



## China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

### UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF-YEAR ENDED 30 JUNE 2020

#### 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 half-year ended 30 June 2020

	6 months ended		Change %
	30/06/2020	30/06/2019	
	RMB' million		
<b>Revenue</b>	<b>1,042.6</b>	<b>1,413.6</b>	(26%)
Cost of sales	(800.7)	(925.6)	(13%)
<b>Gross profit</b>	<b>241.9</b>	<b>488.0</b>	(50%)
Other income	24.9	16.6	50%
Other losses, net	(2.2)	(7.2)	(69%)
Selling and distribution expenses	(34.1)	(46.9)	(27%)
Administrative expenses	(83.9)	(63.1)	33%
Research and development expenses	(31.5)	(67.2)	(53%)
Finance expenses	(0.2)	(0.2)	-
<b>Profit before tax</b>	<b>114.9</b>	<b>320.0</b>	(64%)
Income tax expenses	(32.5)	(54.1)	(40%)
<b>Profit after tax</b>	<b>82.4</b>	<b>265.9</b>	(69%)
<b>Other Comprehensive income:</b>			
Exchange differences on translation, net of tax	(2.2)	0.7	(414%)
<b>Total comprehensive income for the period</b>	<b>80.2</b>	<b>266.6</b>	(70%)
Gross profit margin	<b>23.2%</b>	<b>34.5%</b>	(11.3 pts)
Earnings per share (RMB cents)*	<b>8.46</b>	<b>27.09</b>	(69%)

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

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**Notes to the Group Statement of Comprehensive Income:**

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

	6 months ended		Change %
	30/06/2020	30/06/2019	
	RMB' million		
Interest income	(9.0)	(4.6)	96%
Deemed interest expenses on lease liability	0.2	0.2	-
Depreciation of property, plant and equipment ("PPE")	58.8	50.5	16%
Depreciation of right-of-use asset	0.6	0.6	-
Amortisation of land use rights	0.6	0.6	-
Impairment/(reversal of impairment) of trade receivables	1.7	(1.3)	(231%)
Foreign exchange gain	(14.2)	(8.8)	61%
Write-off of PPE	4.1	0.4	(925%)

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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>	
		30/6/2020 RMB' million	31/12/2019 RMB' million	30/6/2020 RMB' million	31/12/2019 RMB' million
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary corporation		-	-	350.0	350.0
Property, plant and equipment	(1)	704.7	649.7	-	-
Land use rights		38.4	39.0	-	-
Right-of-use asset		9.3	9.9	-	-
		<b>752.4</b>	<b>698.6</b>	<b>350.0</b>	<b>350.0</b>
<b>CURRENT ASSETS</b>					
Inventories	(2)	174.9	247.1	-	-
Trade receivables	(3)	508.3	525.2	-	-
Other receivables, deposits and prepayment	(4)	157.9	167.4	*	*
Amount owing from a subsidiary corporation		-	-	8.9	75.6
Cash and bank balances		1,334.5	1,279.9	16.4	41.6
		<b>2,175.6</b>	<b>2,219.6</b>	<b>25.3</b>	<b>117.2</b>
<b>TOTAL ASSETS</b>		<b>2,928.0</b>	<b>2,918.2</b>	<b>375.3</b>	<b>467.2</b>
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(26.6)	(21.7)	(26.6)	(21.7)
Other reserves		524.3	526.5	52.8	55.0
Retained earnings		1,776.9	1,743.3	22.8	78.6
<b>TOTAL EQUITY</b>		<b>2,588.1</b>	<b>2,561.6</b>	<b>362.5</b>	<b>425.4</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Lease liability		<b>8.7</b>	<b>9.2</b>	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables		56.0	63.9	-	-
Other payables and accruals	(5)	244.5	259.1	8.5	37.5
Lease liability		0.9	0.9	-	-
Current tax payable		29.8	23.5	4.3	4.3
		<b>331.2</b>	<b>347.4</b>	<b>12.8</b>	<b>41.8</b>
<b>TOTAL LIABILITIES</b>		<b>339.9</b>	<b>356.6</b>	<b>12.8</b>	<b>41.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,928.0</b>	<b>2,918.2</b>	<b>375.3</b>	<b>467.2</b>

\* - 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 30/06/2020		As at 31/12/2019	
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 55.0 million from RMB 649.7 million to RMB 704.7 million mainly due to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Note (2) Inventories decreased by RMB 72.2 million from RMB 247.1 million to RMB 174.9 million, mainly due to the decrease in raw material price.

