



China SunSine Chemical Holdings Ltd.

112 Robinson Road #11-01 Singapore 068902
Tel: (65) 6220-9070 Web: www.ChinaSunSine.com

Company Registration No.: 200609470N

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 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 4th Quarter Ended 31 December 2019

| | 4th quarter ended | | | Full year ended | | |
|--|-------------------|--------------|-----------|-----------------|----------------|----------|
| | 31/12/2019 | 31/12/2018 | Change % | 31/12/2019 | 31/12/2018 | Change % |
| | RMB' million | | | RMB' million | | |
| Revenue | 626.0 | 770.1 | (19%) | 2,691.6 | 3,283.3 | (18%) |
| Cost of sales | (519.2) | (520.7) | - | (1,910.8) | (2,157.4) | (11%) |
| Gross profit | 106.8 | 249.4 | (57%) | 780.8 | 1,125.9 | (31%) |
| Other operating (losses)/income | (0.9) | (0.4) | 125% | 46.5 | 38.7 | 20% |
| Other (losses)/gains, net | (0.5) | 0.6 | (183%) | (9.2) | (5.6) | 64% |
| Selling and distribution expenses | (26.6) | (28.8) | (7%) | (96.6) | (99.5) | (3%) |
| Administrative expenses | (40.4) | (48.5) | (17%) | (177.6) | (246.5) | (28%) |
| Research and development expenses | (4.5) | (29.8) | (85%) | (90.8) | (101.5) | (11%) |
| Finance expense | (0.2) | - | n.m. | (0.5) | - | n.m. |
| Profit before tax | 33.7 | 142.3 | (76%) | 452.6 | 711.6 | (36%) |
| Income tax expenses | 9.3 | (33.7) | (128%) | (63.7) | (70.3) | (9%) |
| Net Profit | 43.1 | 108.6 | (60%) | 388.9 | 641.3 | (39%) |
| Other comprehensive income: | | | | | | |
| Exchange differences on translation, net of tax | 1.4 | 4.5 | (69%) | 2.3 | 2.4 | (4%) |
| Total comprehensive income for the period | 44.5 | 113.1 | (61%) | 391.2 | 643.7 | (39%) |
| Gross profit margin | 17.1% | 32.4% | (15.3pts) | 29.0% | 34.3% | (5.3pts) |
| Earnings per share (RMB cents) * | 4.42 | 11.05 | (60%) | 39.72 | 65.23 | (39%) |

* Earnings per share have been adjusted retrospectively due to share split.

Notes to the Consolidated Statement of Comprehensive Income:

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

| | 4th quarter ended | | | Full year ended | | |
|--|-------------------|------------|----------|-----------------|------------|----------|
| | 31/12/2019 | 31/12/2018 | Change % | 31/12/2019 | 31/12/2018 | Change % |
| | RMB' million | | | RMB' million | | |
| Interest income | (3.7) | (3.1) | 19% | (13.2) | (4.2) | 214% |
| Deemed interest expenses on lease liability | 0.2 | - | n.m. | 0.5 | - | n.m. |
| Depreciation of property, plant and equipment ("PPE") | 30.1 | 24.8 | 21% | 111.9 | 96.4 | 16% |
| Depreciation of right-of-use asset | 0.3 | - | n.m. | 1.1 | - | n.m. |
| Amortisation of land use rights | 0.2 | 0.3 | (33%) | 1.1 | 1.2 | (8%) |
| (Reversal of impairment) / impairment of trade receivables | (7.6) | (3.3) | 130% | (3.3) | 3.5 | (194%) |
| Foreign exchange loss / (gain) | 7.7 | 4.4 | 75% | (21.4) | (20.1) | 6% |
| Write-off of PPE | 1.0 | 1.1 | (9%) | 1.5 | 2.1 | (29%) |
| Loss on disposal of PPE | - | 0.2 | - | - | 0.2 | - |

n.m. - not meaningful

[Empty Below]

