



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 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited Consolidated Statement of Comprehensive Income for 2nd Quarter Ended 30 June 2018

	2nd quarter ended		Change %	6 months ended		Change %
	30/06/2018	30/06/2017		30/06/2018	30/06/2017	
	RMB' million			RMB' million		
Revenue	880.6	656.2	34%	1,737.5	1,230.7	41%
Cost of sales	(557.0)	(469.1)	19%	(1,115.1)	(903.6)	23%
Gross profit	323.6	187.1	73%	622.4	327.1	90%
Other income ⁽¹⁾	26.1	2.3	1035%	14.9	4.0	273%
Other losses, net	(3.5)	(7.3)	(52%)	(3.7)	(7.9)	(53%)
Selling and distribution expenses	(25.0)	(22.3)	12%	(47.4)	(40.1)	18%
Administrative expenses	(106.4)	(66.9)	59%	(189.8)	(105.5)	80%
Profit before tax	214.8	92.9	131%	396.4	177.6	123%
Income tax expenses ⁽²⁾	24.9	(18.4)	(235%)	(7.2)	(45.9)	(84%)
Profit after tax	239.7	74.5	222%	389.2	131.7	196%
Other Comprehensive income:						
Exchange differences on translation, net of tax	(0.5)	(0.2)	150%	(2.4)	0.7	(443%)
Total comprehensive income for the period	239.2	74.3	222%	386.8	132.4	192%
Gross profit margin	36.7%	28.5%	8.2 pts	35.8%	26.6%	9.2 pts
Earnings per share (RMB cents)	48.75	15.53	214%	79.15	27.90	184%

(1) There was a foreign exchange loss of RMB13.5 million recorded in other losses in 1Q2018 results announcement. In 2Q2018, RMB18.7 million foreign exchange gains were recorded in other income account, which resulted in higher other income in 2Q2018 as compared to that in 1H2018.

(2) There was an income tax credit, the details of which are set out in Paragraph 8 below.

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		
	30/06/2018	30/06/2017	Change	30/06/2018	30/06/2017	Change
	RMB' million		%	RMB' million		%
Interest income	(0.7)	(0.8)	13%	(0.8)	(1.9)	533%
Depreciation of property, plant and equipment	23.7	23.4	1%	46.9	46.9	-
Amortisation of land use rights	0.3	0.3	-	0.6	0.6	-
(Write back)/Allowance for impairment on receivables	(0.5)	(1.1)	55%	0.2	0.7	(71%)
Foreign exchange (gain)/loss	(18.7)	5.7	(428%)	(5.2)	7.0	(174%)

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/6/2018 RMB' million	31/12/2017 RMB' million	30/6/2018 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)	682.0	661.8	-	-
Land use rights		40.7	41.3	-	-
		<u>722.7</u>	<u>703.1</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories		211.9	212.1	-	-
Trade receivables	(2)	878.5	637.8	-	-
Other receivables, deposits and prepayment		82.0	75.1	*	0.2
Amount owing from a subsidiary corporation		-	-	13.8	149.3
Cash and bank balances		566.4	499.6	74.4	4.0
		<u>1,738.8</u>	<u>1,424.6</u>	<u>88.2</u>	<u>153.5</u>
TOTAL ASSETS		<u>2,461.5</u>	<u>2,127.7</u>	<u>438.2</u>	<u>503.5</u>
Share capital		313.5	313.5	313.5	313.5
Other reserves		387.3	389.7	47.9	50.3
Retained earnings		1,369.9	1,039.2	(19.8)	100.9
TOTAL EQUITY		<u>2,070.7</u>	<u>1,742.4</u>	<u>341.6</u>	<u>464.7</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	(3)	55.8	71.1	-	-
Other payables and accruals	(4)	303.9	219.2	95.4	37.6
Deferred grants		1.0	0.7	-	-
Current tax payable		30.1	94.3	1.2	1.2
		<u>390.8</u>	<u>385.3</u>	<u>96.6</u>	<u>38.8</u>
TOTAL LIABILITIES		<u>390.8</u>	<u>385.3</u>	<u>96.6</u>	<u>38.8</u>
TOTAL EQUITY AND LIABILITIES		<u>2,461.5</u>	<u>2,127.7</u>	<u>438.2</u>	<u>503.5</u>

