



China Sunshine Chemical Holdings Ltd.
Unaudited Condensed Interim Financial Statements
For the second half and full year ended 31 December 2021

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A. Condensed Interim Consolidated Statement of Comprehensive Income

	Note	6 months ended		GROUP		12 months ended		Change %
		31/12/2021	31/12/2020	Change %	31/12/2021	31/12/2020	Change %	
		RMB' million			RMB' million			
Revenue	4	1,967.7	1,291.1	52%	3,725.2	2,333.7	60%	
Cost of sales		(1,473.5)	(932.7)	58%	(2,678.7)	(1,733.4)	55%	
Gross profit		494.2	358.4	38%	1,046.5	600.3	74%	
Other income		70.6	12.3	474%	104.1	25.0	316%	
Other (losses)/gains, net		(4.9)	(27.8)	(82%)	(11.5)	(17.8)	(35%)	
Distribution and marketing expenses		(48.4)	(39.7)	22%	(96.0)	(73.8)	30%	
Administrative expenses		(119.3)	(72.7)	64%	(233.2)	(156.6)	49%	
Research and development expenses		(53.8)	(43.8)	23%	(110.8)	(75.3)	47%	
Finance expenses		-	(1.1)	n.m.	-	(1.3)	n.m.	
Profit before income tax	5	338.4	185.6	82%	699.1	300.5	133%	
Income tax expenses	6	(97.3)	(49.2)	98%	(192.8)	(81.7)	136%	
Net profit		241.1	136.4	77%	506.3	218.8	131%	
Other comprehensive income:								
Currency translation differences arising from consolidation, net of tax		(2.0)	(1.1)	82%	(3.2)	(3.3)	(3%)	
Total comprehensive income for the period		239.1	135.3	77%	503.1	215.5	133%	
Net profit attributable to:								
Equity holders of the Company		241.1	136.4	77%	506.3	218.8	131%	
Total comprehensive income attributable to:								
Equity holders of the Company		239.1	135.3	77%	503.1	215.5	133%	
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)								
Basic and diluted earnings per share		24.85	14.04	77%	52.17	22.50	132%	

n.m. – not meaningful

B. Condensed Interim Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		31/12/2021 RMB' million	31/12/2020 RMB' million	31/12/2021 RMB' million	31/12/2020 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiary corporations	10	-	-	350.0	350.0
Property, plant and equipment	11	939.1	864.6	-	-
Intangible assets	12	144.7	68.3	-	-
		<u>1,083.8</u>	<u>932.9</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	13	357.3	197.5	-	-
Trade and other receivables	14	1,104.9	715.5	149.0	68.8
Cash and bank balances		1,377.3	1,326.2	5.2	6.5
		<u>2,839.5</u>	<u>2,239.2</u>	<u>154.2</u>	<u>75.3</u>
TOTAL ASSETS		<u>3,923.3</u>	<u>3,172.1</u>	<u>504.2</u>	<u>425.3</u>
Share capital	15	313.5	313.5	313.5	313.5
Treasury shares	15	(30.2)	(29.3)	(30.2)	(29.3)
Other reserves		646.2	566.1	48.6	51.8
Retained earnings		2,246.6	1,870.4	125.0	74.6
TOTAL EQUITY		<u>3,176.1</u>	<u>2,720.7</u>	<u>456.9</u>	<u>410.6</u>
CURRENT LIABILITIES					
Trade and other payables	16	637.8	409.6	36.3	7.6
Current tax payable		109.4	41.8	11.0	7.1
		<u>747.2</u>	<u>451.4</u>	<u>47.3</u>	<u>14.7</u>
TOTAL LIABILITIES		<u>747.2</u>	<u>451.4</u>	<u>47.3</u>	<u>14.7</u>
TOTAL EQUITY AND LIABILITIES		<u>3,923.3</u>	<u>3,172.1</u>	<u>504.2</u>	<u>425.3</u>

C. Condensed Interim Consolidated Statement of Changes in Equity

GROUP	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2021	313.5	(29.3)	566.1	1,870.4	2,720.7
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	506.3	506.3
Currency translation differences arising from consolidation, net of tax	-	-	(3.2)	-	(3.2)
Total comprehensive income, net of tax, for the period	-	-	(3.2)	506.3	503.1
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Transfer to statutory reserve	-	-	83.3	(83.3)	-
Dividend paid	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.9)	83.3	(130.1)	(47.7)
Balance as at 31 December 2021	313.5	(30.2)	646.2	2,246.6	3,176.1
Balance as at 1 January 2020	313.5	(21.7)	526.5	1,743.3	2,561.6
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	218.8	218.8
Currency translation differences arising from consolidation, net of tax	-	-	(3.3)	-	(3.3)
Total comprehensive income, net of tax, for the period	-	-	(3.3)	218.8	215.5
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(7.6)	-	-	(7.6)
Transfer to statutory reserve	-	-	42.9	(42.9)	-
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(7.6)	42.9	(91.7)	(56.4)
Balance as at 31 December 2020	313.5	(29.3)	566.1	1,870.4	2,720.7