1(b)(i) Statements of Financial Position (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 | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | | 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) | 649.7 | 690.8 | - | - |
| Land use rights | | 39.0 | 40.1 | - | - |
| Right-of-use asset | (2) | 9.9 | - | - | - |
| | | <u>698.6</u> | <u>730.9</u> | <u>350.0</u> | <u>350.0</u> |
| CURRENT ASSETS | | | | | |
| Inventories | (3) | 247.1 | 217.3 | - | - |
| Trade receivables | (4) | 525.2 | 690.6 | - | - |
| Other receivables, deposits and prepayment | (5) | 167.4 | 69.9 | * | * |
| Amount owing from a subsidiary corporation | | - | - | 75.6 | 206.0 |
| Cash and bank balances | | 1,279.9 | 1,038.6 | 41.6 | 49.0 |
| | | <u>2,219.6</u> | <u>2,016.4</u> | <u>117.2</u> | <u>255.0</u> |
| TOTAL ASSETS | | <u>2,918.2</u> | <u>2,747.3</u> | <u>467.2</u> | <u>605.0</u> |
| Share capital | | 313.5 | 313.5 | 313.5 | 313.5 |
| Treasury shares | | (21.7) | (2.1) | (21.7) | (2.1) |
| Other reserves | | 526.5 | 453.8 | 55.0 | 52.7 |
| Retained profits | | 1,743.3 | 1,560.3 | 78.6 | 161.2 |
| TOTAL EQUITY | | <u>2,561.6</u> | <u>2,325.5</u> | <u>425.4</u> | <u>525.3</u> |
| LIABILITIES | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Lease liability | (2) | 9.2 | - | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade payables | | 63.9 | 63.2 | - | - |
| Other payables and accruals | (6) | 259.1 | 278.0 | 37.5 | 71.9 |
| Lease liability | (2) | 0.9 | - | - | - |
| Current tax payable | | 23.5 | 80.6 | 4.3 | 7.8 |
| | | <u>347.4</u> | <u>421.8</u> | <u>41.8</u> | <u>79.7</u> |
| TOTAL LIABILITIES | | <u>347.4</u> | <u>421.8</u> | <u>41.8</u> | <u>79.7</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>2,918.2</u> | <u>2,747.3</u> | <u>467.2</u> | <u>605.0</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 31/12/2019 | | 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 41.1 million from RMB 690.8 million to RMB 649.7 million mainly due to depreciation charged, offset by additions to PPE.

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) Inventory increased by RMB 29.8 million from RMB 217.3 million to RMB 247.1 million mainly due to more inventory produced by the Group which has not been sold at year end.

Note (4) Trade receivables decreased by RMB 165.4 million from RMB 690.6 million to RMB 525.2 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 December 2019 and 31 December 2018, the notes receivables were RMB 167.1 million and RMB 238.5 million, respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 94 million from RMB 452.1 million to RMB 358.1 million, mainly due to lower sales during the period.

The aging report of our trade receivables as at 31 December 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 | 167.1 | - | - | - | 167.1 |
| Trade receivables | 343.7 | 12.7 | 1.7 | 12.7 | 370.8 |
| Allowance for impairment | - | - | - | (12.7) | (12.7) |
| Net trade receivables | 510.8 | 12.7 | 1.7 | - | 525.2 |

Note (5) Other receivables increased by RMB 97.5 million from RMB 69.9 million to RMB 167.4 million mainly due to more advance payments made to contractors.

Note (6) Other payables decreased by RMB 18.9 million from RMB 278.0 million to RMB 259.1 million mainly due to decrease in staff incentive payables as a result of lower performance.

