



## 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 2016

#### 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 2<sup>nd</sup> Quarter Ended 30 June 2016

	2nd quarter ended			6 months ended		
	30/06/2016	30/06/2015	Change %	30/06/2016	30/06/2015	Change %
	RMB' million			RMB' million		
<b>Revenue</b>	<b>491.1</b>	<b>497.3</b>	(1%)	<b>936.2</b>	<b>929.4</b>	1%
Cost of sales	357.0	376.3	(5%)	694.2	671.4	3%
<b>Gross profit</b>	<b>134.1</b>	<b>121.0</b>	11%	<b>242.0</b>	<b>258.0</b>	(6%)
Other operating income	0.5	2.7	(81%)	2.5	6.7	(63%)
Selling and distribution expenses	18.3	17.4	5%	35.4	32.5	9%
Administrative expenses	44.8	32.8	37%	88.8	90.9	(2%)
Other expenses	0.7	*	n.m	1.3	0.2	550%
Finance expenses	0.8	2.5	(68%)	3.4	7.6	(55%)
<b>Profit before tax</b>	<b>70.0</b>	<b>71.0</b>	(1%)	<b>115.6</b>	<b>133.5</b>	(13%)
Income tax expenses	21.0	23.9	(12%)	33.0	39.0	(15%)
<b>Profit after tax</b>	<b>49.0</b>	<b>47.1</b>	4%	<b>82.6</b>	<b>94.5</b>	(13%)
<b>Other Comprehensive income:</b>						
Exchange differences on translation, net of tax	0.3	(0.3)	200%	1.4	(0.1)	1500%
<b>Total comprehensive income for the period</b>	<b>49.3</b>	<b>46.8</b>	5%	<b>84.0</b>	<b>94.4</b>	(11%)
Gross profit margin	<b>27.3%</b>	<b>24.3%</b>	3.0 pts	<b>25.8%</b>	<b>27.8%</b>	(2.0 pts)
Earnings per share (RMB cents)	<b>10.53</b>	<b>10.12</b>	4%	<b>17.75</b>	<b>20.30</b>	(13%)

\* - amount less than RMB 0.1 million  
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		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	RMB' million			RMB' million		
			%			%
Interest income	(0.1)	(0.3)	(67%)	(0.3)	(0.5)	(40%)
Interest on borrowing	0.8	2.5	(68%)	3.4	7.6	(55%)
Depreciation of property, plant and equipment	23.5	23.0	2%	46.4	44.9	3%
Amortisation of land use rights	0.3	0.1	200%	0.6	0.3	100%
(Write back)/Allowance for impairment on receivables	(3.4)	(0.9)	278%	(3.2)	7.1	n.m
Foreign exchange gain	(0.3)	(2.0)	(85%)	(1.3)	(4.3)	(70%)

n.m – not meaningful

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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**

		<u>GROUP</u>			<u>COMPANY</u>	
	Note	30/06/2016	31/12/2015	1/1/2015	30/06/2016	31/12/2015
		RMB' million	RMB' million Restated <sup>(a)</sup>	RMB' million	RMB' million	RMB' million
<b>ASSETS</b>						
<b>Non-current Assets</b>						
Investment in a subsidiary corporation		-	-	-	350.0	350.0
Property, plant and equipment	(1)	546.5	562.8	613.1	-	-
Land use rights		43.1	43.7	29.5	-	-
		<b>589.6</b>	<b>606.5</b>	<b>642.6</b>	<b>350.0</b>	<b>350.0</b>
<b>Current Assets</b>						
Inventories	(2)	128.0	141.5	168.0	-	-
Trade receivables	(3)	500.2	413.5	609.4	-	-
Other receivables, deposits and prepayment	(4)	48.6	83.2	95.3	*	-
Amount owing from a subsidiary corporation			-	-	11.9	42.1
Cash and bank balances		310.1	341.2	122.8	1.6	1.1
		<b>986.9</b>	<b>979.4</b>	<b>995.5</b>	<b>13.5</b>	<b>43.2</b>
<b>TOTAL ASSETS</b>		<b>1,576.5</b>	<b>1,585.9</b>	<b>1,638.1</b>	<b>363.5</b>	<b>393.2</b>
Share capital		313.5	313.5	313.5	313.5	313.5
Treasury shares		(29.1)	(28.2)	(28.2)	(29.1)	(28.2)
Merger reserve		0.3	0.3	0.3	-	-
Statutory reserves		231.7	231.7	189.5	-	-
Currency translation reserves		(4.1)	(5.5)	(5.9)	(3.9)	(5.3)
Retained profits		712.9	663.5	542.0	79.2	98.4
<b>TOTAL EQUITY</b>		<b>1,225.2</b>	<b>1,175.3</b>	<b>1,011.2</b>	<b>359.7</b>	<b>378.4</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Bank loan		-	-	44.0	-	-
<b>Current Liabilities</b>						
Trade payables		48.6	43.0	47.8	-	-
Other payables and accruals	(5)	158.1	167.3	263.8	2.7	13.8
Bank loans	(6)	102.8	144.9	214.0	-	-
Income tax liabilities		41.8	55.4	57.3	1.1	1.0
		<b>351.3</b>	<b>410.6</b>	<b>582.9</b>	<b>3.8</b>	<b>14.8</b>
<b>TOTAL LIABILITIES</b>		<b>351.3</b>	<b>410.6</b>	<b>626.9</b>	<b>3.8</b>	<b>14.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,576.5</b>	<b>1,585.9</b>	<b>1,638.1</b>	<b>363.5</b>	<b>393.2</b>