C. Condensed Interim Consolidated Statement of Changes in Equity (Cont'd)

<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2021	313.5	(29.3)	51.8	74.6	410.6
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	97.2	97.2
Currency translation differences arising from consolidation, net of tax	-	-	(3.2)	-	(3.2)
Total comprehensive income, net of tax, for the period	-	-	(3.2)	97.2	94.0
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.9)	-	(46.8)	(47.7)
Balance as at 31 December 2021	313.5	(30.2)	48.6	125.0	456.9
Balance as at 1 January 2020	313.5	(21.7)	55.0	78.6	425.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	44.8	44.8
Currency translation differences arising from consolidation, net of tax	-	-	(3.2)	-	(3.2)
Total comprehensive income, net of tax, for the period	-	-	(3.2)	44.8	41.6
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(7.6)	-	-	(7.6)
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(7.6)	-	(48.8)	(56.4)
Balance as at 31 December 2020	313.5	(29.3)	51.8	74.6	410.6

D. Condensed Interim Consolidated Statement of Cash Flows

Note	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB' million		RMB' million	
Cash flows from operating activities				
	241.1	136.4	506.3	218.8
Profit after tax				
Adjustments for:				
	97.3	49.2	192.8	81.7
6				
Income tax expenses				
	67.5	61.7	128.2	120.5
4(b)				
Depreciation of property, plant and equipment ("PPE")				
	-	-	-	0.6
4(b)				
Depreciation of right-of-use asset				
	1.3	0.7	2.0	1.3
4(b)				
Amortisation of intangible assets				
	0.5	-	0.7	-
5.1				
Loss on disposal of PPE				
	2.5	(2.5)	4.9	1.6
5.1				
PPE written off				
	-	(0.3)	-	(0.3)
Bargain purchase from acquisition of a subsidiary				
	(10.7)	(13.1)	(24.2)	(22.1)
5.1				
Interest income				
	-	-	-	0.2
Deemed interest expenses on lease liability				
	-	1.1	-	1.1
Interest expense				
	-	(0.3)	-	(0.3)
Other income arising from de-recognition of ROU assets				
	3.4	51.1	6.5	39.8
Translation difference				
Operating profit before working capital changes				
	402.9	284.0	817.2	442.9
Changes in working capital:				
	(88.1)	(21.3)	(159.8)	50.9
Inventories				
	(230.2)	19.9	(389.4)	46.3
Trade and other receivables				
	154.2	(27.7)	228.4	(50.2)
Trade and other payables				
Cash generated from operations				
	238.8	254.9	496.4	489.9
Income taxes paid				
	(71.5)	(36.8)	(124.9)	(63.0)
Net cash generated from operating activities				
	167.3	218.1	371.5	426.9
Cash flows from investing activities				
	(58.3)	(157.5)	(213.2)	(275.3)
11				
Additions to PPE				
	(75.3)	-	(78.4)	-
12				
Additions to intangible asset				
	3.0	-	4.7	-
Proceeds from disposal of PPE				
	-	(42.4)	-	(42.4)
Acquisition of a subsidiary, net of cash acquired				
	-	60.0	-	60.0
Proceeds from disposal of financial asset				
	10.7	13.1	24.2	22.1
Interest received				
Net cash used in investing activities				
	(119.9)	(126.8)	(262.7)	(235.6)
Cash flows from financing activities				
	-	-	(46.8)	(48.8)
Dividend paid				
	4.4	(1.8)	(5.0)	(2.0)
Cash deposit released from/(pledged with) bank				
	-	(0.2)	-	(0.8)
Repayment of lease liability				
	-	(43.4)	-	(43.4)
Repayment of bank borrowings				
	-	(1.1)	-	(1.1)
Interest paid				
	(0.3)	(2.7)	(0.9)	(7.6)
Purchase of treasury shares				
Net cash generated from/(used in) financing activities				
	4.1	(49.2)	(52.7)	(103.7)
Net increase in cash and cash equivalents				
	51.5	42.1	56.1	87.6
Effect of currency translation on cash and cash equivalents				
	(5.4)	(52.2)	(10.0)	(43.3)
Cash and cash equivalents at beginning of period				
	1,322.9	1,333.0	1,322.9	1,278.6
Cash and cash equivalents at end of period				
	1,369.0	1,322.9	1,369.0	1,322.9

D. Condensed Interim Consolidated Statement of Cash Flows (Cont'd)

Cash and cash equivalents at end of period include the followings

Cash and cash equivalents	1,377.3	1,326.2	1,377.3	1,326.2
Cash deposit pledged with bank	(8.3)	(3.3)	(8.3)	(3.3)
Cash and cash equivalents at end of period	1,369.0	1,322.9	1,369.0	1,333.0

E. Selected Notes to the Condensed Interim Financial Statements

1. General information

China Sunshine Chemical Holdings Ltd. (the “**Company**”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 112 Robinson Road, #11-01, Singapore 068902.