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 | 4th quarter ended | | 12 months ended | |
|--|------|-------------------|----------------|-----------------|----------------|
| | | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| | | RMB' million | | RMB' million | |
| Cash flows from operating activities | | | | | |
| Profit after tax | | 43.1 | 108.6 | 388.9 | 641.3 |
| Adjustments for:- | | | | | |
| Income tax expenses | | (9.3) | 33.7 | 63.7 | 70.3 |
| Depreciation of PPE | | 30.1 | 24.8 | 111.9 | 96.4 |
| Depreciation of right-of-use asset | | 0.3 | - | 1.1 | - |
| Amortisation of intangible assets | | 0.2 | 0.3 | 1.1 | 1.2 |
| PPE written off | | 1.0 | 1.1 | 1.5 | 2.1 |
| Loss on disposal of PPE | | - | 0.2 | - | 0.2 |
| Interest income | | (3.6) | (3.1) | (13.2) | (4.2) |
| Deemed interest expenses on lease liability | | 0.2 | - | 0.5 | - |
| Government grant income | | (6.3) | - | (6.3) | (7.2) |
| Translation difference | | (5.6) | 5.5 | (6.6) | (13.0) |
| Operating profit before working capital changes | | 50.1 | 171.1 | 542.6 | 787.1 |
| Changes in working capital: | | | | | |
| Inventories | | (42.0) | (19.8) | (29.8) | (5.2) |
| Trade and other receivables | | 26.6 | 152.6 | 67.9 | (47.6) |
| Trade and other payables and accruals | | 6.9 | (48.9) | (18.0) | 50.8 |
| Cash generated from operations | | 41.6 | 255.0 | 562.7 | 785.1 |
| Income taxes paid | | (22.4) | (5.8) | (121.1) | (84.1) |
| Net cash generated from operating activities | (1) | 19.2 | 249.2 | 441.7 | 701.0 |
| Cash flows from investing activities | | | | | |
| Additions to PPE | | (23.4) | (35.2) | (72.4) | (129.7) |
| Interest income received | | 3.6 | 3.1 | 13.2 | 4.2 |
| Proceeds from disposal of PPE | | - | 0.2 | - | 0.2 |
| Net cash used in investing activities | (2) | (19.8) | (31.9) | (59.2) | (125.3) |
| Cash flows from financing activities | | | | | |
| Dividend paid | | - | - | (135.5) | (58.5) |
| Purchase of treasury shares | | (2.1) | - | (19.6) | (2.1) |
| Cash deposit (pledged in)/released from bank | | (0.6) | (1.4) | 2.4 | (0.2) |
| Government grants received/(utilised) | | 6.3 | (0.2) | 6.3 | 8.4 |
| Repayment of lease liability | | (0.3) | - | (1.4) | - |
| Repayment of notes payable | | - | - | - | (9.0) |
| Proceeds from notes payable | | - | - | - | 9.0 |
| Net cash provided by/(used in) financing activities | (3) | 3.3 | (1.6) | (147.8) | (52.4) |
| Net increase in cash and cash equivalents | | 2.7 | 215.7 | 234.7 | 523.3 |
| Effect of currency translation on cash & cash equivalents | | 7.1 | (0.7) | 9.0 | 15.6 |
| Cash and cash equivalents at beginning of period/year | | 1,268.8 | 819.9 | 1,034.9 | 496.0 |
| Cash and cash equivalents at end of period/year | | 1,278.6 | 1,034.9 | 1,278.6 | 1,034.9 |
| Cash and cash equivalents at end of period/year includes the followings | | | | | |
| Cash and bank balances | | 1,279.9 | 1,038.6 | 1,279.9 | 1,038.6 |
| Cash deposit pledged with bank | | (1.3) | (3.7) | (1.3) | (3.7) |
| Cash and cash equivalents at end of period/year | | 1,278.6 | 1,034.9 | 1,278.6 | 1,034.9 |

Notes to Consolidated Statement of Cash flows for 4Q2019

- (1) Net cash generated from operating activities amounted to RMB 19.2 million mainly due to operating profit generated during the quarter, offset by the increase in inventory.
- (2) Net cash used in investing activities amounted to RMB 19.8 million mainly due to additions to PPE, offset by interest income received.
- (3) Net cash provided by financing activities amounted to RMB 3.3 million mainly due to government grants received, offset by purchase of treasury shares.

