(3.7)	95%
Selling and distribution expenses	(23.5)	(25.0)	(6%)	(46.9)	(47.4)	(1%)
Administrative expenses	(26.7)	(88.2)	(70%)	(63.1)	(149.1)	(58%)
Research and development expenses	(32.2)	(18.2)	77%	(67.2)	(40.7)	65%
Finance expenses	(0.1)	-	n.m.	(0.2)	-	n.m.
Profit before tax	187.8	214.8	(13%)	320.0	396.4	(19%)
Income tax expenses	(32.0)	24.9	(229%)	(54.1)	(7.2)	651%
Profit after tax	155.8	239.7	(35%)	265.9	389.2	(32%)
Other Comprehensive income:						
Exchange differences on translation, net of tax	2.2	(0.5)	540%	0.7	(2.4)	129%
Total comprehensive income for the period	158.0	239.2	(34%)	266.6	386.8	(31%)
Gross profit margin	34.7%	36.7%	(2.0 pts)	34.5%	35.8%	(1.3 pts)
Earnings per share (RMB cents)	31.77	48.75	(35%)	54.19	79.15	(31%)

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		
	30/06/2019	30/06/2018	Change	30/06/2019	30/06/2018	Change
	RMB' million			RMB' million		
			%			%
Interest income	(3.0)	(0.7)	328%	(4.6)	(0.8)	475%
Deemed interest expenses on lease liability	0.1	-	n.m.	0.2	-	n.m.
Depreciation of property, plant and equipment	26.0	23.7	10%	50.5	46.9	8%
Depreciation of right-of-use asset	0.3	-	n.m.	0.6	-	n.m.
Amortisation of land use rights	0.3	0.3	-	0.6	0.6	-
(Write back)/Loss allowance for trade receivables	(2.8)	(0.5)	460%	(1.3)	0.2	(750%)
Foreign exchange gain	(19.2)	(18.7)	(3%)	(8.8)	(5.2)	(70%)

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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>	
		30/6/2019 RMB' million	31/12/2018 RMB' million	30/6/2019 RMB' million	31/12/2018 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary corporation		-	-	350.0	350.0
Property, plant and equipment	(1)	674.2	690.8	-	-
Land use rights		39.5	40.1	-	-
Right-of-use asset	(2)	10.4	-	-	-
		724.1	730.9	350.0	350.0
CURRENT ASSETS					
Inventories	(3)	178.2	217.3	-	-
Trade receivables	(4)	656.5	690.6	-	-
Other receivables, deposits and prepayment		89.7	69.9	0.1	*
Amount owing from a subsidiary corporation		-	-	80.3	206.0
Cash and bank balances		1,169.2	1,038.6	6.9	49.0
		2,093.6	2,016.4	87.3	255.0
TOTAL ASSETS		2,817.7	2,747.3	437.3	605.0
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(17.0)	(2.1)	(17.0)	(2.1)
Other reserves		454.5	453.8	53.4	52.7
Retained earnings		1,690.7	1,560.3	31.0	161.2
TOTAL EQUITY		2,441.7	2,325.5	380.9	525.3
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liability	(2)	9.6	-	-	-
CURRENT LIABILITIES					
Trade payables		57.1	63.2	-	-
Other payables and accruals	(5)	248.6	278.0	55.1	71.9
Lease liability	(2)	0.9	-	-	-
Current tax payable		59.8	80.6	1.3	7.8
		366.4	421.8	56.4	79.7
TOTAL LIABILITIES		376.0	421.8	56.4	79.7
TOTAL EQUITY AND LIABILITIES		2,817.7	2,747.3	437.3	605.0

* - amount less than RMB 0.1 million

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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 30/06/2019		As at 31/12/2018	
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 decreased by RMB 16.6 million from RMB 690.8 million to RMB 674.2 million mainly due to depreciation charged, offset by additions to construction in progress and property, plant and equipment.

Note (2) Right-of-use asset and lease liability refer to the piece of land leased from a third party for the production of TBBS by the Company's main subsidiary, Shandong Sunsine. It is accounted for in accordance with SFRS(I) 16 Leases.

Note (3) Inventories decreased by RMB 39.1 million from RMB 217.3 million to RMB 178.2 million, mainly due to the decrease in raw material price.