The immediate and ultimate holding corporation of the Company is Success More Group Ltd (“**Success More**”), a company incorporated in the British Virgin Islands.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiary corporations are set out in Note 10 to the interim financial statements.

2. Basis of preparation

2.1 Statement of Compliance

The condensed interim financial statements for the second half and full year ended 31 December 2021 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last interim financial statements for the financial year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

2.2 Basis of measurement

The interim financial statements have been prepared on the historical cost basis, and they have been prepared on a going concern basis, since the directors have verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group’s ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period.

The interim financial statements are presented in Chinese Renminbi (“**RMB**”) and have been rounded to the nearest million, unless otherwise stated.

2.3 New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation in the interim financial statements for the current financial period compared with those used in the audited financial statements for the financial year ended 31 December 2020. A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.4 Use of judgements and estimates

The preparation of the interim financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Credit loss allowance for trade receivables

Expected credit losses (“**ECL**”) on trade receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Group has used four years of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the default rate to reflect the current and forward looking information.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Revenue

- (a) The Group derives revenue from the transfer of goods and services at a point in time for the following operating segments and geographical regions. Revenue is attributed to countries by location of customers.

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'million	RMB'million	RMB'million	RMB'million
Sale of rubber chemicals				
-People's Republic of China	1,203.2	896.8	2,258.2	1,572.4
-Rest of Asia	539.9	259.9	1,009.3	483.7
-America	59.7	23.3	108.7	47.8
-Europe	102.0	51.7	190.7	134.5
-Others	36.2	38.8	110.8	67.0
	<u>1,941.0</u>	1,270.5	<u>3,677.7</u>	2,305.4
Provision of heating power				
- People's Republic of China	11.7	8.2	19.1	15.8
Waste treatment				
- People's Republic of China	14.2	12.1	27.1	12.1
Hospitality income				
- People's Republic of China	0.8	0.3	1.3	0.4
Total	<u>1,967.7</u>	1,291.1	<u>3,725.2</u>	2,333.7

- (b) Segment information

The Board of Directors ("BOD") is the Group's chief operating decision-makers. Management determined the operating segments based on the reports reviewed by the BOD that are used to make strategic decision, allocate resources, and assess performance. The BOD assesses the Group's performance mainly from business segment perspective.

The Group has three reportable business segments, namely (1) the manufacturing and sale of rubber chemicals, (2) the production and supply of heating power, and (3) waste treatment.

Other segments included investment holding in Singapore and hotel and restaurant in People's Republic of China. These are not included within the reportable operating segments as the segments do not meet the quantitative thresholds required by SFRS(I) 8 for reportable segments. The results of these operations are included in the "Others" column.

The segment information for the reportable business segments is as follows:

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	<u>Rubber Chemicals</u> RMB'million	<u>Heating Power</u> RMB'million	<u>Waste Treatment</u> RMB'million	<u>Others</u> RMB'million	<u>Total</u> RMB'million
6 months ended					
31 December 2021					
Sales					
Total segment sales	2,439.4	95.7	14.8	1.0	2,550.9
Inter-segment sales	(498.5)	(83.9)	(0.6)	(0.2)	(583.2)
Sales to external parties	1,940.9	11.8	14.2	0.8	1,967.7
Adjusted EBITDA	403.3	8.7	0.4	(18.5)	393.9
Depreciation	(55.0)	(9.5)	(2.5)	(0.5)	(67.5)
Amortisation	(0.4)	(0.1)	(0.6)	(0.2)	(1.3)
Segment assets	3,639.0	180.1	86.1	18.1	3,923.3
Segment assets include:					
Additions to property, plant and equipment	50.5	3.6	4.1	0.1	58.3
Additions to intangible assets	75.3	-	-	-	75.3
Segment liabilities	554.3	54.5	66.5	71.9	747.2
6 months ended					
31 December 2020					
Sales					
Total segment sales	1,600.9	59.0	14.5	0.6	1,675.0
Inter-segment sales	(330.4)	(50.8)	(2.4)	(0.3)	(383.9)
Sales to external parties	1,270.5	8.2	12.1	0.3	1,291.1
Adjusted EBITDA	234.2	7.1	3.5	(4.6)	240.2
Depreciation	(50.0)	(9.2)	(2.0)	(0.5)	(61.7)
Amortisation	(0.3)	(0.1)	(0.1)	(0.2)	(0.7)
Segment assets	2,798.4	190.6	138.8	44.3	3,172.1
Segment assets include:					
Additions to property, plant and equipment	84.6	3.8	69.1	-	157.5
Additions to intangible assets	-	-	30.6	-	30.6
Segment liabilities	275.0	41.6	95.5	39.3	451.4