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>Total Comprehensive Income</i> | | | | | |
| Profit for the period | - | - | - | 388.9 | 388.9 |
| Exchange differences on translation, net of tax | - | - | 2.3 | - | 2.3 |
| Total comprehensive income, net of tax, for the period | - | - | 2.3 | 388.9 | 391.2 |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | |
| Purchase of treasury shares | - | (19.6) | - | - | (19.6) |
| Transfer to reserves | - | - | 70.4 | (70.4) | - |
| Dividend paid | - | - | - | (135.5) | (135.5) |
| Total distributions to owners | - | (19.6) | 70.4 | (205.9) | (155.1) |
| Balance as at 31 December 2019 | 313.5 | (21.7) | 526.5 | 1,743.3 | 2,561.6 |
| Balance as at 1 January 2018 | 313.5 | - | 389.7 | 1,039.2 | 1,742.4 |
| <i>Total Comprehensive Income</i> | | | | | |
| Profit for the period | - | - | - | 641.3 | 641.3 |
| Exchange differences on translation, net of tax | - | - | 2.4 | - | 2.4 |
| Total comprehensive income, net of tax, for the period | - | - | 2.4 | 641.3 | 643.7 |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | |
| Purchase of treasury shares | - | (2.1) | - | - | (2.1) |
| Transfer to reserves | - | - | 61.7 | (61.7) | - |
| Dividend paid | - | - | - | (58.5) | (58.5) |
| Total distributions to owners | - | (2.1) | 61.7 | (120.2) | (60.6) |
| Balance as at 31 December 2018 | 313.5 | (2.1) | 453.8 | 1,560.3 | 2,325.5 |

COMPANY

| | Share Capital | Treasury Shares | Other reserves | Retained Earnings | 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> | | | | | |
| Profit for the year | - | - | - | 52.9 | 52.9 |
| Exchange differences on translation, net of tax | - | - | 2.3 | - | 2.3 |
| Total comprehensive income, net of tax | - | - | 2.3 | 52.9 | 55.2 |
| <i><u>Transactions with owners, recorded directly in equity</u></i> | | | | | |
| Purchase of treasury shares | - | (19.6) | - | - | (19.6) |
| Dividend paid | - | - | - | (135.5) | (135.5) |
| Total distributions to owners | - | (19.6) | - | (135.5) | (155.1) |
| Balance as at 31 December 2019 | 313.5 | (21.7) | 55.0 | 78.6 | 425.4 |
| Balance as at 1 January 2018 | 313.5 | - | 50.3 | 100.9 | 464.7 |
| <i><u>Total Comprehensive Income</u></i> | | | | | |
| Profit for the year | - | - | - | 118.8 | 118.8 |
| Exchange differences on translation, net of tax | - | - | 2.4 | - | 2.4 |
| Total comprehensive income, net of tax | - | - | 2.4 | 118.8 | 121.2 |
| <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 31 December 2018 | 313.5 | (2.1) | 52.7 | 161.2 | 525.3 |

- 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 | 491,311,700 | 62,230,695 |
| Purchase of treasury shares before share split | (3,087,000) | (3,483,860) |
| Number of shares before share split | 488,224,700 | 58,746,835 |
| Number of shares after share split | 976,449,400 | 58,746,835 |
| Purchase of treasury shares after share split | (806,700) | (407,970) |
| As at 31 December 2019 | 975,642,700 | 58,338,865 |
| As at 1 January 2018 | 491,694,000 | 62,649,185 |
| Purchase of treasury shares | (382,300) | (418,490) |
| As at 31 December 2018 | 491,311,700 | 62,230,695 |

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

* Number of issued shares excludes treasury shares.

- 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 2019 | 382,300 | 418,490 |
| Purchase of treasury shares before share split | 3,087,000 | 3,483,860 |
| Number of treasury shares before share split | 3,469,300 | 3,902,350 |
| Number of treasury shares after share split | 6,938,600 | 3,902,350 |
| Purchase of treasury shares after share split | 806,700 | 407,970 |
| As at 31 December 2019 | 7,745,300 | 4,310,320 |
| As at 1 January 2018 | - | - |
| Purchase of treasury shares | 382,300 | 418,490 |
| As at 31 December 2018 | 382,300 | 418,490 |

[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) did 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.

| | 4Q2019 RMB | 4Q2018 RMB | FY2019 RMB | FY2018 RMB |
|---|---------------|---------------|---------------|---------------|
| Basic earnings per share (Basic EPS' cents) - based on weighted average number of shares on issue | 4.42 | 11.05 | 39.72 | 65.23 |
| The calculations of EPS is based on net profit and number of shares shown below: | | | | |
| Profit attributable to equity holders (RMB' million) | 43.1 | 108.6 | 388.9 | 641.3 |
| Weighted average number of shares applicable to basic EPS ('000) * | 976,285 | 982,623 | 979,109 | 983,152 |

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 December 2019.

* Weighted average number of shares have been adjusted retrospectively due to share split.