* - 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 30/06/2018		As at 31/12/2017	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	-	-	-

Details of any collateral

No collateral

Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 20.2 million from RMB 661.8 million to RMB 682.0 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 240.7 million from RMB 637.8 million to RMB 878.5 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. As at 30 June 2018 and 31 December 2017, the notes receivables were RMB 357.9 million and RMB 176.2 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have increased by RMB 59.0 million from RMB 461.6 million to RMB 520.6 million, mainly due to increased sales.

The aging report of our trade receivables as at 30 June 2018 is as follows:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	357.9	-	-	-	357.9
Trade receivables	507.8	12.8	2.0	10.6	533.2
Allowance for impairment	-	-	(2.0)	(10.6)	(12.6)
Net trade receivables	865.7	12.8	-	-	878.5

Note (3) Trade payables decreased by RMB 15.3 million from RMB 71.1 million to RMB 55.8 million due mainly to more prompt payments being made in order to cope with the tight raw material supply in the market in 2Q2018.

Note (4) Other payables increased by RMB 84.7 million from RMB 219.2 million to RMB 303.9 million mainly due to higher staff bonus accrual, as well as increased payables to contractors for purchase of PPE.

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- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

Note	2 nd quarter ended		6 months ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RMB' million		RMB' million	
Cash flows from operating activities				
Profit before taxation	214.8	92.9	396.4	177.6
Adjustments for:-				
Depreciation of property, plant and equipment	23.7	23.4	46.9	46.9
Amortisation of intangible assets	0.3	0.3	0.6	0.6
PPE written off	0.1	*	0.1	0.4
Interest income	(0.7)	(0.8)	(0.8)	(1.9)
Translation difference	(16.0)	(0.2)	(6.3)	0.8
Operating profit before working capital changes	222.2	115.6	436.9	224.4
Changes in working capital:				
Inventories	7.2	(12.8)	0.3	(28.3)
Trade and other receivables	(86.4)	(35.9)	(247.6)	(22.3)
Trade and other payables and accruals	27.5	(3.9)	69.4	5.2
Cash generated from operations	170.5	63.0	259.0	179.0
Income taxes paid	(26.4)	(14.2)	(71.4)	(35.1)
Net cash generated from operating activities	(1) 144.1	48.8	187.6	143.9
Cash flows from investing activities				
Additions to PPE	(35.0)	(36.4)	(68.1)	(75.5)
Interest income received	0.7	0.8	0.8	1.9
Net cash used in investing activities	(2) (34.3)	(35.6)	(67.3)	(73.6)
Cash flows from financing activities				
Dividend paid	(58.5)	(34.5)	(58.5)	(34.5)
Grant received	-	-	1.2	3.3
Cash deposit released from/(pledged with) bank	0.6	0.4	0.2	(0.6)
Repayment of notes payable	(9.0)	(12.0)	(9.0)	(12.0)
Placement of treasury shares	-	85.9	-	85.9
Proceeds from notes payable	-	18.0	9.0	19.5
Net cash (used in)/generated from financing activities	(3) (66.9)	57.8	(57.1)	61.6
Net increase in cash and cash equivalents	42.9	71.0	63.2	131.9
Effect of currency translation on cash & cash equivalents	15.4	*	3.8	*
Cash and cash equivalents at beginning of period	504.7	335.1	496.0	274.2
Cash and cash equivalents at end of period	563.0	406.1	563.0	406.1
Cash and cash equivalents at end of period include the followings				
Cash and bank balances	566.4	408.5	566.4	408.5
Cash deposit pledged with bank	(3.4)	(2.4)	(3.4)	(2.4)
Cash and cash equivalents at end of period	563.0	406.1	563.0	406.1

