



China SunSine Chemical Holdings Ltd.

112 Robinson Road #12-04 Singapore 068902
Tel: (65) 6220-9070 Web: www.ChinaSunSine.com

Company Registration No.: 200609470N

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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 2017

	1 st quarter ended		Change %
	31/3/2017	31/3/2016	
	RMB 'million		
Revenue	574.6	445.1	29%
Cost of sales	434.6	337.2	29%
Gross profit	140.0	107.9	30%
Other income	1.7	2.0	(15%)
Selling and distribution expenses	17.8	17.1	4%
Administrative expenses	38.6	44.0	(12%)
Other operating expenses	0.6	0.6	-
Finance expenses	-	2.6	n.m.
Profit before tax	84.7	45.6	86%
Income tax expenses	27.5	12.0	129%
Net profit	57.2	33.6	70%
Other comprehensive income:			
Exchange differences on translation, net of tax	0.9	1.1	(18%)
Total comprehensive income for the period	58.1	34.7	67%
Gross profit margin	24.4%	24.2%	0.2 pts
Earnings per share (RMB cents)	12.32	7.22	71%

n.m. - not meaningful

Notes to the Consolidated Statement of Comprehensive Income:

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

	31/3/2017	1 st quarter ended 31/3/2016	Change %
	RMB'million		
Interest income	(1.1)	(0.2)	450%
Interest on borrowing	-	2.6	n.m.
Depreciation of property, plant and equipment	23.5	22.9	3%
Amortisation of land use rights	0.3	0.3	-
Allowance for Impairment on receivables	1.8	0.2	800%
Foreign exchange loss/(gain)	1.3	(1.0)	(230%)
Loss on written-off of plant and machinery	0.4	0.6	(33%)

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>	
		31/3/2017	31/12/2016	31/3/2017	31/12/2016
		RMB' million	RMB' million	RMB' million	RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary corporation		-	-	350.0	350.0
Property, plant and equipment	(1)	563.4	549.4	-	-
Land use rights		42.2	42.5	-	-
		<u>605.6</u>	<u>591.9</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	(2)	160.9	145.4	-	-
Trade receivables	(3)	550.0	547.5	-	-
Other receivables, deposits and prepayment	(4)	65.6	81.7	*	-
Amount owing from a subsidiary corporation		-	-	30.6	29.7
Cash and bank balances		337.9	275.9	42.3	*
		<u>1,114.4</u>	<u>1,050.5</u>	<u>72.9</u>	<u>29.7</u>
TOTAL ASSETS		<u>1,720.0</u>	<u>1,642.4</u>	<u>422.9</u>	<u>379.7</u>
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(31.3)	(31.3)	(31.3)	(31.3)
Merger reserve		0.3	0.3	-	-
Statutory reserves		275.8	275.8	-	-
Currency translation reserves		(3.7)	(4.6)	(3.5)	(4.4)
Retained profits		865.1	807.9	122.1	84.1
TOTAL EQUITY		<u>1,419.7</u>	<u>1,361.6</u>	<u>400.8</u>	<u>361.9</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(5)	76.8	52.2	-	-
Other payables and accruals	(6)	155.0	170.4	20.9	16.6
Deferred grants		2.1	-	-	-
Bank loans	(7)	1.5	-	-	-
Current tax payable		64.9	58.2	1.2	1.2
		<u>300.3</u>	<u>280.8</u>	<u>22.1</u>	<u>17.8</u>
TOTAL LIABILITIES		<u>300.3</u>	<u>280.8</u>	<u>22.1</u>	<u>17.8</u>
TOTAL EQUITY AND LIABILITIES		<u>1,720.0</u>	<u>1,642.4</u>	<u>422.9</u>	<u>379.7</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 31/3/2017		As at 31/12/2016	
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 14.0 million from RMB 549.4 million to RMB 563.4 million due mainly to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Note (2) Inventories increased by RMB 15.5 million from RMB 145.4 million to RMB 160.9 million due mainly to the increase in the cost of intermediary material, MBT, some of which were purchased from third parties as a result of higher production requirement.

Note (3) Trade receivables increased by RMB 2.5 million from RMB 547.5 million to RMB 550.0 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with lower risks of non-recoverability. As at 31 March 2017 and 31 December 2016, the notes receivables were RMB 150.1 million and RMB 150.2 million respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 2.6 million from RMB 397.3 million to RMB 399.9 million. This increase was due mainly to higher sales in 1Q2017 as compared to 4Q2016.

The aging report of our trade receivables as at 31 March 2017 was as follow:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	150.1	-	-	-	150.1
Trade receivables	383.7	17.3	2.2	11.3	414.5
Allowance for impairment	(0.4)	(0.7)	(2.2)	(11.3)	(14.6)
Net trade receivables	533.4	16.6	-	-	550.0

Note (4) Other receivables decreased by RMB 16.1 million from RMB 81.7 million to RMB 65.6 million due mainly to utilisation of advance payments made to contractors as some of the machineries were delivered and installed as at 31 March 2017.

