



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 2019

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 2019

	1 st quarter ended		Change %
	31/3/2019	31/3/2018	
	RMB 'million		
Revenue	686.6	856.9	(20%)
Cost of sales	(450.9)	(558.1)	(19%)
Gross profit	235.7	298.8	(21%)
Other income	1.6	0.1	n.m.
Other losses, net	(10.1)	(11.4)	(11%)
Selling and distribution expenses	(23.3)	(22.4)	4%
Administrative expenses	(71.5)	(83.5)	(14%)
Finance expenses	(0.1)	-	n.m.
Profit before tax	132.3	181.6	(27%)
Income tax expenses	(22.1)	(32.1)	(31%)
Net profit	110.2	149.5	(26%)
Other comprehensive income:			
Exchange differences on translation, net of tax	(1.5)	(2.0)	(25%)
Total comprehensive income for the period	108.7	147.5	(26%)
Gross profit margin	34.3%	34.9%	(0.6 pts)
Earnings per share (RMB cents)	22.43	30.40	(26%)

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:-

	1 st quarter ended		Change %
	31/3/2019	31/3/2018	
	RMB'million		
Interest income	(1.6)	(0.1)	1500%
Deemed interest expenses on lease liability	0.1	-	n.m.
Depreciation of property, plant and equipment	24.5	23.2	6%
Depreciation of Right-of-use asset	0.3	-	n.m.
Amortisation of land use rights	0.3	0.3	-
Impairment on trade receivables	1.5	0.7	114%
Foreign exchange losses	10.4	13.5	(23%)
Write-off of plant and machinery	0.1	-	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>	
		31/3/2019 RMB' million	31/12/2018 RMB' million	31/3/2019 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)	682.1	690.8	-	-
Land use rights		39.8	40.1	-	-
Right-of-use asset	(2)	10.7	-	-	-
		732.6	730.9	350.0	350.0
CURRENT ASSETS					
Inventories	(3)	185.9	217.3	-	-
Trade receivables	(4)	663.1	690.6	-	-
Other receivables, deposits and prepayment	(5)	89.0	69.9	*	*
Amount owing from a subsidiary corporation		-	-	204.5	206.0
Cash and bank balances		1,169.8	1,038.6	39.6	49.0
		2,107.8	2,016.4	244.1	255.0
TOTAL ASSETS		2,840.4	2,747.3	594.1	605.0
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(2.1)	(2.1)	(2.1)	(2.1)
Other reserves		452.3	453.8	51.2	52.7
Retained profits		1,670.5	1,560.3	159.9	161.2
TOTAL EQUITY		2,434.2	2,325.5	522.5	525.3
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liability (non-current)	(2)	9.6	-	-	-
CURRENT LIABILITIES					
Trade payables		59.4	63.2	-	-
Other payables and accruals	(6)	264.7	278.0	63.8	71.9
Lease liability (current)	(2)	1.1	-	-	-
Current income tax payable		71.4	80.6	7.8	7.8
		396.6	421.8	71.6	79.7
TOTAL LIABILITIES		406.2	421.8	71.6	79.7
TOTAL EQUITY AND LIABILITIES		2,840.4	2,747.3	594.1	605.0

* - 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 31/3/2019		As at 31/12/2018	
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 decreased by RMB 8.7 million from RMB 690.8 million to RMB 682.1 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 Sunshine. It is accounted for in accordance with SFRS(I) 16 Leases.

Note (3) Inventories decreased by RMB 31.4 million from RMB 217.3 million to RMB 185.9 million, mainly due to the decrease in raw material price.

Note (4) Trade receivables decreased by RMB 27.5 million from RMB 690.6 million to RMB 663.1 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 2019 and 31 December 2018, the notes receivables were RMB 219.5 million and RMB 238.5 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 8.5 million from RMB 452.1 million to RMB 443.6 million, mainly due to decreased sales.

The aging report of our trade receivables as at 31 March 2019 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	219.5	-	-	-	219.5
Trade receivables	435.8	7.8	6.1	11.3	461.0
Loss allowance	-	-	(6.1)	(11.3)	(17.4)
Net trade receivables	655.3	7.8	-	-	663.1

Note (5) Other receivables increased by RMB 19.1 million from RMB 69.9 million to RMB 89.0 million mainly due to deposit paid for the purchase of a new piece of land. (Please refer to the Company's announcements dated 12 March 2019 and 16 March 2019 for further information.)