Notes to cash flows for 2Q2018

- (1) Net cash generated from operating activities amounted to RMB 144.1 million was mainly due to higher profit generated during the quarter.
- (2) Net cash used in investing activities amounted to RMB 34.3 million was mainly due to additions to properties, plant and equipment.
- (3) Net cash used in financing activities amounted to RMB 66.9 million was mainly due to 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

GROUP

	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2018	313.5	-	389.7	1,039.2	1,742.4
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	389.2	389.2
Exchange differences on translation, net of tax	-	-	(2.4)	-	(2.4)
Total comprehensive income, net of tax, for the period	-	-	(2.4)	389.2	386.8
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	-	-	(58.5)	(58.5)
Balance as at 30 June 2018	313.5	-	387.3	1,369.9	2,070.7
Balance as at 1 January 2017	313.5	(31.3)	271.5	807.9	1,361.6
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	131.7	131.7
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	131.7	132.4
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(34.5)	(34.5)
Total contributions to owners	-	31.3	54.6	(34.5)	51.4
Balance as at 30 June 2017	313.5	-	326.8	905.1	1,545.4

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<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2018	313.5	-	50.3	100.9	464.7
<i>Total Comprehensive Income</i>					
Loss for the period	-	-		(62.2)	(62.2)
Exchange differences on translation, net of tax	-	-	(2.4)	-	(2.4)
Total comprehensive income, net of tax, for the period	-	-	(2.4)	(62.2)	(64.6)
<i>Transactions with owners, recorded directly in equity</i>					
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	-	-	(58.5)	(58.5)
Balance as at 30 June 2018	313.5	-	47.9	(19.8)	341.6
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	-	-		31.1	31.1
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	31.1	31.8
<i>Transactions with owners, recorded directly in equity</i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(34.5)	(34.5)
Total distributions to owners	-	31.3	54.6	(34.5)	51.4
Balance as at 30 June 2017	313.5	-	50.9	80.7	445.1

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 and 30 June 2018	491,694,000	62,649,185
As at 1 January 2017	464,040,800	56,202,460
Placement of treasury shares	27,653,200	6,446,725
As at 30 June 2017	491,694,000	62,649,185

There were no outstanding convertibles issued by the Company as at 30 June 2018.

*Number of issued shares excludes treasury shares. The number of treasury shares as at 30 June 2018 was Nil (30 June 2017: Nil)

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

See above table.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	Number of treasury shares	S\$
As at 1 January and 30 June 2018	-	-
As at 1 January 2017	27,653,200	6,446,725
Placement of treasury shares	(27,653,200)	(6,446,725)
As at 30 June 2017	-	-

[Note – The disclosures required in 1(d)(ii), (iii) and (iv) may be made in form of statement paragraphs or, in tabular form.]

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Nil

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

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

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6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2Q2018 RMB (cents)	2Q2017 RMB (cents)	1H2018 RMB (cents)	1H2017 RMB (cents)
Basic Earnings per share (Basic EPS) - based on weighted average number of shares on issue	48.75	15.53	79.15	27.90
The calculations of EPS was based on net profit and number of shares shown below:				
Profit attributable to equity holders (RMB' million)	239.7	74.5	389.2	131.7
Weighted average number of shares applicable to basic EPS ('000)	491,694	479,843	491,694	471,985

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 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	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Net asset attributable to shareholders (RMB' million)	2,070.7	1,742.4	341.6	464.7
Net asset value per ordinary share (RMB cents)	421.14**	354.37	69.47	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 87.04 cents at exchange rate of 4.8386 as at 30 June 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	2Q2018	2Q2017	Change %	1H2018	1H2017	Change %
Group Revenue	880.6	656.2	34%	1,737.5	1,230.7	41%
Gross Profit	323.6	187.1	73%	622.4	327.1	90%
Profit before tax	214.8	92.9	131%	396.4	177.6	123%
Net profit	239.7	74.5	222%	389.2	131.7	196%

Commentaries on performance

Revenue increased by 34% to RMB 880.6 million in 2Q2018 as compared to RMB 656.2 million in 2Q2017, due to the increase in both our sales volume and the overall Average Selling Price ("**ASP**").