Note (5) Trade payables increased by RMB 24.6 million from RMB 52.2 million to RMB 76.8 million due mainly to the increase in prices of raw materials purchased at the end of 1Q2017.

Note (6) Other payables decreased by RMB 15.4 million from RMB 170.4 million to RMB 155.0 million due mainly to staff salaries and bonus accrued in 4Q2016 and paid out in 1Q2017.

Note (7) Bank loans of RMB 1.5 million as at 31 March 2017 arose from notes payable issued by the Group to pay its suppliers.

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

	Note	1 st quarter ended	
		31/3/2017	31/3/2016
		RMB' million	
Cash flows from operating activities			
Profit before tax		84.7	45.6
Adjustments for:-			
Depreciation of property, plant and equipment (PPE)		23.5	22.9
Amortisation of land use rights		0.3	0.3
PPE written off		0.4	0.6
Interest income		(1.1)	(0.2)
Interest expense		-	2.6
Translation difference		1.0	0.5
Operating profit before working capital changes		108.8	72.3
Changes in working capital:			
Inventories		(15.5)	27.1
Trade and other receivables		13.6	(15.3)
Trade and other payables and accruals		9.2	10.6
Cash generated from operations		116.1	94.7
Income taxes paid		(20.9)	(15.7)
Net cash generated from operating activities	(1)	95.2	79.0
Cash flows from investing activities			
Additions to PPE		(39.2)	(8.9)
Interest income received		1.1	0.2
Net cash used in investing activities	(2)	(38.1)	(8.7)
Cash flows from financing activities			
Interest expense paid		-	(2.6)
Cash deposit pledged in banks		(1.1)	(6.8)
Proceeds from notes payables		1.5	-
Repayment of notes payables		-	(0.5)
Government grants received		3.4	-
Net cash generated from/(used in) financing activities	(3)	3.8	(9.9)
Net increase in cash and cash equivalents balances		60.9	60.4
Effect of currency translation on cash & cash equivalents		*	*
Cash and cash equivalents at beginning of period		274.2	339.5
Cash and cash equivalents at end of period		335.1	399.9
Cash and bank balances at end of period includes the followings			
Cash and cash equivalents		337.9	408.5
Cash deposit pledged with bank		(2.8)	(8.6)
Cash and bank balances at end of period		335.1	399.9

Notes to Consolidated Statement of Cash Flows for 1Q2017

- (1) Net cash generated from operating activities amounted to RMB 95.2 million was mainly due to profit generated as well as decrease in other receivables, offset by increase in inventories.
- (2) Net cash used in investing activities amounted to RMB 38.1 million was mainly due to the additions to PPE.
- (3) Net cash generated from financing activities amounted to RMB 3.8 million was mainly due to government grants received.

* - 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	Statutory, Merger, Exchange reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
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
Balance as at 1 January 2016	313.5	(28.2)	226.5	663.5	1,175.3
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	33.6	33.6
Exchange differences on translation, net of tax	-	-	1.1	-	1.1
Total comprehensive income, net of tax	-	-	1.1	33.6	34.7
Balance as at 31 March 2016	313.5	(28.2)	227.6	697.1	1,210.0

COMPANY

	Share Capital	Treasury Shares	Statutory, Merger, Exchange reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2017	313.5	(31.3)	(4.4)	84.1	361.9
<i>Total Comprehensive Income</i>					
Loss 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
Balance as at 1 January 2016	313.5	(28.2)	(5.3)	98.4	378.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	(1.5)	(1.5)
Exchange differences on translation, net of tax	-	-	1.1	-	1.1
Total comprehensive income, net of tax	-	-	1.1	(1.5)	(0.4)
Balance as at 31 March 2016	313.5	(28.2)	(4.2)	96.9	378.0

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 2017 and 31 March 2017	464,040,800	56,202,460
As at 1 January 2016 and 31 March 2016	465,504,000	56,856,844

There are no outstanding convertibles issued by the Company as at 31 March 2017.

* Number of issued shares excludes treasury shares. The number of treasury shares as at 31 March 2017 was 27,653,200 (31 March 2016: 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 1Q2017. Total number of treasury shares at end 1Q2017 stands at 27,653,200.

[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 2016 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 2017. 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 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.

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.

	1Q2017 RMB	1Q2016 RMB
Basic earnings per share (Basic EPS' cents) - based on weighted average number of shares on issue	12.32	7.22
The calculations of EPS is based on net profit and number of shares shown below:		
Profit attributable to equity holders (RMB'million)	57.2	33.6
Weighted average number of shares applicable to basic EPS ('000)	464,041	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 2017.

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	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Net asset attributable to shareholders (RMB' million)	1,419.7	1,361.6	400.8	361.9
Net asset value per ordinary share (RMB cents)	305.94**	293.42	86.37	77.99
Number of issued shares * ('000)	464,041	464,041	464,041	464,041

* number of issued shares excludes treasury shares

** equivalent to SGD 61.96 cents at exchange rate of 4.93778 as at 31 March 2017

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	1Q2017	1Q2016	Change
Group Revenue	574.6	445.1	29%
Gross Profit	140.0	107.9	30%
Profit before tax	84.7	45.6	86%
Net profit	57.2	33.6	70%

Commentaries on performance

Revenue increased by 29% from RMB 445.1 million in 1Q2016 to RMB 574.6 million in 1Q2017, due to the increase in both our sales volume and the overall Average Selling Price ("ASP").