Note (3) Trade receivables decreased by RMB 16.9 million from RMB 525.2 million to RMB 508.3 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 2020 and 31 December 2019, the notes receivables were RMB 183.5 million and RMB 167.1 million, respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have decreased by RMB 33.3 million from RMB 358.1 million to RMB 324.8 million, mainly due to lower sales during the period.

The aging report of trade receivables as at 30 June 2020 was as follows:-

	<b>1 – 3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>&gt; 12 months</b>	<b>Total</b>
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	183.5	-	-	-	183.5
Trade receivables	304.9	19.6	3.5	11.2	339.2
Loss allowance	-	-	(3.2)	(11.2)	(14.4)
<b>Net trade receivables</b>	<b>488.4</b>	<b>19.6</b>	<b>0.3</b>	<b>-</b>	<b>508.3</b>

Note (4) Other receivables decreased by RMB 9.5 million from RMB 167.4 million to RMB 157.9 million mainly due to lower advance payments made to contractors, as majority of the construction projects have been completed.

Note (5) Other payables decreased by RMB 14.6 million from RMB 259.1 million to RMB 244.5 million mainly due to decrease in advance from customers.

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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	6 months ended	
		30/06/2020	30/06/2019
RMB' million			
<b>Cash flows from operating activities</b>			
Profit after tax		82.4	265.9
Adjustments for:-			
Income tax expenses		32.5	54.1
Depreciation of property, plant and equipment ("PPE")		58.8	50.5
Depreciation of right-of-use asset		0.6	0.6
Amortisation of intangible assets		0.6	0.6
PPE written off		4.1	0.4
Interest income		(9.0)	(4.6)
Deemed interest expenses on lease liability		0.2	0.2
Translation difference		(11.3)	(0.8)
<b>Operating profit before working capital changes</b>		<b>158.9</b>	<b>366.9</b>
Changes in working capital:			
Inventories		72.2	39.1
Trade and other receivables		26.4	14.3
Trade and other payables and accruals		(22.5)	(35.4)
<b>Cash generated from operations</b>		<b>235.0</b>	<b>384.9</b>
Income taxes paid		(26.2)	(75.0)
<b>Net cash generated from operating activities</b>	(1)	<b>208.8</b>	<b>309.9</b>
<b>Cash flows from investing activities</b>			
Additions to PPE		(117.8)	(34.4)
Interest income received		9.0	4.6
<b>Net cash used in investing activities</b>	(2)	<b>(108.8)</b>	<b>(29.8)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(48.8)	(135.5)
Cash deposit (pledged with)/released from bank		(0.2)	3.0
Repayment of lease liability		(0.6)	(0.6)
Purchase of treasury shares		(4.9)	(14.9)
<b>Net cash used in financing activities</b>	(3)	<b>(54.5)</b>	<b>(148.0)</b>
<b>Net increase in cash and cash equivalents</b>		<b>45.5</b>	<b>132.1</b>
<b>Effect of currency translation on cash and cash equivalents</b>		<b>8.9</b>	<b>1.5</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,278.6</b>	<b>1,034.9</b>
<b>Cash and cash equivalents at end of period</b>		<b>1,333.0</b>	<b>1,168.5</b>
<b>Cash and cash equivalents at end of period include the followings</b>			
Cash and cash equivalents		1,334.5	1,169.2
Cash deposit pledged with bank		(1.5)	(0.7)
<b>Cash and cash equivalents at end of period</b>		<b>1,333.0</b>	<b>1,168.5</b>

**Notes to cash flows for 1H2020**

- (1) Net cash generated from operating activities amounted to RMB 208.8 million was mainly due to profit generated during the quarter as well as the decrease in inventories.
- (2) Net cash used in investing activities amounted to RMB 108.8 million was mainly due to additions to PPE offset by interest income received.
- (3) Net cash used in financing activities amounted to RMB 54.5 million was mainly due to distribution of dividends and 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 Consolidated Statement of Changes in Equity