Note (4) Trade receivables decreased by RMB 34.1 million from RMB 690.6 million to RMB 656.5 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. As at 30 June 2019 and 31 December 2018, the notes receivables were RMB 212.5 million and RMB 238.5 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 8.1 million from RMB 452.1 million to RMB 444.0 million, mainly due to decreased sales.

The aging report of trade receivables as at 30 June 2019 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	212.5	-	-	-	212.5
Trade receivables	428.9	14.7	1.3	13.8	458.7
Loss allowance	-	-	(0.9)	(13.8)	(14.7)
Net trade receivables	641.4	14.7	0.4	-	656.5

Note (5) Other payables decreased by RMB 29.4 million from RMB 278.0 million to RMB 248.6 million mainly due to decrease in accrual of staff cost.

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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	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RMB' million		RMB' million	
Cash flows from operating activities				
Profit after tax	155.8	239.7	265.9	389.2
Adjustments for:-				
Income tax expenses	32.0	(24.9)	54.1	7.2
Depreciation of property, plant and equipment ("PPE")	26.0	23.7	50.5	46.9
Depreciation of right-of-use asset	0.3	-	0.6	-
Amortisation of intangible assets	0.3	0.3	0.6	0.6
PPE written off	0.3	0.1	0.4	0.1
Interest income	(3.0)	(0.7)	(4.6)	(0.8)
Deemed interest expenses on lease liability	0.1	-	0.2	-
Translation difference	(8.8)	(16.0)	(0.8)	(6.3)
Operating profit before working capital changes	203.0	222.2	366.9	436.9
Changes in working capital:				
Inventories	7.7	7.2	39.1	0.3
Trade and other receivables	6.0	(86.4)	14.3	(247.6)
Trade and other payables and accruals	(18.4)	27.5	(35.4)	69.4
Cash generated from operations	198.3	170.5	384.9	259.0
Income taxes paid	(43.7)	(26.4)	(75.0)	(71.4)
Net cash generated from operating activities	(1) 154.6	144.1	309.9	187.6
Cash flows from investing activities				
Additions to PPE	(18.5)	(35.0)	(34.4)	(68.1)
Interest income received	3.0	0.7	4.6	0.8
Net cash used in investing activities	(2) (15.5)	(34.3)	(29.8)	(67.3)
Cash flows from financing activities				
Dividend paid	(135.5)	(58.5)	(135.5)	(58.5)
Grant received	-	-	-	1.2
Cash deposit released from bank	1.4	0.6	3.0	0.2
Repayment of notes payable	-	(9.0)	-	(9.0)
Repayment of lease liability	(0.3)	-	(0.6)	-
Purchase of treasury shares	(14.9)	-	(14.9)	-
Proceeds from notes payable	-	-	-	9.0
Net cash used in from financing activities	(3) (149.3)	(66.9)	(148.0)	(57.1)
Net (decrease)/increase in cash and cash equivalents	(10.2)	42.9	132.1	63.2
Effect of currency translation on cash & cash equivalents	11.1	15.4	1.5	3.8
Cash and cash equivalents at beginning of period	1,167.6	504.7	1,034.9	496.0
Cash and cash equivalents at end of period	1,168.5	563.0	1,168.5	563.0
Cash and cash equivalents at end of period include the followings				
Cash and bank balances	1,169.2	566.4	1,169.2	566.4
Cash deposit pledged with bank	(0.7)	(3.4)	(0.7)	(3.4)
Cash and cash equivalents at end of period	1,168.5	563.0	1,168.5	563.0

Notes to cash flows for 2Q2019

- (1) Net cash generated from operating activities amounted to RMB 154.6 million was mainly due to profit generated during the quarter.
- (2) Net cash used in investing activities amounted to RMB 15.5 million was mainly due to additions to PPE.
- (3) Net cash used in financing activities amounted to RMB 149.3 million was mainly due to distribution of dividends and purchase of treasury shares.