<sup>(a)</sup> A prior year adjustment was made in relation to RMB 14.1 million under-provision of income tax expense. For more details, please refer to our announcement dated 29 July 2016.

\* - 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 30/06/2016		As at 31/12/2015	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	102.8	-	144.9

**Details of any collateral**

No collateral

**Notes to Statements of Financial Position**

Note (1) Property, plant and equipment (PPE) decreased by RMB 16.3 million from RMB 562.8 million to RMB 546.5 million mainly due to depreciation charged during the quarter offset by additions to construction in progress and property, plant and equipment.

Note (2) Inventories decreased by RMB 13.5 million from RMB 141.5 million to RMB 128.0 million mainly due to the decrease in finished goods as the Group sold more products in 2Q2016.

Note (3) Trade receivables increased by RMB 86.7 million from RMB 413.5 million to RMB 500.2 million mainly due to the increase in notes receivables which are not due at the end of June 2016. 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 30 June 2016 and 31 December 2015, the notes receivables were RMB 134.4 million and RMB 72.3 million, respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 24.6 million from RMB 341.2 million to RMB 365.8 million. This increase was mainly due to slow payment by some of the customers.

Note (4) Other receivables decreased by RMB 34.6 million from RMB 83.2 million to RMB 48.6 million mainly due to lesser advance payments made to contractors as most of the current projects are substantially completed.

Note (5) Other payables decreased by RMB 9.2 million from RMB 167.3 million to RMB 158.1 million mainly due to lower accrued operating expenses.

Note (6) Bank loans decreased by RMB 42.1 million from RMB 144.9 million to RMB 102.8 million due to the repayment made during the half year.