<b>GROUP</b>	<b>Share Capital</b>	<b>Treasury Shares</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>
<b>Balance as at 1 January 2020</b>	<b>313.5</b>	<b>(21.7)</b>	<b>526.5</b>	<b>1,743.3</b>	<b>2,561.6</b>
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	82.4	82.4
Exchange differences on translation, net of tax	-	-	(2.2)	-	(2.2)
Total comprehensive income, net of tax, for the period	-	-	(2.2)	82.4	80.2
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(4.9)	-	-	(4.9)
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(4.9)	-	(48.8)	(53.7)
<b>Balance as at 30 June 2020</b>	<b>313.5</b>	<b>(26.6)</b>	<b>524.3</b>	<b>1,776.9</b>	<b>2,588.1</b>
<b>Balance as at 1 January 2019</b>	<b>313.5</b>	<b>(2.1)</b>	<b>453.8</b>	<b>1,560.3</b>	<b>2,325.5</b>
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	265.9	265.9
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
Total comprehensive income, net of tax, for the period	-	-	0.7	265.9	266.6
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(14.9)	-	-	(14.9)
Dividend paid	-	-	-	(135.5)	(135.5)
Total distributions to owners	-	(14.9)	-	(135.5)	(150.4)
<b>Balance as at 30 June 2019</b>	<b>313.5</b>	<b>(17.0)</b>	<b>454.5</b>	<b>1,690.7</b>	<b>2,441.7</b>

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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
<b>Balance as at 1 January 2020</b>	<b>313.5</b>	<b>(21.7)</b>	<b>55.0</b>	<b>78.6</b>	<b>425.4</b>
<i>Total Comprehensive Income</i>					
Loss for the period	-	-	-	(7.0)	(7.0)
Exchange differences on translation, net of tax	-	-	(2.2)	-	(2.2)
<b>Total comprehensive income, net of tax, for the period</b>	<b>-</b>	<b>-</b>	<b>(2.2)</b>	<b>(7.0)</b>	<b>(9.2)</b>
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(4.9)	-	-	(4.9)
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(4.9)	-	(48.8)	(53.7)
<b>Balance as at 30 June 2020</b>	<b>313.5</b>	<b>(26.6)</b>	<b>52.8</b>	<b>22.8</b>	<b>362.5</b>
<b>Balance as at 1 January 2019</b>	<b>313.5</b>	<b>(2.1)</b>	<b>52.7</b>	<b>161.2</b>	<b>525.3</b>
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	5.3	5.3
Exchange differences on translation, net of tax	-	-	0.7	-	0.7
<b>Total comprehensive income, net of tax, for the period</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>5.3</b>	<b>6.0</b>
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(14.9)	-	-	(14.9)
Dividend paid	-	-	-	(135.5)	(135.5)
Total distributions to owners	-	(14.9)	-	(135.5)	(150.4)
<b>Balance as at 30 June 2019</b>	<b>313.5</b>	<b>(17.0)</b>	<b>53.4</b>	<b>31.0</b>	<b>380.9</b>

**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\$
<b>As at 1 January 2020</b>	<b>975,642,700</b>	<b>58,338,865</b>
Purchase of treasury shares during the period	(3,381,100)	(994,690)
<b>As at 30 June 2020</b>	<b>972,261,600</b>	<b>57,344,175</b>
<b>As at 1 January 2019</b>	<b>491,311,700</b>	<b>62,230,695</b>
Purchase of treasury shares during the period	(2,579,000)	(2,973,422)
<b>As at 30 June 2019</b>	<b>488,732,700</b>	<b>59,257,273</b>

There were no outstanding convertibles issued by the Company as at 30 June 2020.

\*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\$
<b>As at 1 January 2020</b>	<b>7,745,300</b>	<b>4,310,320</b>
Purchase of treasury shares during the period	3,381,100	994,690
<b>As at 30 June 2020</b>	<b>11,126,400</b>	<b>5,305,010</b>
<b>As at 1 January 2019</b>	<b>382,300</b>	<b>418,490</b>
Purchase of treasury shares during the period	2,579,000	2,973,422
<b>As at 30 June 2019</b>	<b>2,961,300</b>	<b>3,391,912</b>

*[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 2019.

**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 amendments to Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for the financial period beginning on or after 1 January 2020. 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.

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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.**

	1H2020 RMB (cents)	1H2019 RMB (cents)
<b>Basic Earnings per share (Basic EPS)</b> - based on weighted average number of shares on issue	<b>8.46</b>	<b>27.09</b>
The calculations of EPS was based on net profit and number of shares shown below:		
Profit attributable to equity holders (RMB' million)	82.4	265.9
Weighted average number of shares applicable to basic EPS ('000)*	973,756	981,536

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 June 2020.