ASP increased by 23% to RMB 23,334 per ton in 2Q2018 as compared to RMB 18,904 per ton in 2Q2017, and increased slightly by 1% as compared to RMB 23,168 per ton in 1Q2018. Since 2017, frequent environmental inspections have been affecting the productions of many rubber chemical producers, which had resulted in short supply of rubber chemicals. This short supply has resulted in our ASP in 2Q2018 remaining at high level.

Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB'm)			
	2Q2018	2Q2017	1H2018	1H2017	2Q2018	2Q2017	1H2018	1H2017
Rubber Chemical								
Accelerators	21,563	21,334	41,469	41,692	635.8	462.9	1,220.8	871.3
Insoluble Sulphur	6,672	4,913	12,884	10,024	78.1	52.2	150.9	105.6
Anti-oxidant	8,986	7,893	19,339	15,074	154.4	129.7	340.7	231.7
Others	346	418	672	814	8.2	8.5	16.6	16.3
Total	37,567	34,558	74,364	67,604	876.5	653.3	1,729.0	1,224.9
<i>Local Sales</i>	<i>24,786</i>	<i>23,242</i>	<i>49,941</i>	<i>45,910</i>	<i>527.5</i>	<i>413.0</i>	<i>1,072.8</i>	<i>784.7</i>
<i>International Sales</i>	<i>12,781</i>	<i>11,316</i>	<i>24,423</i>	<i>21,694</i>	<i>349.1</i>	<i>240.3</i>	<i>656.2</i>	<i>440.2</i>
Heating Power	20,354	16,508	46,331	32,506	3.8	2.7	8.0	5.3
Hotel & Restaurant	-	-	-	-	0.3	0.2	0.5	0.5

2Q2018 Sales volume for Accelerators increased slightly by 1% to 21,563 tons from 21,334 tons in 2Q2017. The sales volume for Insoluble Sulphur (“IS”) and Anti-oxidant products in 2Q2018 increased by 36% and 14%, to 6,672 tons and 8,986 tons respectively. The increase was mainly due to some tire makers recognising the Group’s ability to provide stable quality supply, thus placing more orders with us. As a result, both domestic and international sales increased.

For the First Half Year of 2018 (“1H2018”), the Group’s sales volume for Accelerators decreased slightly from 41,692 tons to 41,469 tons, mainly due to the Group focusing on higher margin orders. Sales volume for IS and Anti-oxidant products increased by 29% and 28%, to 12,884 tons and 19,339 tons respectively. ASP for 1H2018 increased by 28% from RMB 18,119 per ton in 1H2017 to RMB 23,252 per ton. As such, the revenue for 1H2018 increased from RMB 1,230.7 million in 1H2017 to RMB 1,737.5 million, representing an increase of approximately 41%.

Gross profit for 2Q2018 increased by 73% to RMB 323.6 million from RMB 187.1 million in 2Q2017, while the Gross Profit Margin (“GPM”) increased by 8.2 percentage points from 28.5% to 36.7%. On a half-year basis, gross profit increased by 90% from RMB 327.1 million in 1H2017 to RMB 622.4 million in 1H2018, and GPM increased 9.2 percentage points from 26.6% to 35.8%. The increases were mainly due to the increase in ASP.

Other operating income was RMB 26.1 million in 2Q2018, consisting of mainly foreign exchange gain and sales of scrap materials.

Selling and distribution expenses increased by 12% from RMB 22.3 million in 2Q2017 to RMB 25.0 million in 2Q2018. On a half-year basis, selling and distribution expenses increased by 18% from RMB 40.1 million in 1H2017 to RMB 47.4 million in 1H2018 mainly due to higher freight costs as well as higher incentive payment to sales personnel.

