



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 3rd Quarter Ended 30 September 2018

	3rd quarter ended		Change %	9 months ended		Change %
	30/09/2018	30/09/2017		30/09/2018	30/09/2017	
	RMB' million			RMB' million		
Revenue	775.6	634.4	22%	2,513.1	1,865.1	35%
Cost of sales	(521.6)	(464.6)	12%	(1,636.7)	(1,368.2)	18%
Gross profit	254.0	169.8	50%	876.4	496.9	76%
Other income	24.2	6.2	290%	39.1	10.2	283%
Other losses, net	(2.6)	(12.5)	(79%)	(6.2)	(20.4)	(70%)
Selling and distribution expenses	(23.3)	(16.6)	40%	(70.7)	(56.7)	25%
Administrative expenses	(79.5)	(43.3)	84%	(269.4)	(148.8)	81%
Profit before tax	172.8	103.6	67%	569.2	281.2	102%
Income tax expenses	(29.4)	(26.0)	13%	(36.6)	(71.9)	(49%)
Net Profit	143.4	77.6	85%	532.6	209.3	154%
Other Comprehensive income:						
Exchange differences on translation, net of tax	0.4	(0.3)	(233%)	(2.1)	0.4	(625%)
Total comprehensive income for the period	143.8	77.3	86%	530.5	209.7	153%
Gross profit margin	32.7%	26.8%	5.9 pts	34.9%	26.6%	8.3 pts
Earnings per share (RMB cents)	29.18	15.79	85%	108.34	43.74	148%

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Notes to the Group Statement of Comprehensive Income:

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

	3rd quarter ended			9 months ended		
	30/09/2018	30/09/2017	Change	30/09/2018	30/09/2017	Change
	RMB' million		%	RMB' million		%
Interest income	(0.3)	(0.3)	-	(1.1)	(2.2)	(50%)
Depreciation of property, plant and equipment	24.7	21.0	18%	71.6	67.9	5%
Amortisation of land use rights	0.3	0.3	-	0.9	0.9	-
Allowance/(write back) for impairment on receivables	6.6	(0.8)	(925%)	6.8	(0.1)	(6900%)
Foreign exchange (gain)/loss	(19.3)	10.6	(282%)	(24.5)	17.6	(239%)

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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	30/9/2018	31/12/2017	30/9/2018	31/12/2017
		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)	682.2	661.8	-	-
Land use rights		40.4	41.3	-	-
		<u>722.6</u>	<u>703.1</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	(2)	197.5	212.1	-	-
Trade receivables	(3)	806.8	637.8	-	-
Other receivables, deposits and prepayment	(4)	106.3	75.1	0.1	0.2
Amount owing from a subsidiary corporation		-	-	14.5	149.3
Cash and bank balances		822.3	499.6	74.0	4.0
		<u>1,932.9</u>	<u>1,424.6</u>	<u>88.6</u>	<u>153.5</u>
TOTAL ASSETS		<u>2,655.5</u>	<u>2,127.7</u>	<u>438.6</u>	<u>503.5</u>
EQUITY					
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(2.1)	-	(2.1)	-
Other reserves		387.6	389.7	48.2	50.3
Retained profits		1,513.3	1,039.2	(21.9)	100.9
TOTAL EQUITY		<u>2,212.3</u>	<u>1,742.4</u>	<u>337.7</u>	<u>464.7</u>
LIABILITIES					
CURRENT LIABILITIES					
Trade payables		79.0	71.1	-	-
Other payables and accruals	(5)	311.1	219.2	99.7	37.6
Deferred grants		0.5	0.7	-	-
Current tax payable		52.6	94.3	1.2	1.2
		<u>443.2</u>	<u>385.3</u>	<u>100.9</u>	<u>38.8</u>
TOTAL LIABILITIES		<u>443.2</u>	<u>385.3</u>	<u>100.9</u>	<u>38.8</u>
TOTAL EQUITY AND LIABILITIES		<u>2,655.5</u>	<u>2,127.7</u>	<u>438.6</u>	<u>503.5</u>

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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 30/09/2018		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 20.4 million from RMB 661.8 million to RMB 682.2 million mainly due to additions to construction-in-progress and property, plant and equipment, offset by depreciation charged.

Note (2) Inventories decreased by RMB 14.6 million from RMB 212.1 million to RMB 197.5 million mainly due to the decrease in raw material prices.

Note (3) Trade receivables increased by RMB 169.0 million from RMB 637.8 million to RMB 806.8 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 30 September 2018 and 31 December 2017, the notes receivables were RMB 351.0 million and RMB 176.2 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 5.8 million from RMB 461.6 million to RMB 455.8 million, due to tighter collection.