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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 <sup>nd</sup> quarter ended		6 months ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RMB' million		RMB' million	
<b>Cash flows from operating activities</b>				
Profit before taxation	70.0	71.0	115.6	133.5
Adjustments for:-				
Depreciation of property, plant and equipment	23.5	23.0	46.4	44.9
Amortisation of intangible assets	0.3	0.1	0.6	0.3
Loss on disposal of PPE	*	-	*	-
PPE written off	-	-	0.6	-
Interest income	(0.1)	(0.3)	(0.3)	(0.5)
Interest expense	0.8	2.5	3.4	7.6
Translation difference	(1.9)	(0.9)	(1.4)	(0.6)
<b>Operating profit before working capital changes</b>	<b>92.6</b>	<b>95.4</b>	<b>164.9</b>	<b>185.2</b>
Changes in working capital:				
Inventories	(13.6)	8.5	13.5	31.8
Trade and other receivables	(36.8)	8.5	(52.1)	63.1
Trade and other payables and accruals	(14.2)	8.8	(3.6)	(33.1)
<b>Cash generated from operations</b>	<b>28.0</b>	<b>121.2</b>	<b>122.7</b>	<b>247.0</b>
Income taxes paid	(31.0)	(18.7)	(46.7)	(52.5)
<b>Net cash (used in)/generated from operating activities</b>	<b>(3.0)</b>	<b>102.5</b>	<b>76.0</b>	<b>194.5</b>
<b>Cash flows from investing activities</b>				
Additions to PPE	(22.2)	(12.3)	(31.1)	(12.3)
Additions to intangible assets	-	-	-	(0.3)
Proceeds from disposal of PPE	0.3	0.1	0.3	0.1
Interest income received	0.1	0.3	0.3	0.5
<b>Net cash used in investing activities</b>	<b>(21.8)</b>	<b>(11.9)</b>	<b>(30.5)</b>	<b>(12.0)</b>
<b>Cash flows from financing activities</b>				
Interest expense paid	(0.8)	(2.5)	(3.4)	(7.6)
Dividend paid	(33.2)	(31.5)	(33.2)	(31.5)
Grant received	-	2.5	-	2.5
Cash deposit released from/(pledged with) bank	6.5	14.1	(0.3)	10.2
Repayment of bank borrowings	(38.7)	(70.0)	(39.2)	(218.0)
Purchase of treasury shares	(0.9)	-	(0.9)	-
Proceeds from bank loan	-	-	-	172.8
<b>Net cash used in financing activities</b>	<b>(67.1)</b>	<b>(87.4)</b>	<b>(77.0)</b>	<b>(71.6)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(91.9)</b>	<b>3.2</b>	<b>(31.5)</b>	<b>110.9</b>
<b>Effect of currency translation on cash &amp; cash equivalents</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>(0.1)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>399.9</b>	<b>218.4</b>	<b>339.5</b>	<b>110.8</b>
<b>Cash and cash equivalents at end of period</b>	<b>308.0</b>	<b>221.6</b>	<b>308.0</b>	<b>221.6</b>
<b>Cash and cash equivalents at end of period includes the followings</b>				
Cash and bank balances	310.1	223.4	310.1	223.4
Cash deposit pledged with bank	(2.1)	(1.8)	(2.1)	(1.8)
<b>Cash and cash equivalents at end of period</b>	<b>308.0</b>	<b>221.6</b>	<b>308.0</b>	<b>221.6</b>

**Notes to cash flows for 2Q2016**

- (1) Net cash used in operating activities amounted to RMB 3.0 million was mainly due to higher trade receivables, as well as higher income tax paid during the quarter.
- (2) Net cash used in investing activities amounted to RMB 21.8 million was mainly due to additions to properties, plant and equipment.
- (3) Net cash used in financing activities amounted to RMB 67.1 million was mainly due to repayment of bank loans and the distribution of dividends.

\* - 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 Consolidated Statement of Changes in Equity**

<b>GROUP</b>	<b>Share Capital</b>	<b>Treasury Shares</b>	<b>Other reserves</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>
<b>Balance as at 1 January 2016, as previously reported</b>	<b>313.5</b>	<b>(28.2)</b>	<b>226.5</b>	<b>677.6</b>	<b>1,189.4</b>
Prior year adjustment	-	-	-	(14.1)	(14.1)
<b>Balance as at 1 January 2016, as restated</b>	<b>313.5</b>	<b>(28.2)</b>	<b>226.5</b>	<b>663.5</b>	<b>1,175.3</b>
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	82.6	82.6
Exchange differences on translation, net of tax	-	-	1.4	-	1.4
Total comprehensive income, net of tax, for the period	-	-	1.4	82.6	84.0
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(33.2)	(33.2)
Total distributions to owners	-	(0.9)	-	(33.2)	(34.1)
<b>Balance as at 30 June 2016</b>	<b>313.5</b>	<b>(29.1)</b>	<b>227.9</b>	<b>712.9</b>	<b>1,225.2</b>
<b>Balance as at 1 January 2015</b>	<b>313.5</b>	<b>(28.2)</b>	<b>183.9</b>	<b>542.0</b>	<b>1,011.2</b>
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	94.5	94.5
Exchange differences on translation, net of tax	-	-	(0.1)	-	(0.1)
Total comprehensive income, net of tax, for the period	-	-	(0.1)	94.5	94.4
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Dividend paid	-	-	-	(31.5)	(31.5)
Total contributions to owners	-	-	-	(31.5)	(31.5)
<b>Balance as at 30 June 2015</b>	<b>313.5</b>	<b>(28.2)</b>	<b>183.8</b>	<b>605.0</b>	<b>1,074.1</b>