\* 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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Net asset attributable to shareholders (RMB' million)	2,588.1	2,561.6	362.5	425.4
Net asset value per ordinary share (RMB cents)	<b>266.19**</b>	<b>262.56</b>	<b>37.28</b>	<b>43.60</b>
Number of issued shares * ('000)	972,262	975,643	972,262	975,643

\* number of issued shares excludes treasury shares

\*\* equivalent to SGD 52.39 cents at exchange rate of 5.0813 as at 30 June 2020

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	1H2020	1H2019	Change %
Group Revenue	1,042.6	1,413.6	(26%)
Gross Profit	241.9	488.0	(50%)
Profit before tax	114.9	320.0	(64%)
Net profit	82.4	265.9	(69%)

### **Commentaries on performance**

**Revenue** decreased by 26% to RMB 1,042.6 million in 1H2020 as compared to RMB 1,413.6 million in 1H2019, due to the decrease in both overall Average Selling Price ("**ASP**") and sales volume.

ASP decreased by 21% to RMB 13,560 per ton in 1H2020 as compared to RMB 17,107 per ton in 1H2019. The decrease in ASP was mainly due to (i) the decrease in the price of raw materials, and (ii) the COVID-19 pandemic which resulted in lower production utilization rate of the global tire manufacturers which in turn led to a lower demand for rubber chemicals, thereby causing higher competition in our industry. As such, the ASP was also affected.

## Analysis of Sales and Volume

	Sales Volume (Tons)		Sales (RMB'm)	
	1H2020	1H2019	1H2020	1H2019
<b>Rubber Chemical</b>				
Accelerators	40,480	43,790	654.7	953.3
Insoluble Sulphur	13,333	14,930	100.7	140.7
Anti-oxidant	21,564	22,385	266.5	293.0
Others	943	973	13.0	17.1
<b>Total</b>	<b>76,320</b>	<b>82,078</b>	<b>1,034.9</b>	<b>1,404.1</b>
<i>Local Sales</i>	<i>52,827</i>	<i>53,534</i>	<i>675.6</i>	<i>838.1</i>
<i>International Sales</i>	<i>23,493</i>	<i>28,544</i>	<i>359.3</i>	<i>566.0</i>
<b>Heating Power</b>	<b>39,707</b>	<b>48,623</b>	<b>7.6</b>	<b>9.1</b>
<b>Hotel &amp; Restaurant</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>0.4</b>

Due to the unexpected outbreak of COVID-19 which has a huge impact on the global economy, our customers' productions and operations had been adversely affected. As such, **1H2020 Sales volume** for Accelerators, Insoluble Sulphur ("IS") and Anti-oxidant products decreased by 8%, 11% and 4%, respectively.

**Gross profit** decreased by 50% from RMB 488.0 million in 1H2019 to RMB 241.9 million in 1H2020, and GPM decreased 11.3 percentage points from 34.5% to 23.2%. The decreases were mainly due to the decrease in ASP.

**Other income** was RMB 24.9 million in 1H2020, consisting of mainly foreign exchange gain and interest income.

**Other losses** amounted to RMB 2.2 million in 1H2020, mainly consisting of donations to Shanxian County Disease Prevention Centre and the Red Cross to fight against COVID-19.

**Selling and distribution expenses** decreased by 27% from RMB 46.9 million in 1H2019 to RMB 34.1 million in 1H2020 mainly due to lower freight costs and lower incentive payments to sales personnel as a result of lower sales volume and revenue.

**Administrative expenses** increased by 33% from RMB 63.1 million in 1H2019 to RMB 83.9 million in 1H2020. The increase was mainly due to (i) a reversal of overaccrual of our Chairman's bonus of RMB 7.9 million made in 1H2019, whereas RMB 0.5 million was accrued in 1H2020; (ii) an increase in depreciation charge amounting to RMB 8.0 million due to more downtime; (iii) an increase in impairment for trade receivables of RMB 4.0 million; and (iv) increase in other expenses of RMB 0.4 million.

**Research and development ("R&D")** expenses decreased by 53% from RMB 67.2 million in 1H2019 to RMB 31.5 million in 1H2020, as lesser R&D activities were carried out by the subsidiary, Shandong Sunshine.

**Profit before tax ("PBT")** decreased by 64% from RMB 320.0 million in 1H2019 to RMB 114.9 million in 1H2020, mainly due to decrease in sales revenue and gross profit.