The aging report of our trade receivables as at 30 September 2018 was 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	351.0	-	-	-	351.0
Trade receivables	450.9	11.0	2.9	10.2	475.0
Allowance for impairment	-	(6.1)	(2.9)	(10.2)	(19.2)
Net trade receivables	801.9	4.9	-	-	806.8

Note (4) Other receivables increased by RMB 31.2 million from RMB 75.1 million to RMB 106.3 million mainly due to higher advance payments to suppliers at the end of 3Q2018 in order to store more raw materials for 4Q2018 production, when the raw material prices were relatively lower in 3Q2018.

Note (5) Other payables increased by RMB 91.9 million from RMB 219.2 million to RMB 311.1 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	3rd quarter ended		9 months ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RMB'million		RMB'million	
Cash flows from operating activities				
Profit before taxation	172.8	103.6	569.2	281.2
Adjustments for:-				
Depreciation of property, plant and equipment	24.7	21.0	71.6	67.9
Amortisation of intangible assets	0.3	0.3	0.9	0.9
PPE written off	0.8	*	1.0	0.5
Interest income	(0.3)	(0.3)	(1.1)	(2.2)
Grant income	-	(4.0)	-	(4.0)
Translation difference	(12.1)	6.2	(18.4)	6.9
Operating profit before working capital changes	186.2	126.8	623.2	351.2
Changes in working capital:				
Inventories	14.3	6.1	14.6	(22.1)
Trade and other receivables	47.4	(15.6)	(200.2)	(38.0)
Trade and other payables and accruals	30.5	37.0	99.8	42.3
Cash generated from operations	278.4	154.3	537.4	333.4
Income taxes paid	(6.9)	(33.2)	(78.4)	(68.2)
Net cash generated from operating activities	(1) 271.5	121.1	459.0	265.2
Cash flows from investing activities				
Purchase of plant and equipment and additional CIP	(26.5)	(79.3)	(94.6)	(154.8)
Interest income received	0.3	0.3	1.1	2.2
Net cash used in investing activities	(2) (26.2)	(79.0)	(93.5)	(152.6)
Cash flows from financing activities				
Dividend paid	-	(12.0)	(58.5)	(46.5)
Cash deposit released from/(pledged with) bank	1.0	0.2	1.2	(0.6)
Grant received	0.2	4.0	1.4	7.3
Purchase of treasury shares	(2.1)	-	(2.1)	-
Repayment of notes payable	-	(7.5)	(9.0)	(19.5)
Placement of treasury shares	-	-	-	85.9
Proceeds from notes payables	-	34.0	9.0	53.5
Net cash (used in)/generated from financing activities	(3) (0.9)	18.7	(58.0)	80.1
Net increase/(decrease) in cash and cash equivalents	244.4	60.8	307.5	192.7
Effect of currency translation on cash & cash equivalents	12.5	(6.5)	16.4	(6.5)
Cash and cash equivalents at beginning of period	563.0	406.1	496.0	274.2
Cash and cash equivalents at end of period	819.9	460.4	819.9	460.4
Cash and cash equivalents at end of period includes the followings				
Cash and bank balances	822.3	462.7	822.3	462.7
Cash deposit pledged with bank	(2.4)	(2.3)	(2.4)	(2.3)
Cash and cash equivalents at end of period	819.9	460.4	819.9	460.4

Notes to cashflows for 3Q2018

- (1) Net cash generated from operating activities amounted to RMB 271.5 million mainly due to higher operating profit generated during the quarter, as well as tighter management of the collection of accounts receivables.
- (2) Net cash used in investing activities amounted to RMB 26.2 million mainly due to additions to construction in progress, plant and equipment.
- (3) Net cash used in financing activities amounted to RMB 0.9 million mainly due to purchase of treasury shares.

* - amount less than RMB 0.1 million

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- 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

<u>GROUP</u>	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2018	313.5	-	389.7	1,039.2	1,742.4
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	532.6	532.6
Exchange differences on translation, net of tax	-	-	(2.1)	-	(2.1)
Total comprehensive income, net of tax, for the period	-	-	(2.1)	532.6	530.5
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(2.1)	-	-	(2.1)
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	(2.1)	-	(58.5)	(60.6)
Balance as at 30 September 2018	313.5	(2.1)	387.6	1,513.3	2,212.3
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	-	-	-	209.3	209.3
Exchange differences on translation, net of tax	-	-	0.4	-	0.4
Total comprehensive income, net of tax, for the period	-	-	0.4	209.3	209.7
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(46.5)	(46.5)
Total contributions to owners	-	31.3	54.6	(46.5)	39.4
Balance as at 30 September 2017	313.5	-	326.5	970.7	1,610.7