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<b>COMPANY</b>	<b>Share Capital</b>	<b>Treasury Shares</b>	<b>Other reserves</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>
<b>Balance as at 1 January 2016</b>	<b>313.5</b>	<b>(28.2)</b>	<b>(5.3)</b>	<b>98.4</b>	<b>378.4</b>
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	14.0	14.0
Exchange differences on translation, net of tax	-	-	1.4	-	1.4
<b>Total comprehensive income, net of tax, for the period</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>14.0</b>	<b>15.4</b>
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(33.2)	(33.2)
Total distributions to owners	-	(0.9)	-	(33.2)	(34.1)
<b>Balance as at 30 June 2016</b>	<b>313.5</b>	<b>(29.1)</b>	<b>(3.9)</b>	<b>79.2</b>	<b>359.7</b>
<b>Balance as at 1 January 2015</b>	<b>313.5</b>	<b>(28.2)</b>	<b>(5.6)</b>	<b>69.1</b>	<b>348.8</b>
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	36.9	36.9
Exchange differences on translation, net of tax	-	-	(0.3)	-	(0.3)
<b>Total comprehensive income, net of tax, for the period</b>	<b>-</b>	<b>-</b>	<b>(0.3)</b>	<b>36.9</b>	<b>36.6</b>
<i>Transactions with owners, recorded directly in equity</i>					
Dividend paid	-	-	-	(31.5)	(31.5)
Total distributions to owners	-	-	-	(31.5)	(31.5)
<b>Balance as at 30 June 2015</b>	<b>313.5</b>	<b>(28.2)</b>	<b>(5.9)</b>	<b>74.5</b>	<b>353.9</b>

**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 2016	465,504,000	56,856,844
Purchase of treasury shares	(490,000)	(190,338)
<b>As at 30 June 2016</b>	<b>465,014,000</b>	<b>56,666,506</b>
As at 1 January 2015 and 30 June 2015	<b>465,504,000</b>	<b>56,856,844</b>

There were no outstanding convertibles issued by the Company as at 30 June 2016

\*Number of issued shares excludes treasury shares. The number of treasury shares as at 30 June 2016 was 26,680,000 (FY2015: 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 was no sale, transfer, disposal, cancellation of treasury shares at the end of 2Q2016. Total number of treasury shares at end of 2Q2016 stands at 26,680,000.

*[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 2015 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 2016. 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 2016.

**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.**

	<b>2Q2016 RMB (cents)</b>	<b>2Q2015 RMB (cents)</b>	<b>1H2016 RMB (cents)</b>	<b>1H2015 RMB (cents)</b>
<b>Basic Earnings per share (Basic EPS)</b>	<b>10.53</b>	<b>10.12</b>	<b>17.75</b>	<b>20.30</b>
- based on weighted average number of shares on issue				
The calculations of EPS was based on net profit and number of shares shown below:				
Profit attributable to equity holders (RMB' million)	49.0	47.1	82.6	94.5
Weighted average number of shares applicable to basic EPS ('000)	465,342	465,504	465,423	465,504

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 2016.

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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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
		Restated		
Net asset attributable to shareholders (RMB' million)	1,225.2	1,175.3	359.7	378.4
Net asset value per ordinary share (RMB cents)	<b>263.48**</b>	<b>252.48</b>	<b>77.35</b>	<b>81.29</b>
Number of issued shares * ('000)	465,014	465,504	465,014	465,504

\* number of issued shares excludes treasury shares

\*\* equivalent to SGD 53.55 cents at exchange rate of 4.9204 as at 30 June 2016

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	2Q2016	2Q2015	Change %	1H2016	1H2015	Change %
Group Revenue	491.1	497.3	(1%)	936.2	929.4	1%
Gross Profit	134.1	121.0	11%	242.0	258.0	(6%)
Profit before tax	70.0	71.0	(1%)	115.6	133.5	(13%)
Net profit	49.0	47.1	4%	82.6	94.5	(13%)

#### **Commentaries on performance**

The Group's **2Q2016 Sales volume** reached a new record level of 34,483 tons, representing 11% improvement as compared to 30,948 tons in 2Q2015. However, **2Q2016 revenue** decreased marginally by 1% to RMB 491.1 million as compared to RMB 497.3 million in 2Q2015, mainly due to the decrease in overall Average Selling Price ("**ASP**").