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 | |
|--|-----------------|---------------|--------------|--------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Net asset attributable to shareholders (RMB' million) | 2,561.6 | 2,325.5 | 425.4 | 525.3 |
| Net asset value per ordinary share (RMB' cents) | 262.56** | 236.66 | 43.60 | 53.46 |
| Number of issued shares * ('000) | 975,643 | 982,623*** | 975,643 | 982,623*** |

*number of issued shares excludes treasury shares

**equivalent to 50.75 Singapore cents at the exchange rate of SGD1 : RMB5.1739 as at 31 December 2019

***number of shares have been adjusted retrospectively due to share split.

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 | 4Q2019 | 4Q2018 | Change | FY2019 | FY2018 | Change |
|-------------------|--------|--------|--------|---------|---------|--------|
| Group Revenue | 626.0 | 770.1 | (19%) | 2,691.6 | 3,283.3 | (18%) |
| Gross Profit | 106.8 | 249.4 | (57%) | 780.8 | 1,125.9 | (31%) |
| Profit before tax | 33.7 | 142.3 | (76%) | 452.6 | 711.6 | (36%) |
| Net profit | 43.1 | 108.6 | (60%) | 388.9 | 641.3 | (39%) |

Commentaries on performance

Despite the continuous increase in sales volume, the Group's **4Q2019 revenue** decreased by 19% from RMB 770.1 million in 4Q2018 to RMB 626.0 million, mainly due to the decrease in overall Average Selling Price ("**ASP**").

Overall **ASP** decreased by 24% to RMB 14,466 per ton in 4Q2019 as compared to RMB 19,110 per ton in 4Q2018, mainly due to the decrease in price of raw materials, as well as the higher competition from the rubber chemicals industry.

On a quarter to quarter comparison, the ASP decreased by 5% as compared to RMB 15,297 per ton in 3Q2019.

| | Sales Volume (Tons) | | | | Sales (RMB' million) | | | |
|-------------------------------|------------------------|---------------|----------------|----------------|-------------------------|--------------|----------------|----------------|
| | 4Q19 | 4Q18 | FY19 | FY18 | 4Q19 | 4Q18 | FY19 | FY18 |
| Rubber Chemical | | | | | | | | |
| Accelerators | 22,251 | 20,961 | 88,262 | 83,255 | 383.7 | 517.6 | 1,751.7 | 2,283.2 |
| Insoluble Sulphur | 7,313 | 6,725 | 29,916 | 25,759 | 59.8 | 72.1 | 267.6 | 292.7 |
| Anti-oxidant | 12,994 | 11,850 | 47,283 | 41,095 | 171.7 | 165.1 | 622.4 | 655.1 |
| Others | 491 | 421 | 1,994 | 1,377 | 7.5 | 8.8 | 32.6 | 31.2 |
| Total | 43,049 | 39,957 | 167,455 | 151,486 | 622.7 | 763.6 | 2,674.3 | 3,262.2 |
| Domestic sales | 29,370 | 27,256 | 110,732 | 101,708 | 407.0 | 482.0 | 1,630.1 | 2,009.4 |
| International sales | 13,679 | 12,701 | 56,723 | 49,778 | 215.7 | 281.6 | 1,044.2 | 1,252.8 |
| Heating Power | 16,943 | 34,103 | 88,309 | 111,249 | 3.2 | 6.3 | 16.7 | 20.1 |
| Hotel & Restaurant | - | - | - | - | 0.1 | 0.2 | 0.7 | 1.0 |

The Group continued to increase its sales volume. **4Q2019 Sales volume** for Accelerators, Insoluble Sulphur (“**IS**”) and Anti-oxidant products increased by 6%, 9% and 10%, respectively, mainly due to (i) increase in our production of these products to meet demand, and (ii) the Group’s flexible pricing strategy as the Group concentrates more on increasing its sales volume.

As a result, both domestic and international sales volume continued to grow.

On a 12-month basis, the Group’s **sales volume** for Accelerator, IS and Anti-oxidant products increased by 6%, 16% and 15% respectively. However, the **ASP** decreased by 26% to RMB 15,970 per ton in FY2019 as compared to RMB 21,535 per ton in FY2018. As such, the Group’s **revenue** decreased by 18% to RMB 2,691.6 million as compared to RMB 3,283.3 million in FY2018.