Note (6) Other payables decreased by RMB 13.3 million from RMB 278.0 million to RMB 264.7 million mainly due to decrease in accrual of staff cost.

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	
		31/3/2019	31/3/2018
		RMB' million	
Cash flows from operating activities			
Profit after tax		110.2	149.5
Adjustments for:-			
Income tax expenses		22.1	32.1
Depreciation of property, plant and equipment (PPE)		24.5	23.2
Depreciation of right-of-use asset		0.3	-
Amortisation of land use rights		0.3	0.3
PPE written off		0.1	-
Interest income		(1.6)	(0.1)
Deemed interest expenses		0.1	-
Translation difference		8.0	9.6
Operating profit before working capital changes		164.0	214.6
Changes in working capital:			
Inventories		31.4	(6.9)
Trade and other receivables		8.4	(191.4)
Trade and other payables and accruals		(17.1)	72.1
Cash generated from operations		186.7	88.4
Income taxes paid		(31.3)	(45.0)
Net cash generated from operating activities	(1)	155.4	43.4
Cash flows from investing activities			
Additions to PPE		(15.9)	(33.0)
Interest income received		1.6	0.1
Net cash used in investing activities	(2)	(14.3)	(32.9)
Cash flows from financing activities			
Cash deposit released from/(pledged in) banks		1.5	(0.4)
Repayment of lease liability		(0.3)	-
Proceeds from notes payables		-	9.0
Government grants received		-	1.2
Net cash generated from financing activities	(3)	1.2	9.8
Net increase in cash and cash equivalents balances		142.3	20.3
Effect of currency translation on cash & cash equivalents		(9.6)	(11.6)
Cash and cash equivalents at beginning of period		1,034.9	496.0
Cash and cash equivalents at end of period		1,167.6	504.7
Cash and bank balances at end of period includes the followings			
Cash and cash equivalents		1,169.8	508.7
Cash deposit pledged with bank		(2.2)	(4.0)
Cash and bank balances at end of period		1,167.6	504.7

Notes to Consolidated Statement of Cash Flows for 1Q2019

- (1) Net cash generated from operating activities amounted to RMB 155.4 million mainly due to profit generated during the quarter.
- (2) Net cash used in investing activities amounted to RMB 14.3 million mainly due to the additions to PPE.
- (3) Net cash generated from financing activities amounted to RMB 1.2 million was mainly due to cash deposit released from banks.

- 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 2019	313.5	(2.1)	453.8	1,560.3	2,325.5
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	110.2	110.2
Exchange differences on translation, net of tax	-	-	(1.5)	-	(1.5)
Total comprehensive income, net of tax	-	-	(1.5)	110.2	108.7
Balance as at 31 March 2019	313.5	(2.1)	452.3	1,670.5	2,434.2
Balance as at 1 January 2018	313.5	-	389.7	1,039.2	1,742.4
<i><u>Total Comprehensive Income</u></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

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 2019	313.5	(2.1)	52.7	161.2	525.3
<i><u>Total Comprehensive Income</u></i>					
Loss for the period	-	-	-	(1.3)	(1.3)
Exchange differences on translation, net of tax	-	-	(1.5)	-	(1.5)
Total comprehensive income, net of tax	-	-	(1.5)	(1.3)	(2.8)
Balance as at 31 March 2019	313.5	(2.1)	51.2	159.9	522.5
Balance as at 1 January 2018	313.5	-	50.3	100.9	464.7
<i><u>Total Comprehensive Income</u></i>					
Profit 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

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 and 31 March 2019	491,311,700	62,230,695
As at 1 January 2018 and 31 March 2018	491,694,000	62,649,185

There are no outstanding convertibles issued by the Company as at 31 March 2019.

* Number of issued shares excludes treasury shares. The number of treasury shares as at 31 March 2019 was 382,300 (31 March 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.

There is no sale, transfer, disposal, or cancellation of treasury shares at the end of 1Q2019. Total number of treasury shares at end of 1Q2019 stands at 382,300.

[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 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.