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	<u>Rubber Chemicals</u> RMB'million	<u>Heating Power</u> RMB'million	<u>Waste Treatment</u> RMB'million	<u>Others</u> RMB'million	<u>Total</u> RMB'million
12 months ended 31 December 2021					
Sales					
Total segment sales	4,551.2	171.0	29.7	1.9	4,753.8
Inter-segment sales	(873.6)	(151.9)	(2.6)	(0.5)	(1,028.6)
Sales to external parties	3,677.6	19.1	27.1	1.4	3,725.2
Adjusted EBITDA	816.1	19.6	4.5	(37.6)	802.6
Depreciation	(103.5)	(18.7)	(5.0)	(1.0)	(128.2)
Amortisation	(0.6)	(0.2)	(0.8)	(0.4)	(2.0)
Segment assets	3,639.0	180.1	86.1	18.1	3,923.3
Segment assets include:					
Additions to property, plant and equipment	200.6	5.9	6.6	0.1	213.2
Additions to intangible assets	78.4	-	-	-	78.4
Segment liabilities	554.3	54.5	66.5	71.9	747.2
12 months ended 31 December 2020					
Sales					
Total segment sales	2,941.7	112.6	14.5	1.0	3,069.8
Inter-segment sales	(636.3)	(96.8)	(2.4)	(0.6)	(736.1)
Sales to external parties	2,305.4	15.8	12.1	0.4	2,333.7
Adjusted EBITDA	390.7	16.0	3.5	(8.1)	402.1
Depreciation	(99.6)	(18.5)	(2.0)	(1.0)	(121.1)
Amortisation	(0.6)	(0.2)	(0.1)	(0.4)	(1.3)
Segment assets	2,798.4	190.6	138.8	44.3	3,172.1
Segment assets include:					
Additions to property, plant and equipment	201.5	4.7	69.1	-	275.3
Additions to intangible assets	-	-	30.6	-	30.6
Segment liabilities	275.0	41.6	95.5	39.3	451.4

Sales between segments are carried out at agreed terms. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the statement of comprehensive income.

The BOD assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA"). This measurement basis excludes the effects of expenditure from the operating segments such as impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Board of Directors, which manages the cash position of the Group.

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

5. Profit before tax

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

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'million	RMB'million	RMB'million	RMB'million
Interest income	(10.8)	(13.1)	(24.3)	(22.1)
Job support scheme	(0.1)	*	(0.1)	*
Finance expenses	-	1.1	-	1.1
Deemed interest expenses on lease liability	-	-	-	0.2
Depreciation of property, plant and equipment ("PPE")	67.5	61.7	128.2	120.5
Depreciation of right-of-use asset	-	-	-	0.6
Amortisation of land use rights	1.3	0.7	2.0	1.3
Bargin purchase from acquisition of a subsidiary	-	(0.3)	-	(0.3)
(Reversal)/Impairment of trade receivables	(0.2)	(2.5)	0.1	(0.8)
Government grants received	(49.3)	-	(49.3)	-
Foreign exchange loss, net	2.0	32.3	6.1	18.1
Loss on disposal of PPE	0.4	-	0.6	-
Write-off/(reclassification) of PPE	2.5	(2.5)	4.9	1.6

* - amount less than RMB 0.1 million.

5.2. Related party transaction

Key management personnel compensation (representing compensation to executive directors and executive officers of the Group) is as follows:

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'million	RMB'million	RMB'million	RMB'million
Wages and salaries	19.9	7.1	40.4	11.1
Employer's contribution to defined contribution plans including Central Provident Fund	0.1	0.1	0.2	0.2
	20.0	7.2	40.6	11.3

Included in the above is total compensation to directors of the Company amounting to RMB 18.9 million for the second half of 2021 and RMB37.8 million for the financial year ended 31 December 2021 (2H2020: RMB 5.2 million; FY2020: RMB 8.0 million).

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

6. Income tax expenses

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'million	RMB'million	RMB'million	RMB'million
Tax expense attributable to profit is made up of:				
Profit for the financial year:				
- Current income tax	94.8	48.6	190.3	77.4
Under provision in prior financial years:				
- Current income tax	2.5	0.6	2.5	4.3
	<u>97.3</u>	<u>49.2</u>	<u>192.8</u>	<u>81.7</u>

7. Earnings per share

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net profit attributable to equity holders of the Company (RMB'mil)	241.1	136.4	506.3	218.8
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	970,398	971,344	970,546	972,544
Basic and diluted earnings per share (RMB cents)	24.85	14.04	52.17	22.50

There are no dilutive potential ordinary shares during the financial year.