ASP decreased by 11% to RMB 14,193 per ton in 2Q2016 as compared to RMB 16,019 per ton in 2Q2015. The decrease in ASP was mainly due to two reasons: (i) the decrease in prices of our raw materials, in particular, Aniline; (ii) the increased sales volume of Insoluble Sulphur ("**IS**") and Anti-oxidant products with lower selling prices as compared to Accelerators resulted in a lower overall ASP. On a quarter to quarter comparison, the ASP declined slightly from RMB 14,459 per ton in 1Q2016.

#### **Analysis of Sales and Volume**

	Sales Volume (Tons)				Sales (RMB'm)			
	2Q2016	2Q2015	1H2016	1H2015	2Q2016	2Q2015	1H2016	1H2015
<b>Rubber Chemical</b>								
Accelerators	20,222	20,813	39,324	38,601	345.4	374.1	676.5	711.0
Insoluble Sulphur	5,212	3,751	9,153	6,895	48.9	38.0	86.7	70.0
Anti-oxidant	8,499	5,904	15,061	10,124	86.8	75.4	153.9	133.9
Others	550	480	996	704	8.3	8.3	16.0	12.5
<b>Total</b>	<b>34,483</b>	<b>30,948</b>	<b>64,534</b>	<b>56,324</b>	<b>489.4</b>	<b>495.8</b>	<b>933.1</b>	<b>927.4</b>
Local Sales	24,447	21,841	44,442	38,881	322.2	329.8	590.8	596.0
International Sales	10,036	9,107	20,092	17,443	167.2	166.0	342.3	331.4
<b>Heating Power</b>	<b>8,743</b>	<b>9,137</b>	<b>15,583</b>	<b>11,851</b>	<b>1.3</b>	<b>1.5</b>	<b>2.4</b>	<b>2.0</b>
<b>Hotel &amp; Restaurant</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>0.7</b>	<b>-</b>

**2Q2016 Sales volume** for Accelerators decreased by 3% to 20,222 tons as compared to 20,813 tons in 2Q2015, mainly due to the slight decline in sales volume of MBTS. The decline in the volume of MBTS was mainly due to the intense competition during the quarter. The sales volume for IS and Anti-oxidant products in 2Q2016 increased by 39% and 44%, to 5,212 tons and 8,499 tons respectively. The increase was mainly due to more orders received from tire makers, as the utilisation rate of China tire industry has increased and the Group's IS and Anti-oxidant products were more recognised by the market.

For the First Half Year of 2016 ("**1H2016**"), the Group's sales volumes across all categories continued to increase to a total of 64,534 tons, equivalent to approximately 15% increase as compared to 56,324 tons in 1H2015.

In 2Q2016, our heating company sold 8,743 tons of steam to a third party and generated revenue of RMB 1.3 million. The total revenue generated by the heating company for 1H2016 was RMB 2.4 million.

**Gross profit** for 2Q2016 increased by 11% to RMB 134.1 million from RMB 121.0 million in 2Q2015, while the Gross Profit Margin ("**GPM**") increased by 3.0 percentage points from 24.3% to 27.3%. The increase was mainly due to the decrease in the raw material costs. However, on a half-year basis, gross profit decreased by 6% from RMB 258.0 million in 1H2015 to RMB 242.0 million in 1H2016, and GPM decreased 2.0 percentage points from 27.8% to 25.8%. The decline was mainly due to lower ASP.

**Other operating income** was RMB 0.5 million in 2Q2016, consisting of mainly foreign exchange gain.

**Selling and distribution expenses** increased by 5% from RMB 17.4 million in 2Q2015 to RMB 18.3 million in 2Q2016, mainly due to higher freight cost incurred which is consistent with the increase in sales volume. On a half-year basis, selling and distribution expenses increased by 9% from RMB 32.5 million in 1H2015 to RMB 35.4 million in 1H2016 mainly due to higher freight costs as well as higher incentive payment to sales personnel.