- 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 Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2019	313.5	(2.1)	453.8	1,560.3	2,325.5
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	265.9	265.9
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	265.9	266.6
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(14.9)	-	-	(14.9)
Dividend paid	-	-	-	(135.5)	(135.5)
Total distributions to owners	-	(14.9)	-	(135.5)	(150.4)
Balance as at 30 June 2019	313.5	(17.0)	454.5	1,690.7	2,441.7
Balance as at 1 January 2018	313.5	-	389.7	1,039.2	1,742.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	389.2	389.2
Exchange differences on translation, net of tax	-	-	(2.4)	-	(2.4)
Total comprehensive income, net of tax, for the period	-	-	(2.4)	389.2	386.8
<i>Transactions with owners, recorded directly in equity</i>					
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	-	-	(58.5)	(58.5)
Balance as at 30 June 2018	313.5	-	387.3	1,369.9	2,070.7

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<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2019	313.5	(2.1)	52.7	161.2	525.3
<u>Total Comprehensive Income</u>					
Loss for the period	-	-	-	5.3	5.3
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	5.3	6.0
<u>Transactions with owners, recorded directly in equity</u>					
Purchase of treasury shares	-	(14.9)	-	-	(14.9)
Dividend paid	-	-	-	(135.5)	(135.5)
Total distributions to owners	-	(14.9)	-	(135.5)	(150.4)
Balance as at 30 June 2019	313.5	(17.0)	53.4	31.0	380.9
Balance as at 1 January 2018	313.5	-	50.3	100.9	464.7
<u>Total Comprehensive Income</u>					
Profit for the period	-	-	-	(62.2)	(62.2)
Exchange differences on translation, net of tax	-	-	(2.4)	-	(2.4)
Total comprehensive income, net of tax, for the period	-	-	(2.4)	(62.2)	(64.6)
<u>Transactions with owners, recorded directly in equity</u>					
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	-	-	(58.5)	(58.5)
Balance as at 30 June 2018	313.5	-	47.9	(19.8)	341.6

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 2019	491,311,700	62,230,695
Purchase of treasury shares during the period	(2,579,000)	(2,973,422)
As at 30 June 2019	488,732,700	59,257,273
As at 1 January 2018 and 30 June 2018	491,694,000	62,649,185

There were no outstanding convertibles issued by the Company as at 30 June 2019.

*Number of issued shares excludes treasury shares. The number of treasury shares as at 30 June 2019 was 2,961,300 (30 June 2018: Nil)

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 2019	382,300	418,490
Purchase of treasury shares during the period	2,579,000	2,973,422
As at 30 June 2019	2,961,300	3,391,912
As at 1 January 2018 and 30 June 2018	-	-

[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.

Except as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those used in the audited financial statements for the financial year ended 31 December 2018.

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.

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for the financial period beginning on or after 1 January 2019. Specifically, the Group has adopted SFRS(I) 16 Leases which is relevant to the Group's operations. The adoption of this new SFRS(I) does not result in any material effect on the amounts reported for the current financial period or prior financial years.

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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.**

	2Q2019 RMB (cents)	2Q2018 RMB (cents)	1H2019 RMB (cents)	1H2018 RMB (cents)
Basic Earnings per share (Basic EPS) - based on weighted average number of shares on issue	31.77	48.75	54.19	79.15
The calculations of EPS was based on net profit and number of shares shown below:				
Profit attributable to equity holders (RMB' million)	155.8	239.7	265.9	389.2
Weighted average number of shares applicable to basic EPS ('000)	490,231	491,694	490,768	491,694

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 2019.

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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Net asset attributable to shareholders (RMB' million)	2,441.7	2,325.5	380.9	525.3
Net asset value per ordinary share (RMB cents)	499.60**	473.32	77.94	106.92
Number of issued shares * ('000)	488,733	491,312	488,733	491,312

* number of issued shares excludes treasury shares

** equivalent to SGD 98.34 cents at exchange rate of 5.0805 as at 30 June 2019

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	2Q2019	2Q2018	Change %	1H2019	1H2018	Change %
Group Revenue	727.0	880.6	(17%)	1,413.6	1,737.5	(19%)
Gross Profit	252.3	323.6	(22%)	488.0	622.4	(22%)
Profit before tax	187.8	214.8	(13%)	320.0	396.4	(19%)
Net profit	155.8	239.7	(35%)	265.9	389.2	(32%)

Commentaries on performance

Revenue decreased by 17% to RMB 727.0 million in 2Q2019 as compared to RMB 880.6 million in 2Q2018, due to the decrease in our overall Average Selling Price ("**ASP**").