8. Net assets per share

	<u>Group</u>		<u>Company</u>	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net asset attributable to shareholders (RMB' million)	3,176.1	2,720.7	456.9	410.6
Number of issued shares excluding treasury shares ('000)	970,395	970,720	970,395	970,720
Net asset value per ordinary share (RMB cents)	<u>327.30*</u>	<u>280.28</u>	<u>47.08</u>	<u>42.30</u>

* equivalent to SGD 69.37 cents at exchange rate of 4.7179 as at 31 December 2021.

9. Dividends

	<u>Group</u>	
	FY2021	FY2020
	RMB'million	RMB'million
<i>Ordinary dividends paid</i>		
Final dividends paid in respect of the previous financial year of SGD 0.01 (2020: SGD 0.01) per share	<u>46.8</u>	<u>48.8</u>

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

10. Investments in subsidiary corporations

	<u>Company</u>	
	31/12/2021 RMB'million	31/12/2020 RMB'million
<i>Equity investments at cost</i>		
Beginning and end of financial year	350.0	350.0

The Group had the following subsidiary corporations as at 31 December 2021 and 31 December 2020:

<u>Name</u>	<u>Principal Activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent and the Group</u>	
			31/12/2021 %	31/12/2020 %
<i><u>Held by Company</u></i>				
Shandong Sunsine Chemical Co.,Ltd	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur	People's Republic of China	100	100
<i><u>Held by Shandong Sunsine Chemical Co.,Ltd</u></i>				
Weifang Sunsine Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	100	100
Shandong Sheng Tao Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	100	100
Shanxian Sunsine Hotel Management Co., Ltd	Hotel investment and management (dormant)	People's Republic of China	100	100
Shanxian Guangshun Heating Co., Ltd	Production and supply of heating power, including preparation and implementation of the project	People's Republic of China	100	100
Shandong Hengshun New Material Co., Ltd	Manufacturing of chemical agent and rubber chemicals	People's Republic of China	100	100
Heze Yongshun Environmental Protection Technology Co., Ltd	Waste treatment	People's Republic of China	100	100
<i><u>Held by Shanxian Sunsine Hotel Management Co., Ltd</u></i>				
Shandong Fulong Villa Co., Ltd	Hotel and restaurant	People's Republic of China	100	100

Significant restrictions

Cash and short-term deposits of RMB1,372.1 million (FY2020: RMB1,319.8 million) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

11. Property, plant and equipment

During the financial year ended 31 December 2021, the Group acquired property, plant and equipment with an aggregate cost of RMB213.2 million (FY2020: RMB275.3 million), and disposed of assets amounting to RMB5.4 million (FY2020: Nil).

12. Intangible assets

	<u>Group</u>	
	31/12/2021	31/12/2020
	RMB'million	RMB'million
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of financial year	83.9	53.3
Acquisition of a subsidiary corporation	-	30.6
Addition	78.4	-
End of financial year	<u>162.3</u>	<u>83.9</u>
 <i>Accumulated amortisation</i>		
Beginning of financial year	15.6	14.3
Amortisation charge (Note 5.1)	2.0	1.3
End of financial year	<u>17.6</u>	<u>15.6</u>
 Net book value	<u>144.7</u>	<u>68.3</u>

The amortisation charged is included in the statement of comprehensive income as part of the administrative expenses.

13. Inventories

	<u>Group</u>	
	31/12/2021	31/12/2020
	RMB'million	RMB'million
Raw materials	182.7	109.4
Finished/Trading goods	174.6	88.1
	<u>357.3</u>	<u>197.5</u>

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

14. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	31/12/2021 RMB'million	31/12/2020 RMB'million	31/12/2021 RMB'million	31/12/2020 RMB'million
Notes receivables	184.1	148.5	-	-
Trade receivables				
- Non-related parties	757.2	406.6	-	-
Less: Loss allowance	(10.4)	(10.4)	-	-
Trade receivables - net	746.8	396.2	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	149.0	68.8
- Non-related parties	38.6	49.2	-	-
	38.6	49.2	149.0	68.8
Advances to suppliers	105.1	98.8	-	-
Deposits	28.5	16.0	-	-
Prepayments	1.8	6.8	-	-
	<u>1,104.9</u>	<u>715.5</u>	<u>149.0</u>	<u>68.8</u>

15. Share capital and treasury shares

(a) Share capital

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
As at 1 January 2021 and 31 December 2021	<u>983,388,000</u>	<u>62.6</u>	<u>313.5</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

There is no outstanding convertibles issued by the Company as at 31 December 2021 (2020: Nil).