ASP increased by 17% from RMB 14,765 per ton in 1Q2016 to RMB 17,300 per ton in 1Q2017. The increase in ASP was mainly due to the Group being able to pass on the increase in raw material costs to its customers. On a quarter to quarter comparison, the ASP was RMB 16,000 per ton in 4Q2016.

	Sales Volume (Tons)		Sales (RMB' million)	
	1Q2017	1Q2016	1Q2017	1Q2016
Rubber Chemical				
Accelerators	20,358	19,102	408.4	331.1
Insoluble sulphur	5,111	3,941	53.4	37.8
Anti-oxidant	7,181	6,562	102.0	67.1
Others	396	446	7.9	7.7
Total	33,046	30,051	571.7	443.7
Domestic Sales	22,668	19,995	371.7	268.6
International sales	10,378	10,056	200.0	175.1
Heating Power	15,999	6,840	2.6	1.1

1Q2017 Sales volume for Accelerators, IS and Anti-oxidant products increased by 7%, 30% and 9%, respectively. This is due mainly to two reasons:- (1) The prices of tires increased in 1Q2017 as a result of increased raw material prices, such as rubber. As such, the production of the China tire makers also increased, which led to higher demand for our rubber chemical products; (2) some of our competitors' productions were affected by the stringent environmental protection standards imposed by the authorities.

In 1Q2017, our heating company sold 15,999 tons of steam to two third parties and generated RMB 2.6 million in revenue.

Gross profit increased by 30% from RMB 107.9 million in 1Q2016 to RMB 140.0 million in 1Q2017. The average gross profit margin ("GPM") also increased by 0.2 percentage points from 24.2% to 24.4%. The increase in gross profit as well as GPM was due mainly to the increased ASP.

Other operating income was RMB 1.7 million in 1Q2017, mainly consisting of interest income.

Selling and distribution expenses increased by 4% from RMB 17.1 million in 1Q2016 to RMB 17.8 million in 1Q2017, due mainly to higher freight cost incurred as a result of increased sales volume.

Administrative expenses decreased from RMB 44.0 million in 1Q2016 to RMB 38.6 million in 1Q2017 due mainly to decrease in accrual of staff costs and other expenses.

Other operating expenses was RMB 0.6 million in 1Q2017, mainly consisting of loss on written-off of plant and machinery.

Profit before tax (PBT) increased by 86% from RMB 45.6 million in 1Q2016 to RMB 84.7 million in 1Q2017 mainly due to the increase in gross profit and the decrease in operating expenses.

Net profit attributable to shareholders increased by 70% from RMB 33.6 million in 1Q2016 to RMB 57.2 million in 1Q2017 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.

In paragraph 10 of 4Q2016 results announcement, the Company mentioned that "Our Group will continue to focus on growing sales volume and market share to achieve economies of scale, which we believe is the right strategy in the current uncertain economic environment. We will continue to maintain equilibrium in production and sales volume for sustainable growth." 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 6.9%¹ in 1Q2017, a slight increase from 6.8% in 4Q2016. China's auto industry has continued to grow, with automakers selling a total of 7.0² million units in China in 1Q2017, representing 7.02% growth in auto sales year-on-year. Furthermore, the total number of motor vehicles registered in China reached 300³ million units at the end of March 2017.

Notwithstanding that China's auto industry has continued to grow, there are uncertainties in both global and domestic economic conditions; international crude oil prices continued to be volatile, which resulted in the fluctuation of raw material prices. The regularity of environmental enforcement in China remains unabated, and environmental inspection has become more frequent. These factors, whether on its own or collectively, may affect our production in the future.

Our Group will continue to maintain our strategy of growing sales volume to stimulate higher production, thereby achieving economies of scale and greater competitiveness. We remain positive on our performance and profitability for FY2017.

Project updates

Currently, the machineries under the new Phase 1 10,000-ton TBBS production line are still undergoing testing, and the trial-run and commercial production are scheduled to commence in the 2nd half of FY2017.

The new 10,000-ton Insoluble Sulphur production line in Ding Tao factory and the expansion of Guangshun Heating Plant are on schedule, and are expected to complete by 3Q2017 and end of 2017, respectively.

Below is a summary of our estimated Annual Capacity⁴ at the end of each financial year:

Tons	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017e
Accelerators	66,500	70,500	87,000	87,000	87,000	97,000
Insoluble Sulphur	10,000	20,000	20,000	20,000	20,000	30,000
Anti-oxidant	25,000	25,000	45,000	45,000	45,000	45,000
Total	101,500	115,500	152,000	152,000	152,000	172,000

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

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

None

(c) Date payable

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

³ Source: Traffic Management Bureau of the Public Security Ministry

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

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: 27 April 2017

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 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 27 April 2017

Liu Jing Fu
Executive Director and CEO

[End of Report]