**Income tax expense** decreased by 40% from RMB 54.1 million in 1H2019 to RMB 32.5 million in 1H2020. The effective income tax rate was approximately 28% in 1H2020 compared to 17% in 1H2019. The increase in the effective income tax rate was mainly due to the expiry on 27 December 2019 of the "High-tech Enterprise" status of our main subsidiary, Shandong Sunshine, which was obtained earlier on 28 December 2017. Management is of the view that the possibility of renewing the "High-tech Enterprise"

status this year is low, hence no renewal application was submitted in 2020. As such, the income tax expenses were accrued based on the statutory rate of 25%.

For the reasons set out above, **Net profit attributable to shareholders** decreased by 69% from RMB 265.9 million in 1H2019 to RMB 82.4 million in 1H2020.

**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 our 4Q2019 results announcement, the Company stated that “China’s economy is continuing to slow down. Raw material prices are hovering at lower levels, and as such, the Group’s ASP for rubber chemicals is under pressure. In addition, some players in our industry have, through investing more in technological upgrading and environmental protection and safety production equipment, resumed their operations. As such, competition is expected to be more intense, which will further challenge our ASP. These circumstances remain unchanged.” Therefore, the current results are in line with the Company’s commentary in paragraph 10 of its previous quarterly results announcement.

The outbreak and evolving situation of the COVID-19 pandemic has also worsen the Group’s performance.

**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 3.2%<sup>1</sup> in 2Q2020, up from -6.8% in 1Q2020, which shows that China’s overall economy is recovering rapidly. Automakers sold a total of 10.26 million units in China in the first half of 2020<sup>2</sup>, representing a decrease of 16.9% in auto sales year-on-year.

As stated in the Company’s announcement dated 26 May 2020, the Group’s business has been significantly affected by the COVID-19 pandemic. Although the Group resumed its production in February, its production facilities are currently operating at approximately 80% utilisation rate due to lower demand from its customers.

The international situation is volatile and many global economies are sinking into or are already in a deep recession. The spread of the COVID-19 pandemic outside China is still accelerating rapidly, and some countries which have been successful initially in containing the pandemic are currently experiencing a second wave of COVID-19. The ongoing tensions between the US and China have escalated sharply in recent weeks, which have caused greater uncertainties amid these challenging times.

On a Group level, raw material prices are still hovering at low levels, and as such, the Group’s ASP for rubber chemicals is under increasing pressure. In addition, some players in our industry may have increased their production capacities, which will likely create greater competition for our products moving forward.

Despite these challenges, we are confident that the Group will weather this economic downturn and emerge stronger than our competitors, given our strong balance sheet and financial position, our market leadership position, our ability to provide high quality products, large-scale production, full product range of rubber chemicals, and compliance with national environmental protection laws and regulations. The Group will seek to improve its sales, and take the necessary steps to focus on operational improvement, reduce raw material consumption, control cost, eliminate wastage, and strengthen its cash flow management in order to achieve sustainable growth. We remain confident about the Group’s profitability in the next 12 months.

Updates of capacity expansion plans

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<sup>1</sup> Source: National Bureau of Statistics

<sup>2</sup> Source: China Association of Automobile Manufacturing

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

The construction of the infrastructure has been completed, and we are in the process of installing the relevant machinery. The expected completion time remains unchanged, which is by end of 2020. Commercial production will commence in 2021 depending on the market situation.

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

The Phase 2, 20,000-ton per annum TBBS project and the trial-run has been completed. We have also started commercial production. However, due to the lower demand caused by COVID-19, the production capacity has not been fully utilised.

3. 30,000-ton per annum TMQ project

This project is still at its early stage, and the relevant environmental and safety agencies have just approved our applications, with construction commencing at the beginning of August 2020. The project is expected to complete by 1H2021 due to the delay in the approvals.

Below is a summary of our estimated Annual Capacity<sup>3</sup> at the end of each financial year:

Tons	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
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
<b>Total</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>162,000</b>	<b>172,000</b>	<b>192,000</b>

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?

No.

(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 1H2020. The Board of Directors will assess the dividend payment when the full year results are out.

<sup>3</sup> Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

None

14. **Negative confirmation pursuant to Rule 705(5)**

Please see below confirmation.

15. **Confirmation that issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has procured undertakings from all directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**BY ORDER OF THE BOARD**

**Xu Cheng Qiu**  
**Executive Chairman**  
**Dated: 12 August 2020**

**Confirmation by the Board pursuant to Rule 705(5) of the SGX Listing Manual**

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first half-year financial results for the period ended 30 June 2020 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Xu Cheng Qiu**  
**Executive Chairman**

**Dated: 12 August 2020**

**Liu Jing Fu**  
**Executive Director & CEO**

[End of Report]