Gross profit for 4Q2019 decreased by 57% to RMB 106.8 million from RMB 249.4 million in 4Q2018, mainly due to the decrease in ASP while the costs remained relatively stable. The Gross Profit Margin (“**GPM**”) decreased by 15.3 percentage points from 32.4% to 17.1%.

On a 12-month basis, **gross profit** decreased by 31% from RMB 1,125.9 million in FY2018 to RMB 780.8 million in FY2019. **GPM** also decreased by 5.3 percentage points from 34.3% to 29.0%, mainly due to the lower ASP.

Other operating losses of RMB 0.9 million was mainly due to foreign exchange loss offset against interest income and sales of scraped materials. On a 12-month basis, other income amounted to RMB 46.5 million, consisting mainly of foreign exchange gains, interest income, as well as government grants received.

Other losses in 4Q2019 amounted to RMB 0.5 million. On a 12-month basis, other losses amounted to RMB 9.6 million, mainly consisting of donations to charitable organisations.

Selling and distribution expenses decreased by 7% from RMB 28.8 million in 4Q2018 to RMB 26.6 million in 4Q2019. On a 12-month basis, selling and distribution expenses decreased by 3% to RMB 96.6 million as compared to RMB 99.5 million in FY2018, mainly due to decrease in incentives payable to sales personnel as a result of lower sales revenue, offset by higher freight costs as sales volume increased.

Administrative expenses decreased by 17% from RMB 48.5 million in 4Q2018 to RMB 40.4 million in 4Q2019. On a 12-month basis, administrative expenses decreased by 28% from RMB 246.5 million in FY2018 to RMB 177.6 million in FY2019. The decrease was mainly due to the decrease in accrued bonus for all personnel, including the Chairman.

Research and development (“R&D”) expenses decreased by 85% from RMB 29.8 million in 4Q2018 to RMB 4.5 million in 4Q2019. On a 12-month basis, R&D expenses decreased by 11% from RMB 101.5 million in FY2018 to RMB 90.8 million in FY2019, mainly due to almost all the R&D projects being nearly completed in 4Q2019.

Profit before tax (PBT) decreased by 76% from RMB 142.3 million in 4Q2018 to RMB 33.7 million in 4Q2019. On a 12-month basis, PBT decreased by 36% from RMB 711.6 million in FY2018 to RMB 452.6 million in FY2019, mainly due to the decrease in gross profits.

Income tax credit of RMB 9.3 million recognised in 4Q2019 was mainly due to the reversal of prior years’ over-provision of income taxes.

Net profit attributable to shareholders (PAT) decreased by 60% from RMB 108.6 million in 4Q2018 to RMB 43.1 million in 4Q2019 as a result of lower PBT. On a 12-month basis, FY2019 PAT also decreased by 39% from RMB 641.3 million in FY2018 to RMB 388.9 million.

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 3Q2019 results announcement, the Company stated that “China’s economic growth is continuing to slow down. Raw material prices are still hovering at low levels, and as such, the Group’s ASP for rubber chemicals is still under pressure.” “The Group will continue to maintain our strategy that “higher production leads to higher sales volume, which in turn stimulates even higher production”, and focus more on increasing its sales volume with flexible pricing strategy.” Therefore, the current results are in line with the Company’s commentary in paragraph 10 of its 3Q2019 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 6.0%¹ and 6.1%¹ in 4Q2019 and FY2019, respectively. Automakers sold a total of 25.77² million units in China in FY2019, a decrease of 8.2% year-on-year.

Due to the outbreak of the Coronavirus Disease (COVID-19), the Chinese government has implemented a series of actions to contain the spreading of the virus, which included extending the official Chinese New Year holidays, and delaying the resumption of work and factory openings throughout China. As such, the Group’s production had been delayed for an additional week after the original holiday period. Chinese automakers’ productions have also been consequently affected, and their production utilisation rates are currently very low, which has affected the market demand for rubber chemicals.

The Group is also facing other challenges. Raw material prices are still hovering at low levels, and as such, the Group’s ASP for rubber chemicals continues to come under pressure. In addition, some players in our industry may have increased their production capacities. As such, we expect further challenges to our ASP arising from greater competition from such players.

