



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 2018

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 2018

	1 st quarter ended		Change %
	31/3/2018	31/3/2017	
	RMB 'million		
Revenue	856.9	574.6	49%
Cost of sales	(558.1)	(434.6)	28%
Gross profit	298.8	140.0	113%
Other income	*	1.7	n.m.
Other losses, net	(11.3)	(0.6)	1783%
Selling and distribution expenses	(22.4)	(17.8)	26%
Administrative expenses	(83.5)	(38.6)	116%
Finance expenses	-	-	n.m.
Profit before tax	181.6	84.7	114%
Income tax expenses	(32.1)	(27.5)	17%
Net profit	149.5	57.2	161%
Other comprehensive income:			
Exchange differences on translation, net of tax	(2.0)	0.9	(322%)
Total comprehensive income for the period	147.5	58.1	154%
Gross profit margin	34.9%	24.4%	10.5 pts
Earnings per share (RMB cents)	30.40	12.32	147%

n.m. - not meaningful

* - amount less than RMB 0.1 million

Notes to the Consolidated Statement of Comprehensive Income:

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

	31/3/2018	1 st quarter ended 31/3/2017	Change %
	RMB'million		
Interest income	(0.1)	(1.1)	91%
Depreciation of property, plant and equipment	23.2	23.5	(1%)
Amortisation of land use rights	0.3	0.3	-
Allowance for Impairment on receivables	0.7	1.8	(61%)
Foreign exchange losses	13.5	1.3	938%
Written-off of plant and machinery	-	0.4	n.m.

n.m. - not meaningful

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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>	
		31/3/2018 RMB' million	31/12/2017 RMB' million	31/3/2018 RMB' million	31/12/2017 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary corporation		-	-	350.0	350.0
Property, plant and equipment	(1)	671.0	661.8	-	-
Land use rights		41.0	41.3	-	-
		<u>712.0</u>	<u>703.1</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories		219.0	212.1	-	-
Trade receivables	(2)	790.9	637.8	-	-
Other receivables, deposits and prepayment	(3)	83.2	75.1	0.2	0.2
Amount owing from a subsidiary corporation		-	-	130.0	149.3
Cash and bank balances		508.7	499.6	19.9	4.0
		<u>1,601.8</u>	<u>1,424.6</u>	<u>150.1</u>	<u>153.5</u>
TOTAL ASSETS		<u>2,313.8</u>	<u>2,127.7</u>	<u>500.1</u>	<u>503.5</u>
Share capital		313.5	313.5	313.5	313.5
Other reserves		387.7	389.7	48.3	50.3
Retained profits		1,188.7	1,039.2	80.7	100.9
TOTAL EQUITY		<u>1,889.9</u>	<u>1,742.4</u>	<u>442.5</u>	<u>464.7</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables		77.9	71.1	-	-
Other payables and accruals	(4)	254.4	219.2	56.4	37.6
Deferred grants		1.2	0.7	-	-
Bank notes payable		9.0	-	-	-
Current tax payable		81.4	94.3	1.2	1.2
		<u>423.9</u>	<u>385.3</u>	<u>57.6</u>	<u>38.8</u>
TOTAL LIABILITIES		<u>423.9</u>	<u>385.3</u>	<u>57.6</u>	<u>38.8</u>
TOTAL EQUITY AND LIABILITIES		<u>2,313.8</u>	<u>2,127.7</u>	<u>500.1</u>	<u>503.5</u>

* - amount less than RMB 0.1 million.

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

Amount repayable in one year or less, or on demand

As at 31/3/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
RMB' million	RMB' million	RMB' million	RMB' million
-	-	-	-

Details of any collateral

No collateral

Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 9.2 million from RMB 661.8 million to RMB 671.0 million mainly due to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Note (2) Trade receivables increased by RMB 153.1 million from RMB 637.8 million to RMB 790.9 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 31 March 2018 and 31 December 2017, the notes receivables were RMB 282.0 million and RMB 176.2 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have increased by RMB 47.3 million from RMB 461.6 million to RMB 508.9 million, mainly due to increased sales.