Administrative expenses increased by 59% from RMB 66.9 million in 2Q2017 to RMB 106.4 million in 2Q2018. The increase was mainly due to (i) increase in staff salaries and accrued bonus of RMB 21.1 million as a result of better performance; (ii) increase in R&D expense of RMB 17.9 million; and (iii) increase in other expenses of RMB 2.5 million.

On a half-year basis, administrative expenses increased by 80% from RMB 105.5 million in 1H2017 to RMB 189.8 million in 1H2018, mainly due to (i) increase in staff salaries and accrued bonus of RMB 44.0 million; and (ii) increase in R&D expense by RMB 40.3 million

Other expenses amounted to RMB 3.7 million in 2Q2018, mainly consisting of donations to charitable organisations.

Profit before tax (“PBT”) increased by 131% from RMB 92.9 million in 2Q2017 to RMB 214.8 million in 2Q2018. PBT for 1H2018 increased by 123% from RMB 177.6 million in 1H2017 to RMB 396.4 million, mainly due to increase in sales revenue and gross profit.

Income tax expense was a credit amount of RMB 24.9 million in 2Q2018, mainly due to the “High-tech Enterprise” status obtained by our main subsidiary, Shandong Sunsine, on 28 December 2017. As such, Shandong Sunsine was entitled to a concessionary tax rate of 15% for 3 years with effect from 1 January 2017. After clarifications with the local tax authority, Shandong Sunsine was granted a tax credit of approximately RMB 48 million which was credited against 2Q2018’s income tax expenses.

Net profit attributable to shareholders increased by 222% from RMB 74.5 million in 2Q2017 to RMB 239.7 million in 2Q2018. Net profit for 1H2018 increased by 196% from RMB 131.7 million in 1H2017 to RMB 389.2 million, mainly due to increase in 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 1Q2018 results announcement, the Company stated that “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.” 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 6.7%¹ and 6.8% in 2Q2018 and 1H2018, respectively. Automakers sold a total of 14.07² million units in China in the first half of 2018, representing 0.83% growth in auto sales year-on-year. However, China’s economy is facing a slowdown in its growth, and this is likely to affect the demand for tires, and consequently, the Group’s sales.

The “trade war” between US and China has created tension in the world economy. Although our US sales only accounted for less than 5% of our total sales revenue, the extra tariffs imposed by the US government on Chinese tire manufacturers will result in the further weakening of Chinese tire exports to the US market, and may indirectly affect our sales.

The environmental protection regulation in China continues to be stringent, and the Chinese government has recently commenced an environmental inspection operation named “The Battle for a Blue Sky” which will last for 3 years. This will materially affect all chemical companies in China, including all three of our production plants.

Some rubber chemical producers have invested more in environmental protection and safety production measures, and more and more producers will eventually comply with the environmental protection regulations and resume their production. This will intensify competition, as evidenced by the selling price of rubber chemicals declining since the end of June 2018. As such, the Group expects that the ASP of rubber chemicals will continue to normalise.

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 also continue to focus on production technology and innovation, and investment in R&D, to gain a competitive edge over other producers.

Project updates

We are still awaiting the approval from the relevant Government Authorities for the trial-run of the new Phase 1 10,000-ton TBBS production line as well as the new 10,000-ton Insoluble Sulphur production line in Ding Tao facility.

The expansion of Guangshun Heating Plant is completed and is currently undergoing grid integration.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Interim dividend of S\$0.005 per ordinary share were declared in 2Q2017.

(c) Date payable

NA

(d) Books closure date

NA

(e) Last cum-dividend Trading Date

NA

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

No dividend has been declared for 2Q2018.

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 interested 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).

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

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
Dated: 7 August 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 second quarter financial results for the period ended 30 June 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 7 August 2018

Liu Jing Fu
Executive Director & CEO

[End of Report]