ASP decreased by 29% to RMB 16,633 per ton in 2Q2019 as compared to RMB 23,334 per ton in 2Q2018, and decreased by 6% as compared to RMB 17,637 per ton in 1Q2019. The decrease in ASP was mainly due to (i) the decrease in the price of raw materials, in particular, Aniline, and (ii) the ASP in 2Q2018 was at a high level as a result of short supply of rubber chemicals.

Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB'm)			
	2Q2019	2Q2018	1H2019	1H2018	2Q2019	2Q2018	1H2019	1H2018
Rubber Chemical								
Accelerators	23,583	21,563	43,790	41,469	488.0	635.8	953.3	1,220.8
Insoluble Sulphur	7,577	6,672	14,930	12,884	70.1	78.1	140.7	150.9
Anti-oxidant	11,701	8,986	22,385	19,339	155.1	154.4	293.0	340.7
Others	502	346	973	672	8.0	8.2	17.1	16.6
Total	43,363	37,567	82,078	74,364	721.2	876.5	1,404.1	1,729.0
<i>Local Sales</i>	<i>29,522</i>	<i>24,786</i>	<i>53,534</i>	<i>49,941</i>	<i>453.9</i>	<i>527.5</i>	<i>838.1</i>	<i>1,072.8</i>
<i>International Sales</i>	<i>13,841</i>	<i>12,781</i>	<i>28,544</i>	<i>24,423</i>	<i>267.3</i>	<i>349.1</i>	<i>566.0</i>	<i>656.2</i>
Heating Power	29,497	20,354	48,623	46,331	5.6	3.8	9.1	8.0
Hotel & Restaurant	-	-	-	-	0.2	0.3	0.4	0.5

2Q2019 Sales volume for Accelerators, Insoluble Sulphur (“IS”) and Anti-oxidant products increased by 9%, 14% and 30%, respectively, mainly due to (i) increase in our production of these products, and (ii) the Group’s flexible pricing strategy. Both domestic and international sales volume continued to grow.

For the First Half Year of 2019 (“1H2019”), the Group’s sales volume for Accelerators, IS and Anti-oxidant products increased by 6%, 16% and 16% respectively. However, ASP for 1H2019 decreased by 26% from RMB 23,252 per ton in 1H2018 to RMB 17,107 per ton. As such, the revenue for 1H2019 decreased from RMB 1,737.5 million in 1H2018 to RMB 1,413.6 million, representing a decrease of approximately 19%.

Gross profit for 2Q2019 decreased by 22% to RMB 252.3 million from RMB 323.6 million in 2Q2018, while the Gross Profit Margin (“GPM”) decreased by 2.0 percentage points from 36.7% to 34.7%. On a half-year basis, gross profit decreased by 22% from RMB 622.4 million in 1H2018 to RMB 488.0 million in 1H2019, and GPM decreased 1.3 percentage points from 35.8% to 34.5%. The decreases were mainly due to the decrease in ASP.

Other operating income was RMB 23.5 million in 2Q2019, consisting of mainly foreign exchange gain and interest income.

Selling and distribution expenses decreased by 6% from RMB 25.0 million in 2Q2018 to RMB 23.5 million in 2Q2019, mainly due to decrease in incentives payable to sales personnel as a result of lower sales revenue. On a half-year basis, selling and distribution expenses decreased slightly by 1% from RMB 47.4 million in 1H2018 to RMB 46.9 million in 1H2019 mainly due to lower incentives to sales personnel, offset by higher freight costs.

Administrative expenses decreased by 70% from RMB 88.2 million in 2Q2018 to RMB 26.7 million in 2Q2019. On a half-year basis, administrative expenses decreased by 58% from RMB 149.1 million in 1H2018 to RMB 63.1 million. The decrease was mainly due to the decrease in staff salaries and accrued bonus for all personnel, including the Chairman.

Although the Remuneration Committee and the Board of Directors (“Board”) of the Company, after having carried out their respective reviews of the Chairman’s remuneration, were of the opinion that the Chairman deserved more than what he was paid in FY2017 given the exceptional results achieved in FY2018, the Chairman nevertheless requested that in the overall best interest of the Company, his FY2018 bonus should not exceed the amount he received in FY2017, which is approximately S\$6.9 million. After due consideration, the Board noted the self-sacrificial gesture of the Chairman, and acceded to his request. As such, approximately S\$5.1 million of bonus over accrued was reversed out in 2Q2019.