The aging report of our trade receivables as at 31 March 2018 was as follows:-

	< 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB ' million	RMB ' million	RMB ' million	RMB ' million	RMB ' million
Notes receivables	282.0	-	-	-	282.0
Trade receivables	499.8	9.1	3.2	9.9	522.0
Allowance for impairment	-	-	(3.2)	(9.9)	(13.1)
Net trade receivables	781.8	9.1	-	-	790.9

Note (3) Other receivables increased by RMB 8.1 million from RMB 75.1 million to RMB 83.2 million due mainly to higher advance payments made to suppliers as a result of increased raw material prices.

Note (4) Other payables increased by RMB 35.2 million from RMB 219.2 million to RMB 254.4 million mainly due to higher staff bonus accrual, as well as increased payable to contractors for purchase of PPE.

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	
	31/3/2018	31/3/2017
Note	RMB' million	
Cash flows from operating activities		
Profit before tax	181.6	84.7
Adjustments for:-		
Depreciation of property, plant and equipment (PPE)	23.2	23.5
Amortisation of land use rights	0.3	0.3
PPE written off	-	0.4
Interest income	(0.1)	(1.1)
Translation difference	9.6	1.0
Operating profit before working capital changes	214.6	108.8
Changes in working capital:		
Inventories	(6.9)	(15.5)
Trade and other receivables	(191.4)	13.6
Trade and other payables and accruals	72.1	9.2
Cash generated from operations	88.4	116.1
Income taxes paid	(45.0)	(20.9)
Net cash generated from operating activities	(1) 43.4	95.2
Cash flows from investing activities		
Additions to PPE	(33.0)	(39.2)
Interest income received	0.1	1.1
Net cash used in investing activities	(2) (32.9)	(38.1)
Cash flows from financing activities		
Cash deposit pledged in banks	(0.4)	(1.1)
Proceeds from notes payables	9.0	1.5
Government grants received	1.2	3.4
Net cash generated from financing activities	(3) 9.8	3.8
Net increase in cash and cash equivalents balances	20.3	60.9
Effect of currency translation on cash & cash equivalents	(11.6)	*
Cash and cash equivalents at beginning of period	496.0	274.2
Cash and cash equivalents at end of period	504.7	335.1
Cash and bank balances at end of period includes the followings		
Cash and cash equivalents	508.7	337.9
Cash deposit pledged with bank	(4.0)	(2.8)
Cash and bank balances at end of period	504.7	335.1

Notes to Consolidated Statement of Cash Flows for 1Q2018

- (1) Net cash generated from operating activities amounting to RMB 43.4 million was mainly due to profit generated, offset by increase in trade and other receivables.
- (2) Net cash used in investing activities amounting to RMB 32.9 million was mainly due to the additions to PPE.
- (3) Net cash generated from financing activities amounting to RMB 9.8 million was mainly due to bank notes issued for payment to suppliers.

* - amount less than RMB 0.1 million.

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited Statements 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 2018	313.5	-	389.7	1,039.2	1,742.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	149.5	149.5
Exchange differences on translation, net of tax	-	-	(2.0)	-	(2.0)
Total comprehensive income, net of tax	-	-	(2.0)	149.5	147.5
Balance as at 31 March 2018	313.5	-	387.7	1,188.7	1,889.9
Balance as at 1 January 2017	313.5	(31.3)	271.5	807.9	1,361.6
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	57.2	57.2
Exchange differences on translation, net of tax	-	-	0.9	-	0.9
Total comprehensive income, net of tax	-	-	0.9	57.2	58.1
Balance as at 31 March 2017	313.5	(31.3)	272.4	865.1	1,419.7