(b) Treasury shares

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
2021			
As at 1 January 2021	12,667,900	(5.8)	(29.3)
Treasury shares purchased	<u>325,000</u>	<u>(0.2)</u>	<u>(0.9)</u>
As at 31 December 2021	<u>12,992,900</u>	<u>(6.0)</u>	<u>(30.2)</u>
2020			
As at 1 January 2020	7,745,300	(4.3)	(21.7)
Treasury shares purchased	<u>4,922,600</u>	<u>(1.5)</u>	<u>(7.6)</u>
As at 31 December 2020	<u>12,667,900</u>	<u>(5.8)</u>	<u>(29.3)</u>

Treasury shares held by the Company relates to ordinary shares of the Company.

E. Selected Notes to the Condensed Interim Financial Statements (Cont'd)

15. Share capital and treasury shares (Cont'd)

(c) Number of ordinary shares excluding treasury shares

<u>Group and Company</u>	No. of ordinary shares excluding treasury shares	Amount	
		SGD'million	RMB'million
2021			
As at 1 January 2021	970,720,100	56.8	284.2
Treasury shares purchased	(325,000)	(0.2)	(0.9)
As at 31 Dec 2021	970,395,100	56.6	283.3
2020			
As at 1 January 2020	975,642,700	58.3	291.8
Treasury shares purchased	(4,922,600)	(1.5)	(7.6)
As at 31 December 2020	970,720,100	56.8	284.2

16. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	31/12/2021 RMB'million	31/12/2020 RMB'million	31/12/2021 RMB'million	31/12/2020 RMB'million
Notes payable	225.3	-	-	-
Trade payables - Non-related parties	84.9	54.4	-	-
Non-trade payables - Non-related parties	134.5	189.0	0.1	-
Accruals for operating expenses	150.0	142.8	36.2	7.6
Deferred grants	13.4	-	-	-
Deferred revenue	29.7	23.4	-	-
	<u>637.8</u>	<u>409.6</u>	<u>36.3</u>	<u>7.6</u>

17. Borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2021		As at 31/12/2020	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	-	-	-

Details of any collateral

No collateral.

18. Subsequent event

There are no known subsequent events which have led to adjustments to this condensed interim financial statements.

F. Other information

Audit or review

The consolidated condensed interim statements of financial position as at 31 December 2021 and the related consolidated interim statement of comprehensive income, statements of changes in equity and consolidated interim statement of cash flows for the six months and full year then ended and the selected explanatory notes (the “**Interim Financial Statements**”) have not been audited or reviewed by the Company’s auditors.

Review of the Group performance

Condensed interim consolidated statements of profit or loss

Revenue increased by 52% to RMB 1,967.7 million in 2H2021 as compared to RMB 1,291.1 million in 2H2020, due to the increase in both overall Average Selling Price (“**ASP**”) and sales volume.

Overall ASP increased by 40% to RMB 18,983 per tonne in 2H2021 as compared to RMB 13,579 per tonne in 2H2020. The increase in ASP was mainly due to the increase in the price of raw materials, and the Group being able to pass on such price increases to our customers.

Compared to RMB 18,642 per tonne in 1H2021, the ASP in 2H2021 increased marginally.

Analysis of Sales and Volume

	Sales Volume (Tonnes)				Sales (RMB'million)			
	2H2021	2H2020	FY2021	FY2020	2H2021	2H2020	FY2021	FY2020
Rubber Chemical								
Accelerators	52,310	50,470	101,970	90,950	1,148.2	780.6	2,228.1	1,435.3
Insoluble Sulphur	20,198	17,322	37,274	30,655	161.0	128.4	307.5	229.0
Anti-oxidant	28,971	24,471	54,566	46,035	617.9	344.3	1,112.6	610.8
Others	764	1,293	1,595	2,236	13.8	17.2	29.5	30.3
Total	102,243	93,556	195,405	169,876	1,940.9	1,270.5	3,677.7	2,305.4
<i>Local Sales</i>	<i>65,666</i>	<i>67,610</i>	<i>125,001</i>	<i>120,437</i>	<i>1,203.2</i>	<i>896.8</i>	<i>2,258.2</i>	<i>1572.4</i>
<i>International Sales</i>	<i>36,577</i>	<i>25,946</i>	<i>70,404</i>	<i>49,439</i>	<i>737.7</i>	<i>373.7</i>	<i>1,419.5</i>	<i>733.0</i>
Heating Power	48,134	43,470	86,632	83,177	11.8	8.2	19.1	15.8
Waste treatment	6,143	4,116	12,367	4,116	14.2	12.1	27.1	12.1
Hotel & Restaurant		-	-	-	0.8	0.3	1.3	0.4

2H2021 Sales volume for Accelerators, Insoluble Sulphur (“**IS**”) and Anti-oxidant products increased by 4%, 17% and 18%, respectively. 2H2021 International sales volume increased by 41% year-on-year, while domestic sales decreased slightly by 3% as compared to that in 2H2020, mainly due to the increase in the production utilisation rates of overseas’ tyre manufacturing companies, as a result of the global economic recovery.