Research and development (“R&D”) expenses increased by 77% from RMB 18.2 million in 2Q2018 to RMB 32.2 million in 2Q2019, and on a half-year basis, R&D expenses increased by 65% from RMB 40.7 million in 1H2018 to RMB 67.2 million, as more R&D activities were carried out by our main subsidiary, Shandong Sunshine.

Other expenses amounted to RMB 5.5 million in 2Q2019, mainly consisting of donations of RMB 5 million to Qingdao University of Science and Technology, which we have collaboration with.

Profit before tax (“PBT”) decreased by 13% from RMB 214.8 million in 2Q2018 to RMB 187.8 million in 2Q2019. PBT for 1H2019 decreased by 19% from RMB 396.4 million in 1H2018 to RMB 320.0 million, mainly due to decrease in sales revenue and gross profit.

Income tax expense increased by 229% from a credit amount of RMB 24.9 million in 2Q2018 to an expense of RMB 32.0 million in 2Q2019. The credit amount of RMB 24.9 million in 2Q2018 was mainly due to our main subsidiary, Shandong Sunshine, being granted a tax credit of approximately RMB 48 million which was credited against 2Q2018’s income tax expenses as a result of the “High-tech Enterprise” status obtained on 28 December 2017.

As per reasons explained above, **Net profit attributable to shareholders** decreased by 35% from RMB 239.7 million in 2Q2018 to RMB 155.8 million in 2Q2019. Net profit for 1H2019 decreased by 32% from RMB 389.2 million in 1H2018 to RMB 265.9 million.

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 1Q2019 results announcement, the Company stated that “China’s economy is continuing to slow down. Raw material prices are hovering at lower levels, and as such, the Group’s ASP for rubber chemicals is under pressure. In addition, some players in our industry have, through investing more in technological upgrading and environmental protection & safety production equipment, resumed their operations. As such, competition is expected to be more intense, which will further challenge our ASP. These circumstances remain unchanged.” 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.

China’s GDP grew 6.2%¹ and 6.3% in 2Q2019 and 1H2019, respectively. Automakers sold a total of 12.32² million units in China in the first half of 2019, representing a decrease of 12.4% in auto sales year-on-year.

As stated in the past quarters’ commentaries, China’s economic growth is continuing to slow down. Raw material prices are still hovering at low levels, and as such, the Group’s ASP for rubber chemicals is under pressure.

In addition, the utilisation rate for the Chinese tire makers is not high, and some players whose operations were previously affected by environmental issues, may have resumed their operations. As such, competition may become more intense, which will further challenge our ASP.

The Group will try our best to continue to increase its sales volume and maintain our strategy that “higher production leads to higher sales volume, which in turn stimulates even higher production”. We remain confident about the Group’s performance and profitability in the next 12 months.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

Updates of capacity expansion plan

Further to the Company's announcements dated 12 March 2019, 16 March 2019 and 15 May 2019, the Group intends to set aside approximately 300 mu of the piece of land at Shanxian Chemical Zone ("Land") to build and construct a 60,000-ton per annum IS plant thereon, to be carried out in 2 phases over the next few years.

As an update, after re-survey, the area of the Land to be acquired is approximately 680 mu, instead of 800 mu as earlier announced. The final consideration payable for the Land will be based on the actual size of the Land as surveyed.

The Company will make appropriate announcements when there are further updates.

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

Tons	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019e
Accelerators	70,500	87,000	87,000	87,000	87,000	87,000	97,000
Insoluble Sulphur	20,000	20,000	20,000	20,000	20,000	30,000	30,000
Anti-oxidant	25,000	45,000	45,000	45,000	45,000	45,000	45,000
Total	115,500	152,000	152,000	152,000	152,000	162,000	172,000

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

NA

(d) Books closure date

NA

(e) Last cum-dividend Trading Date

NA

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

No dividend has been declared for 2Q2019.

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

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).

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
Dated: 6 August 2019

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 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 6 August 2019

Liu Jing Fu
Executive Director & CEO

[End of Report]