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 2018	313.5	-	50.3	100.9	464.7
<i>Total Comprehensive Income</i>					
Loss for the period	-	-	-	(20.2)	(20.2)
Exchange differences on translation, net of tax	-	-	(2.0)	-	(2.0)
Total comprehensive income, net of tax	-	-	(2.0)	(20.2)	(22.2)
Balance as at 31 March 2018	313.5	-	48.3	80.7	442.5
Balance as at 1 January 2017	313.5	(31.3)	(4.4)	84.1	361.9
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	38.0	38.0
Exchange differences on translation, net of tax	-	-	0.9	-	0.9
Total comprehensive income, net of tax	-	-	0.9	38.0	38.9
Balance as at 31 March 2017	313.5	(31.3)	(3.5)	122.1	400.8

- 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 2018 and 31 March 2018	491,694,000	62,649,185
As at 1 January 2017 and 31 March 2017	465,504,000	56,856,844

There are no outstanding convertibles issued by the Company as at 31 March 2018.

* Number of issued shares excludes treasury shares. The number of treasury shares as at 31 March 2018 was Nil (31 March 2017: 27,653,200)

- 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 1Q2018. Total number of treasury shares at end of 1Q2018 stands at Nil.

[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.**

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 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the Singapore Financial Reporting Standards (International) (“SFRS(I)”), that is identical to the International Financial Reporting Standards with effect from 1 January 2018. The adoption of SFRS(I) for the first time for the financial year ending 31 December 2018 does not result in any changes to the Group’s and the Company’s current accounting policies and no material adjustments are required on transition to this new framework.

Specifically, the Group has adopted SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers that are effective for annual periods beginning on or after 1 January 2018 and are relevant to the Group’s operations. The adoption of these new SFRS(I)s does not result in any changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current financial period or prior financial years.

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.**

	1Q2018 RMB	1Q2017 RMB
Basic earnings per share (Basic EPS’ cents) - based on weighted average number of shares on issue	30.40	12.32
The calculations of EPS is based on net profit and number of shares shown below:		
Profit attributable to equity holders (RMB’million)	149.5	57.2
Weighted average number of shares applicable to basic EPS (‘000)	491,694	464,041

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 March 2018.

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	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
Net asset attributable to shareholders (RMB’ million)	1,889.9	1,742.4	442.5	464.7
Net asset value per ordinary share (RMB cents)	384.36**	354.37	89.99	94.51
Number of issued shares * (‘000)	491,694	491,694	491,694	491,694

* number of issued shares excludes treasury shares

** equivalent to SGD 80.16 cents at exchange rate of 4.7950 as at 31 March 2018

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	1Q2018	1Q2017	Change
Group Revenue	856.9	574.6	49%
Gross Profit	298.8	140.0	113%
Profit before tax	181.6	84.7	114%
Net profit	149.5	57.2	161%

Commentaries on performance

Revenue increased by 49% from RMB 574.6 million in 1Q2017 to RMB 856.9 million in 1Q2018, due to the increase in both our sales volume and the overall Average Selling Price (“ASP”).

ASP increased by 34% from RMB 17,300 per ton in 1Q2017 to RMB 23,168 per ton in 1Q2018, and increased by 4% as compared to RMB 22,384 per ton in 4Q2017. In 2017, frequent environmental inspections affected production of many rubber chemical producers, which had resulted in short supply of rubber chemicals. This short supply continued in 1Q2018.

	Sales Volume (Tons)		Sales (RMB' million)	
	1Q2018	1Q2017	1Q2018	1Q2017
Rubber Chemical				
Accelerators	19,907	20,358	585.0	408.4
Insoluble sulphur	6,212	5,111	72.8	53.4
Anti-oxidant	10,353	7,181	186.3	102.0
Others	325	396	8.4	7.9
Total	36,797	33,046	852.5	571.7
Domestic Sales	25,155	22,668	545.3	371.7
International sales	11,642	10,378	307.2	200.0
Heating Power	25,977	15,999	4.2	2.6
Hotel & Restaurant	-	-	0.2	0.3

1Q2018 Sales volume for Accelerators decreased by 2%, mainly due to the Group focusing on higher margin orders. Sales volume for Insoluble Sulphur (“IS”) increased by 22% mainly due to our IS products obtaining accreditation from some new customers, and consequently new orders from them. Sales volume for Anti-oxidant products increased by 44% mainly due to some tire makers recognising the Group’s ability to provide stable supply, thus placing more orders with us. As a result, both domestic and international sales increased.