**Administrative expenses** increased by 37% from RMB 32.8 million in 2Q2015 to RMB 44.8 million in 2Q2016. The increase was mainly due to (i) the accrual of RMB 6.6 million "Safety Production" expenses in accordance with the China Safety Production Law, which was implemented by Heze City in 2Q2016; (ii) the increase in depreciation charge by RMB 3.4 million, and increase in social insurance cost by RMB 6.1 million (iii) offset by the increase in reversal of allowance for trade receivables of RMB 2.5 million, and (iv) decrease in other expenses by RMB 1.6 million.

On a half-year basis, administrative expenses decreased slightly from RMB 90.9 million in 1H2015 to RMB 88.8 million in 1H2016, mainly due to (i) accrual of R&D expenses incurred in 1H2015 of RMB 10.0 million, but nil in 1H2016; and (ii) impairment for trade receivables recorded in 1H2015 of RMB 7.1 million, as opposed to a reversal of RMB 3.2 million in 1H2016. The net impact was a decrease in administrative expenses of RMB 10.3 million, offset by RMB 6.6 million "Safety Production" expenses accrued in 1H2016; increase in depreciation by RMB 6.0 million, and increase in social insurance cost by RMB 5.6 million.

**Other expenses** was RMB 0.7 million in 2Q2016, consisting of mainly donations.

**Profit before tax ("**PBT**")** decreased slightly by 1% from RMB 71.0 million in 2Q2015 to RMB 70.0 million in 2Q2016 mainly due to higher operating expenses. PBT for 1H2016 decreased by 13% from RMB 133.5 million in 1H2015 to RMB 115.6 million, mainly due to lower gross profit.

**Net profit attributable to shareholders** increased by 4% from RMB 47.1 million in 2Q2015 to RMB 49.0 million in 2Q2016 due to lower income tax. However, net profit for 1H2016 decreased by 13% from RMB 94.5 million in 1H2015 to RMB 82.6 million, mainly due to lower PBT generated in 1H2016.

**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 1Q2016 results announcement, the Company stated that “utilisation rate of tire industry will increase starting from 2Q2016, which will indirectly increase the demand for our products.” 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.**

In 2Q2016, China’s economy grew 6.7%<sup>1</sup>, which is the same as that of 1Q2016, the slowest growth rate since 2009. Automakers sold a total of 12.83<sup>2</sup> million units in China in the first half of 2016, representing 8.14% growth in auto sales.

With the international crude oil prices remaining depressed, which has resulted in our main raw material prices remaining at low levels, our selling prices may continue to come under pressure. However, with environmental regulations in China getting more and more stringent, and environmental protection inspection becoming more frequent, we believe that some smaller rubber chemical producers which fail to meet the stringent standards will continue to face suspension of their production by the authorities, which will benefit us.

In the current uncertain economic environment, we aim to achieve equilibrium in production and sales volume for sustainable growth. The Group is confident of its performance in the next 12 months.

Project updates

The necessary approvals for the establishment of a new 30,000-ton per annum production line to produce TBBS in Shanxian had been obtained. The Group has started the construction of Phase 1 which is a 10,000-ton production line, expected to be completed by end of 2016. For Phase 2 construction, a 20,000-ton production line will commence in 2017. The Group will make the necessary announcement in due course.

Below is a summary of our estimated Annual Capacity<sup>3</sup> at the end of each financial year:

Tons	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016e
Accelerators	56,500	66,500	70,500	87,000	87,000	87,000
Insoluble Sulphur	10,000	10,000	20,000	20,000	20,000	20,000
Anti-oxidant	25,000	25,000	25,000	45,000	45,000	45,000
<b>Total</b>	<b>91,500</b>	<b>101,500</b>	<b>115,500</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>

**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

<sup>1</sup> Source: National Bureau of Statistics

<sup>2</sup> Source: China Association of Automobile Manufacturing

<sup>3</sup> Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT

**(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. 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: 10 August 2016**

**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 2016 to be false or misleading in any material respect.

On behalf of the Board of Directors

\_\_\_\_\_  
**Xu Cheng Qiu**  
**Executive Chairman**

**Dated: 10 August 2016**

\_\_\_\_\_  
**Liu Jing Fu**  
**Executive Director & CEO**

[End of Report]