The Group will continue to maintain our strategy that “higher production leads to higher sales volume, which in turn stimulates even higher production”, and focus more on increasing its sales volume with flexible pricing strategy.

Expansion Projects

1. Phase 1 30,000-ton per annum IS project

As stated in our 2Q2019 results announcement dated 6 August 2019, the Group is intending to utilise approximately 300 mu of the piece of land at Shanxian Chemical Zone to build and construct a 60,000-ton per annum IS plant thereon, to be carried out in 2 phases. The construction of Phase 1 30,000-ton IS plant has started and is targeted to be completed by the end of 2020. Commercial production will commence in 2021. The budget for this Phase 1 project is approximately RMB 270 million.

2. Phase 2 20,000-ton per annum TBBS project

As planned, the Phase 2, 20,000-ton TBBS production line will be added to our existing TBBS line, which will bring our new fully-automated TBBS production capacity to 30,000-ton per annum in total. The installation of the Phase 2 production line has already started, and is targeted to be completed by June 2020. As the relevant government approvals have already been obtained, the management expects the commercial production of this 20,000-ton TBBS to commence shortly after successful trial-run. The budget for this Phase 2, 20,000-ton TBBS is approximately RMB 60 million.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

3. 30,000-ton per annum TMQ project

The Group also intends to further expand its TMQ capacity by constructing another 30,000-ton per annum TMQ plant to be located in Shanxian, with a budget of approximately RMB 150 million. This project is also expected to be completed by the end of 2020, and the commercial production will begin in 2021. After the completion of the TMQ project, our total capacity for TMQ will reach 40,000 tons per annum, which will bring our total capacity for anti-oxidant products to 75,000 tons per annum.

These three expansion projects are in line with the Group's long term objectives, which is to continue to focus on the production of rubber accelerator products and enhance our market position as a global leader in this field, and in addition, we seek to increase our market share of insoluble sulphur and anti-oxidant products. We will maximise the scale and efficiency of our production to maintain our current market advantage in an environmentally-friendly way.

Below is a summary of our estimated Annual Capacity³ at the end of each financial year:

| Tons | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020e |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Accelerators | 87,000 | 87,000 | 87,000 | 87,000 | 87,000 | 97,000 | 117,000 |
| Insoluble Sulphur | 20,000 | 20,000 | 20,000 | 20,000 | 30,000 | 30,000 | 30,000 |
| Anti-oxidant | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Total | 152,000 | 152,000 | 152,000 | 152,000 | 162,000 | 172,000 | 192,000 |

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

| Name of dividend | Proposed Final |
|---------------------------|----------------------------|
| Dividend Type | Cash |
| Dividend amount per share | SGD0.01 per ordinary share |
| Tax Rate | One-tier Tax exempt |

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Dividend of S\$0.055 per ordinary share (equivalent to S\$0.0275 per ordinary share assuming share split had been completed in FY2018) were declared in 4Q2018.

(c) Date payable

To be announced at a later date

(d) Books closure date

To be announced at a later date

(e) Last cum-dividend Trading Date

To be announced at a later date

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

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.

No general mandate from shareholders for IPTs.

14. Negative confirmation pursuant to Rule 705(5)

Not applicable as it is not required for announcement on full year results.

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).

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Business Segment

The Group has two business segments, namely (1) the production and sale of rubber chemicals, and (2) the production and supply of heating power.

| RMB' million | Rubber Chemicals | | Heating Power | | Others | | Total | |
|----------------------------------|------------------|---------|---------------|---------|--------|--------|---------|-----------|
| | FY2019 | FY2018 | FY2019 | FY2018 | FY2019 | FY2018 | FY2019 | FY2018 |
| External Revenue | 2,674.3 | 3,262.2 | 16.7 | 20.1 | 0.6 | 1.0 | 2,691.6 | 3,283.3 |
| Inter-segments revenue | 705.5 | 902.1 | 115.0 | 101.6 | 0.6 | 0.6 | 821.1 | 1,004.3 |
| Elimination | (705.5) | (902.1) | (115.0) | (101.6) | (0.6) | (0.6) | (821.1) | (1,004.3) |
| Revenue | 2,674.3 | 3,262.2 | 16.7 | 20.1 | 0.6 | 1.0 | 2,691.6 | 3,283.3 |
| Segment profit/(loss) before tax | 456.5 | 777.1 | 3.0 | 3.4 | (6.4) | (68.9) | 452.6 | 711.6 |