Gross profit increased by 113% from RMB 140.0 million in 1Q2017 to RMB 298.8 million in 1Q2018. The average gross profit margin (“GPM”) increased by 10.5 percentage points from 24.4% to 34.9%. The increase in gross profit as well as GPM was due mainly to the increased ASP.

Other losses amounted to RMB 11.3 million in 1Q2018, consisting mainly of foreign exchange losses.

Selling and distribution expenses increased by 26% from RMB 17.8 million in 1Q2017 to RMB 22.4 million in 1Q2018, mainly due to higher freight cost incurred as a result of increased sales.

Administrative expenses increased by 116% from RMB 38.6 million in 1Q2017 to RMB 83.5 million in 1Q2018 mainly due to increase in staff costs and R&D expenses.

Profit before tax (PBT) increased by 114% from RMB 84.7 million in 1Q2017 to RMB 181.6 million in 1Q2018 mainly due to the increase in sales revenue and gross profit.

Net profit attributable to shareholders increased by 161% from RMB 57.2 million in 1Q2017 to RMB 149.5 million in 1Q2018 mainly due to higher PBT, and lower income tax rate for 1Q2018. Our main subsidiary, Shandong Sunshine Chemical Co., Ltd. (“**Shandong Sunshine**”) has been granted “High-tech Enterprise” status, which allowed Shandong Sunshine to enjoy a concessionary tax rate of 15%, as compared to the normal tax rate of 25%.

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 4Q2017 results announcement, the Company mentioned that “The Group has always been investing heavily in environmental protection and safety production measures, which benefited us greatly. In the coming years, the Group will focus on production technology and innovation, and will continue to invest in R&D, including collaborating with leading academics from prominent universities in China, to integrate Production, Learning and Research. We believe these should give us an edge over our competitors. With our high quality and comprehensive range of products, scale of production, environmental protection advantages, and market leadership position, we remain positive of our performance in the next 12 months.” 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 6.8%¹ in 1Q2018. China’s automakers sold a total of 7.2² million units in China in 1Q2018, representing 2.79% growth in auto sales year-on-year.

As stated in the last quarter’s commentary, our Group believes that the price of rubber chemicals is likely to normalise, with the bigger players investing more in environmental protection and safety production measures, and some smaller players eventually complying with the environmental protection regulations and resuming their production.

With our strong balance sheet and healthy bank balances, the Group is in a good position to stay ahead of the curve and boost production capacity as and when required. We will also continue to focus on production technology and innovation, and investment in R&D, to gain a competitive edge over other producers. We remain positive of our performance in the next 12 months.

Project updates

We are still waiting for the approval from the relevant Government Authorities for the trial-run of the new Phase 1 10,000-ton TBBS production line.

We have submitted the trial-run application to the relevant Government Authorities for the new 10,000-ton Insoluble Sulphur production line in Ding Tao facility, and are now waiting for the relevant approvals.

The construction of the expansion of Guangshun Heating Plant is completed and currently undergoing machinery testing. Management is confident to start the trial-run by end of 2Q2018.

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

Tons	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018e
Accelerators	70,500	87,000	87,000	87,000	87,000	97,000
Insoluble Sulphur	20,000	20,000	20,000	20,000	20,000	30,000
Anti-oxidant	25,000	45,000	45,000	45,000	45,000	45,000
Total	115,500	152,000	152,000	152,000	152,000	172,000

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

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

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

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.

No dividend has been declared/recommended for 1Q2018.

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.

No general mandate from shareholders for interest person transactions.

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: 25 April 2018

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 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Liu Jing Fu
Executive Director and CEO

Dated: 25 April 2018

[End of Report]