On a 12-month basis, the Group’s sales volume for Accelerators, IS and Anti-oxidant products increased by 12%, 22% and 19%, respectively.

The ASP increased by 39% to RMB 18,820 per tonne in FY2021 as compared to RMB 13,571 per tonne in FY2020. In addition, the Group’s revenue increased by 60% to RMB 3,725.2 million as compared to RMB 2,333.7 million in FY2020.

Gross profit increased by 38% from RMB 358.4 million in 2H2020 to RMB 494.2 million in 2H2021, while GPM decreased by 2.7 percentage points from 27.8% in 2H2020 to 25.1% in 2H2021. The decrease in GPM was mainly due to the increase in the prices of our raw materials exceeding the increase in ASP in 2H2021.

On a 12-month basis, as a result of higher revenue, gross profit increased by 74% from RMB 600.3 million in FY2020 to RMB 1,046.5 million in FY2021. GPM also increased by 2.4 percentage points from 25.7% to 28.1% during the corresponding period.

Other income was RMB 70.6 million in 2H2021, consisting of mainly interest income of RMB 10.8 million, government grants of RMB 49.3 million, and gain on sales of scrap materials of RMB10.1 million. On a 12-month

basis, other income amounted to RMB 104.1 million, consisting of mainly interest income, government grants and sales of scrap materials.

Other losses amounted to RMB 4.9 million in 2H2021 and RMB 11.5 million in FY2021, mainly consisting of foreign exchange loss and written-off of PPE.

Selling and distribution expenses increased by 22% from RMB 39.7 million in 2H2020 to RMB 48.4 million in 2H2021. On a 12-month basis, selling and distribution expenses increased by 30% from RMB 73.8 million in FY2020 to RMB 96.0 million in FY2021, mainly due to higher freight costs, higher port charges, and higher incentives payable to sales personnels as a result of better sales performance.

Administrative expenses increased by 64% from RMB 72.7 million in 2H2020 to RMB 119.3 million in 2H2021, mainly due to the increase in staff costs and bonuses payable of approximately RMB 37 million, as well as our subsidiary, Shandong Hengshun New Materials Co., Ltd. ("**Hengshun**"), commencing operations and thereby incurring additional administrative expenses of approximately RMB 10 million; On a 12-month basis, administrative expenses increased by 49% from RMB 156.6 million in FY2020 to RMB 233.2 million in FY2021, mainly due to higher staff costs and bonuses as a result of better financial performance, as well as Hengshun's expenses.

Research and development ("R&D") expenses increased by 23% from RMB 43.8 million in 2H2021 to RMB 53.8 million in 2H2021, and increased by 47% from RMB 75.3 million in FY2020 to RMB 110.8 million in FY2021, mainly due to more R&D activities being carried out in FY2021.

Profit before tax ("PBT") increased by 82% from RMB 185.6 million in 2H2020 to RMB 338.4 million in 2H2021, mainly due to increase in sales revenue and gross profit. On a 12-month basis, PBT increased by 133% from RMB 300.5 million in FY2020 to RMB 699.1 million in FY2021 mainly due to higher sales revenue.

For the reasons set out above, **Net profit ("PAT")** increased by 77% from RMB 136.4 million in 2H2020 to RMB 241.1 million in 2H2021. On a 12-month basis, PAT increased by 131% from RMB 218.8 million in FY2020 to RMB 506.3 million in FY2021.

Condensed Interim statements of financial position

Property, plant and equipment increased by RMB 74.5 million from RMB 864.6 million to RMB 939.1 million, mainly due to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Intangible assets increased by RMB 76.4 million from RMB 68.3 million to RMB 144.7 million, mainly due to new additions to the Land Use Rights ("**LUR**") for Hengshun plant.

Inventories increased by RMB 159.8 million from RMB 197.5 million to RMB 357.3 million, mainly due to the increase in raw material prices, as well as the increase in the quantity of finished goods at year end.

Trade and other receivables increased by RMB 389.4 million from RMB 715.5 million to RMB 1,104.9 million, mainly due to the increase in trade receivables. Trade receivables increased by RMB 350.6 million from RMB 396.2 million to RMB 746.8 million due to higher sales during the period.

The aging report of trade receivables as at 31 December 2021 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
Trade receivables	709.2	37.6	0.2	10.2	757.2
Loss allowance	-	-	(0.2)	(10.2)	(10.4)
	709.2	37.6	-	-	746.8

Trade and other payables increased by RMB 228.2 million from RMB 409.6 million to RMB 637.8 million mainly due to the issuance of notes payable by the Company's main subsidiary, Shandong Sunshin, amounting to RMB 225.3 million to pay its suppliers, in order to optimise its cashflow structure.

Condensed Consolidated statements of cash flows

Net cash generated from operating activities amounted to RMB 371.5 million was mainly due to profit generated during the period, offset by increase in inventory and trade receivables.