Geographical segment

Except for the Group's revenue, which is disclosed in the below table, all the expenses, results, assets and liabilities and capital expenditures are principally attributable to a single geographical region, which is the People's Republic of China.

| RMB' million | FY2019 | % | FY2018 | % |
|--------------|----------------|------|----------------|------|
| PRC | 1,657.4 | 62% | 2,030.5 | 62% |
| Rest of Asia | 599.3 | 22% | 814.5 | 25% |
| America | 83.2 | 3% | 73.3 | 2% |
| Europe | 305.1 | 11% | 284.4 | 9% |
| Others | 46.6 | 2% | 80.6 | 2% |
| Total | 2,691.6 | 100% | 3,283.3 | 100% |

17. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

See Para 8 above for factors leading to material changes in contributions to turnover and earnings.

18. **A breakdown of sales as follows:-**

| Group | Year ended 31/12/2019 RMB' million | Year ended 31/12/2018 RMB' million | Change |
|--|---------------------------------------|---------------------------------------|--------|
| (a) Sales reported for first half year | 1,413.6 | 1,737.5 | (19%) |
| (b) Operating profit after tax before deducting minority interests reported for first half year | 265.9 | 389.2 | (32%) |
| (c) Sales reported for second half year | 1,278.0 | 1,545.8 | (17%) |
| (d) Operating profit after tax before deducting minority interests reported for second half year | 123.0 | 252.1 | (51%) |

19. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-.**

| | FY2019 S\$ | FY2018 S\$ |
|-------------------|------------------|-------------------|
| Ordinary Shares* | 9,756,427 | 27,022,144 |
| Preference Shares | - | - |
| Total: | 9,756,427 | 27,022,144 |

*Based on number of Ordinary Shares (excluding Treasury Shares) as at 31 January 2020

20. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

| Name | Age | Family relationship with any director, chief executive officer or substantial shareholder | Current position and duties, and the year position was first held | Details of changes in duties and position held, if any, during the year |
|--------------|-----|---|--|---|
| Xu Cheng Qiu | 76 | Father of Xu Jun, Executive Director and Vice Chairman of Shandong Sunshine Chemical Co., Ltd; Father of Xu Chi, General Manager Assistant of Shandong Sunshine Chemical Co., Ltd; Uncle of Xu Xianlei, Executive Director and General Manager of Shandong Sunshine Chemical Co., Ltd | Executive Chairman Responsible for the overall management, formulation and implementation of business strategies for the Group (since 2006). | No Change |
| Xu Jun | 50 | Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Cousin of Xu Xianlei, Executive Director and General Manager of Shandong Sunshine Chemical Co., Ltd Brother of Xu Chi, General Manager Assistant of Shandong Sunshine Chemical Co., Ltd; | Executive Director (since 2007) and Vice Chairman of Shandong Sunshine Chemical Co., Ltd, assisting Chairman in strategic planning, direction and overall management of subsidiary (since 2013). | No Change |
| Xu Xianlei | 41 | Nephew of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Cousin of Xu Jun, Executive Director and | Executive Director (since 2018) and General Manager of Shandong Sunshine Chemical Co., Ltd, responsible for overseeing the | No Change |

| | | | | |
|--------|----|---|--|--|
| | | <p>Vice Chairman of Shandong Sunsine Chemical Co., Ltd;</p> <p>Cousin of Xu Chi, General Manager Assistant of Shandong Sunsine Chemical Co., Ltd;</p> | <p>management and operations of China subsidiaries (since 2018).</p> | |
| Xu Chi | 46 | <p>Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder;</p> <p>Brother of Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd;</p> <p>Cousin of Xu Xianlei, Executive Director and General Manager of Shandong Sunsine Chemical Co., Ltd</p> | <p>General Manager Assistant of Shandong Sunsine Chemical Co., Ltd, in charge of procurement and market information department (since 2019).</p> | <p>Head of Sales Department 1st Division, Shandong Sunsine Chemical Co., Ltd (since 2016)</p> |

BY ORDER OF THE BOARD

Xu Cheng Qiu
Executive Chairman
28 February 2020