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.**

	1Q2019 RMB	1Q2018 RMB
Basic earnings per share (Basic EPS' cents) - based on weighted average number of shares on issue	22.43	30.40
The calculations of EPS is based on net profit and number of shares shown below:		
Profit attributable to equity holders (RMB'million)	110.2	149.5
Weighted average number of shares applicable to basic EPS ('000)	491,312	491,694

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 March 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	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Net asset attributable to shareholders (RMB' million)	2,434.2	2,325.5	522.5	525.3
Net asset value per ordinary share (RMB cents)	495.45**	473.32	106.35	106.92
Number of issued shares * ('000)	491,312	491,312	491,312	491,312

* number of issued shares excludes treasury shares

** equivalent to SGD 99.80 cents at exchange rate of 4.9643 as at 31 March 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	1Q2019	1Q2018	Change
Group Revenue	686.6	856.9	(20%)
Gross Profit	235.7	298.8	(21%)
Profit before tax	132.3	181.6	(27%)
Net profit	110.2	149.5	(26%)

Commentaries on performance

The Group's **revenue** decreased by 20% from RMB 856.9 million in 1Q2018 to RMB 686.6 million in 1Q2019, mainly due to the decrease in the overall Average Selling Price ("**ASP**").

ASP decreased by 24% from RMB 23,168 per ton in 1Q2018 to RMB 17,637 per ton in 1Q2019, and decreased by 8% as compared to RMB 19,110 per ton in 4Q2018. The decrease in ASP was mainly due to the decrease in the price of raw materials, in particular, Aniline.

	Sales Volume (Tons)		Sales (RMB' million)	
	1Q2019	1Q2018	1Q2019	1Q2018
Rubber Chemical				
Accelerators	20,207	19,907	465.3	585.0
Insoluble sulphur	7,353	6,212	70.6	72.8
Anti-oxidant	10,684	10,353	137.9	186.3
Others	471	325	9.0	8.4
Total	38,715	36,797	682.8	852.5
Domestic Sales	24,012	25,155	384.2	545.3
International sales	14,703	11,642	298.6	307.2
Heating Power	19,126	25,977	3.6	4.2
Hotel & Restaurant	-	-	0.2	0.2

1Q2019 Sales volume for Accelerators, Insoluble Sulphur (“IS”) and Anti-oxidant products increased by 2%, 18% and 3%, respectively, mainly due to (i) increase in our production of these products, and (ii) the Group’s flexible pricing strategy.

Domestic sales volume decreased by 5% mainly due to domestic tire makers’ lower production utilisation rates, However, the Group was able to increase international sales volume by 26% to offset the lower domestic sales volume.

Gross profit decreased by 21% from RMB 298.8 million in 1Q2018 to RMB 235.7 million in 1Q2019. The average gross profit margin (“GPM”) decreased by 0.6 percentage points from 34.9% to 34.3%. The decrease in gross profit as well as GPM was mainly due to the decreased ASP.

Other losses amounted to RMB 10.1 million in 1Q2019, consisting mainly of foreign exchange losses.

Selling and distribution expenses increased slightly by 4% from RMB 22.4 million in 1Q2018 to RMB 23.3 million in 1Q2019, mainly due to higher freight charges incurred as a result of increased overseas sales volume.

Administrative expenses decreased by 14% from RMB 83.5 million in 1Q2018 to RMB 71.5 million in 1Q2019 mainly due to the decrease in staff costs, offset by higher R&D expenses.

Profit before tax (PBT) decreased by 27% from RMB 181.6 million in 1Q2018 to RMB 132.3 million in 1Q2019 mainly due to the decrease in sales revenue and gross profit.

Net profit attributable to shareholders decreased by 26% from RMB 149.5 million in 1Q2018 to RMB 110.2 million in 1Q2019 mainly due to lower PBT.

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 4Q2018 results announcement, the Company mentioned 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.” 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 6.4%¹ in 1Q2019. China’s automakers sold a total of 6.37² million units in China in 1Q2019, representing 13.7% decrease in auto sales year-on-year.

As stated in the last quarter’s commentary, 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.

With the “Yancheng explosion” in March 2019, the Chinese government has undertaken a series of heightened safety inspections, which affected all chemical companies in China. Such inspections may benefit bigger companies and lead to industry consolidation.

The Group will continue to maintain our strategy that “higher production leads to higher sales volume, which in turn stimulates even higher production”. We will expand capacity to gain more market share in the rubber chemicals industry. We will also continue to focus on environmental protection and safety production, as well as production technology and innovation, to gain a competitive edge over other producers. We remain cautiously confident about the Group’s performance and profitability in the next 12 months.

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

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 1Q2019.

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: 29 April 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 first quarter financial results for the period ended 31 March 2019 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: 29 April 2019

[End of Report]