Net cash used in investing activities amounted to RMB 262.7 million was mainly due to additions to PPE and LUR offset by interest received.

Net cash used in financing activities amounted to RMB 52.7 million was mainly due to distribution of dividends.

Variance from prospect statement

In Section F Prospects paragraph of our 1H2021 Interim Financial Statements announcement dated 13 August 2021, the Company stated that "With the COVID-19 pandemic largely under control in China and on the back of the country's enormous vaccination drive, the Board believes that the Chinese economy in 2H2021 will remain healthy.... the Group will continue with its strategy of "sales production equilibrium", and at the same time, seek to improve its sales volume." Therefore, the current results are in line with the Company's commentary.

Prospects

China's GDP grew 8.1%¹ in 2021, evidencing that China's overall economy is recovering rapidly. Automakers sold a total of 26.275 million units in China in FY2021², representing an increase of 3.8% in auto sales year-on-year. It is also noted that sales of New Energy Vehicles (NEVs) rose 159.5% year-on-year to 3.54 million units in 2021.

Other major economies also advanced in 2021. The GDP of the United States grew 5.7% year-on-year in 2021, while the European Union's GDP increased by 5.2%. Russia, Japan and South Korea also reported positive GDP growths. All these point to the rapid recovery of global economies.

However, the IMF has projected that the global economy will grow by 4.4% in 2022, down 0.5 percentage point from October 2021's forecast, due to supply chain disruptions, higher inflation, record debt and persistent uncertainty. The Central Economic Work Conference held from 8 – 10 December 2021 also pointed to China's economy now facing pressures related to demand, supply and expectations.

Another uncertainty relates to the volatility of international crude oil prices, which has led to the fluctuation in the prices of our main raw materials. Chinese tyre manufacturing companies' production utilisation rate also appears to have declined since May 2021, and the utilisation rates for January and February 2022 continued to remain low, although it is expected to slowly recover in 2Q2022. Some of our rivals have implemented their expansion plans, and we expect the competition to intensify among the bigger players.

Despite these challenges, the Group will continue with its strategy of "sales production equilibrium", and at the same time, seek to improve its sales volume in FY2022.

We remain confident about the Group's profitability in the next 12 months.

Updates of capacity expansion plans

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

The Phase 1 30,000-tonne per annum IS project has been completed and the commercial production has commenced.

2. 30,000-tonne per annum TMQ project

The construction of the infrastructure and installation of the machinery has been completed. We are in the process of applying for trial run approval from the Government. Trial run is expected in 2Q2022 and commercial production will commence in 2H2022.

3. Controlled Landfill Projects

The Phase 1, 50,000-tonne capacity Controlled Landfill Project has been completed and has started commercial operation. The Group has also started the construction of Phase 2 of another 50,000-tonne capacity Controlled Landfill Project. The Phase 2 project occupies a land area of approximately 15 mu (approximately 10,000 square meters) with a budget of RMB 35 million. The Phase 2 Project is expected to complete by 1H2022.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

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

Tonnes	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022e
Accelerators	87,000	87,000	87,000	97,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	20,000	30,000	30,000	30,000	60,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	45,000	75,000
Total	152,000	152,000	162,000	172,000	192,000	222,000	252,000

Dividend information

a. Current period reported on

Any dividend recommended for the current financial period reported on?

- Yes

Name of dividend	Proposed Final
Dividend Type	Cash
Dividend amount per share	SGD0.01 per ordinary share
Special 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?

- Yes. Dividend of S\$0.01 per ordinary share was declared in 4Q2020.

c. Date payable

To be announced at a later date

d. Books closure date

To be announced at a later date

Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

Confirmation of undertakings from directors and executive officers

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

Announcement of Acquisition and Realisation pursuant to Rule 706A

There is no acquisition or realisation incurred during the reporting period.

Segment information

Please refer to Note 4 of this Interim Financial Statements.

Review of performance of the Group – turnover and earnings

Please refer to Section F Review of Group's performance of this Interim Financial Statements.

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

Disclosure of person occupying a managerial position who is a relative of a director or chief executive officer or substantial shareholder

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	78	Father of Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd; Father of Xu Chi, General Manager Assistant of Shandong Sunsine 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	52	Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Brother of Xu Chi, General Manager Assistant of Shandong Sunsine Chemical Co., Ltd;	Executive Director (since 2007) and Vice Chairman of Shandong Sunsine Chemical Co., Ltd, assisting Chairman in strategic planning, direction and overall management of subsidiary (since 2013).	No Change
Xu Chi	47	Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Brother of Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd;	General Manager Assistant of Shandong Sunsine Chemical Co., Ltd, in charge of procurement and market information department (since 2019).	No Change

By order of the Board

Xu Cheng Qiu
Executive Chairman

Dated: 23 February 2022

[End]