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COMPANY

	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2018	313.5	-	50.3	100.9	464.7
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	(64.3)	(64.3)
Exchange differences on translation, net of tax	-	-	(2.1)	-	(2.1)
Total comprehensive income, net of tax, for the period	-	-	(2.1)	(64.3)	(66.4)
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(2.1)	-	-	(2.1)
Dividend paid	-	-	-	(58.5)	(58.5)
Total distributions to owners	-	(2.1)	-	(58.5)	(60.6)
Balance as at 30 September 2018	313.5	(2.1)	48.2	(21.9)	337.7
Balance as at 1 January 2017	313.5	(31.3)	(4.4)	84.1	361.9
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	22.8	22.8
Exchange differences on translation, net of tax	-	-	0.4	-	0.4
Total comprehensive income, net of tax, for the period	-	-	0.4	22.8	23.2
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Placement of treasury shares	-	31.3	54.6	-	85.9
Dividend paid	-	-	-	(46.5)	(46.5)
Total distributions to owners	-	31.3	54.6	(46.5)	39.4
Balance as at 30 September 2017	313.5	-	50.6	60.4	424.5

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares*	S\$
As at 1 January 2018	491,694,000	62,649,185
Purchase of treasury shares	(382,300)	(418,490)
As at 30 September 2018	491,311,700	62,230,695
As at 1 January 2017	464,040,800	56,202,460
Placement of treasury shares	27,653,200	6,446,725
As at 30 September 2017	491,694,000	62,649,185

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

*Number of issued shares excludes treasury shares. The number of treasury shares as at 30 September 2018 was 382,300 (30 September 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 2018	-	-
Purchase of treasury shares	(382,300)	(418,490)
As at 30 September 2018	(382,300)	(418,490)
As at 1 January 2017	27,653,200	6,446,725
Placement of treasury shares	(27,653,200)	(6,446,725)
As at 30 September 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.

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.

	3Q2018 RMB (cents)	3Q2017 RMB (cents)	9M2018 RMB (cents)	9M2017 RMB (cents)
Basic Earnings per share (Basic EPS)	29.18	15.79	108.34	43.74
- 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)	143.4	77.6	532.6	209.3
Weighted average number of shares applicable to basic EPS ('000)	491,608	491,694	491,665	478,627

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 September 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	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017
Net asset attributable to shareholders (RMB' million)	2,212.3	1,610.7	337.7	424.5
Net asset value per ordinary share (RMB cents)	450.28**	327.58	68.73	86.33
Number of issued shares * ('000)	491,312	491,694	491,312	491,694

* number of issued shares excludes treasury shares

** equivalent to SGD 89.49 cents at exchange rate of about 5.0315 as at 30 September 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	3Q2018	3Q2017	Change %	9M2018	9M2017	Change %
Group Revenue	775.6	634.4	22%	2,513.1	1,865.1	35%
Gross Profit	254.0	169.8	50%	876.4	496.9	76%
Profit before tax	172.8	103.6	67%	569.2	281.2	102%
Net profit	143.4	77.6	85%	532.6	209.3	154%

Commentaries on performance

The Group's **3Q2018 Sales revenue** increased by 22% to RMB 775.6 million as compared to RMB 634.4 million in 3Q2017, due to the increase in both our sales volume and the overall Average Selling Price ("**ASP**").

Overall ASP increased by 12% to RMB 20,706 per ton in 3Q2018 as compared to RMB 18,541 per ton in 3Q2017. The increase in ASP was mainly due to the fixing of higher 3Q2018 quarterly prices with our bigger customers in advance in 2Q2018 given the short supply of rubber chemicals in China during the past few quarters..

However, on a quarter to quarter comparison, the overall ASP decreased by 11% from RMB 23,334 per ton in 2Q2018, mainly due to the combined effects of the decrease in our raw materials prices as well as the weakening demands from the domestic tire makers.

Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB'm)			
	3Q2018	3Q2017	9M2018	9M2017	3Q2018	3Q2017	9M2018	9M2017
Rubber Chemical								
Accelerators	20,824	19,921	62,294	61,613	544.8	446.2	1,765.6	1,317.5
Insoluble Sulphur	6,150	6,249	19,034	16,273	69.7	65.5	220.6	171.1
Anti-oxidant	9,906	7,519	29,245	22,593	149.3	111.6	490.0	343.3
Others	286	409	956	1,223	5.8	8.9	22.4	25.2
Total	37,166	34,098	111,529	101,702	769.6	632.2	2,498.6	1,857.1
<i>Local Sales</i>	<i>24,511</i>	<i>22,698</i>	<i>74,452</i>	<i>68,608</i>	<i>454.6</i>	<i>397.6</i>	<i>1,527.4</i>	<i>1,182.2</i>
<i>International Sales</i>	<i>12,655</i>	<i>11,400</i>	<i>37,077</i>	<i>33,094</i>	<i>315.0</i>	<i>234.6</i>	<i>971.2</i>	<i>674.9</i>
Heating Power	30,815	11,240	77,146	43,746	5.7	1.8	13.7	7.1
Hotel & Restaurant	-	-	-	-	0.3	0.4	0.8	0.9

3Q2018 Sales volume for Accelerators and Anti-oxidant products increased by 5% and 32% respectively, mainly due to some of the rubber chemical producers which had failed to meet environmental protection standards being forced to suspend their production, and as such, more orders are switched to us. The sales volume for IS products decreased slightly by 2% due to normal market fluctuation.

For the 9 months ended 30 September 2018 ("**9M2018**"), the Group's sales volume increased 10% to a total of 111,529 tons from 101,702 tons in 9M2017.

Gross profit for 3Q2018 increased by 50% to RMB 254.0 million from RMB 169.8 million in 3Q2017, while the Gross Profit Margin ("**GPM**") also increased by 5.9 percentage points from 26.8% to 32.7%. On a 9-month basis, gross profit increased by 76% from RMB 496.9 million in 9M2017 to RMB 876.4

million in 9M2018, and GPM increased by 8.3 percentage points from 26.6% to 34.9%. The increases were mainly due to the increase in ASP.

Other operating income was RMB 24.2 million in 3Q2018, consisting of mainly foreign exchange gain.

Selling and distribution expenses increased by 40% from RMB 16.6 million in 3Q2017 to RMB 23.3 million in 3Q2018. On a 9-month basis, selling and distribution expenses increased by 25% from RMB 56.7 million in 9M2017 to RMB 70.7 million in 9M2018, mainly due to higher freight costs and higher incentive payments to sales personnel.

Administrative expenses increased by 84% from RMB 43.3 million in 3Q2017 to RMB 79.5 million in 3Q2018, mainly due to (i) increase in R&D expenses by RMB 24.0 million; (ii) higher staff cost and incentives by RMB 5.7 million as a result of better performance; (iii) an allowance for impairment on receivables of RMB 6.6 million being provided in 3Q2018, whereas a reversal of RMB 0.8 million was recorded in 3Q2017, which resulted in higher administrative expenses by 7.4 million; offset by (iv) decrease in other administrative expenses by RMB 0.9 million.

On a 9-month basis, the administrative expenses increased by 81% from RMB 148.8 million in 9M2017 to RMB 269.4 million in 9M2018, mainly due to (i) increase in R&D expenses by RMB 64.3 million; (ii) higher staff cost and incentives by RMB 49.7 million; (iii) increase in provision of allowance for impairment on receivables by RMB 6.9 million; offset by (iv) decrease in other administrative expenses by RMB 0.3 million.

Other operating expenses was RMB 2.6 million in 3Q2018, mainly consisting of donations to charitable organisations and PPE written off.

Profit before tax ("PBT") increased by 67% from RMB 103.6 million in 3Q2017 to RMB 172.8 million in 3Q2018. PBT for 9M2017 increased by 102% from RMB 281.2 million in 9M2017 to RMB 569.2 million, mainly due to higher gross profit generated.

Net profit attributable to shareholders increased by 85% from RMB 77.6 million in 3Q2017 to RMB 143.4 million in 3Q2018; Net profit for 9M2017 increased by 154% from RMB 209.3 million in 9M2017 to RMB 532.6 million, mainly due to the increase in PBT generated and the decrease in income tax expenses as Shandong Sunshine obtained "high-tech enterprise" status, and is entitled to a concessionary tax rate of 15%.

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 2Q2018 results announcement, the Company stated that "the Group expects that the ASP of rubber chemical will continue to normalise", and "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." 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 6.5%¹ and 6.7% in 3Q2018 and 9M2018, respectively. Automakers sold a total of 20.49² million units in China in 9M2018, representing 1.49% growth in auto sales year-on-year. China's economy is facing a slowdown in its growth. Both geopolitical and economic conditions are getting more complex and severe.

The environmental protection regulation in China continues to be stringent. The 3-year "The Battle for a Blue Sky" environmental inspection operation will materially affect all chemical companies in China, including all three of our production plants.

The ASP for rubber chemicals started to decline since the end of June 2018, but the management has observed that the ASP has stabilised in October 2018, and the Chinese tire makers have started to increase their production utilization rate in 4Q2018.

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. We remain cautiously optimistic about the Group's performance in the next 12 months, and are confident of its sustainable and stable growth.

Project updates

We are in the final stages of obtaining 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 has been completed and has started its trial-run.

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	20,000	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	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

Not applicable

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

(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 3Q2018.

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).

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
Dated: 5 November 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 third quarter financial results for the period ended 30 September 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Dated: 5 November 2018

Liu Jing Fu
Executive Director and CEO

[End of Report]