尚舜化工

SUNSINE

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

ANNUAL REPORT 2021

CONTENTS

COMPANY PROFILE

China Sunsine Chemical Holdings Ltd. ("**China Sunsine**") is a leading specialty chemical producer. It is the largest producer of rubber accelerators in the world and the largest rubber chemicals enterprise in the People's Republic of China ("**PRC**").

Our production facilities are located at Shanxian, Weifang and Dingtao in Shandong Province, the PRC. Our total production capacity is currently 222,000 tonnes per annum, comprising 117,000 tonnes of rubber accelerators, 60,000 tonnes of insoluble sulphur and 45,000 tonnes of anti-oxidants. We also have a centralised heating plant at Shanxian which generates steams and electricity, and a waste treatment plant and a controlled landfill to treat dangerous wastes.

Our products are sold under the "Sunsine" brand (accredited as "**Shandong Province Famous Brand**"). Our customers are mainly the tyre companies which rely on the automobile industry. We have over 1,000 customers around the world and continue to serve more than 2/3 of the Global Top 75 tyre makers, such as Bridgestone, Michelin, Goodyear, Pirelli, Sumitomo, Yokohama, Hankook, Cooper, Kumho Tires, as well as PRC tyre giants such as Hangzhou Zhongce, Sailun Group, GITI Tire, Shanghai Double Coin Tyre etc.

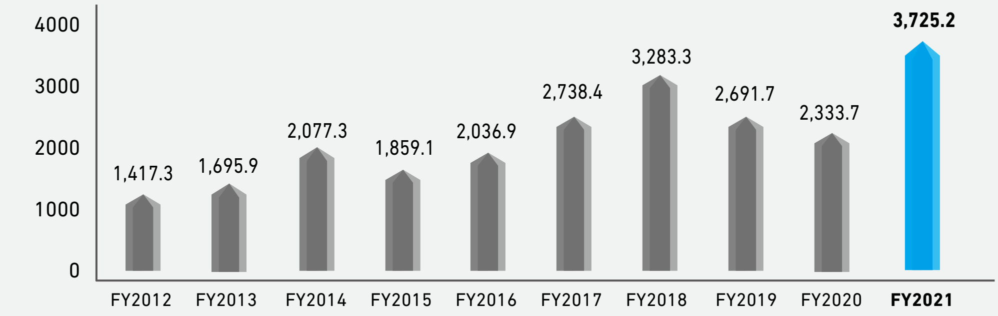
As a chemical producer serving its global customers, China Sunsine continuously improves its manufacturing and environmental protection capabilities. We have achieved GB/T19001-2016/ ISO9001:2015 standard for quality, GB/T24001-2016/ISO14001:2015 standard for environment, and GB/T45001-2020/ ISO45001:2018 standard for occupational health and safety management system.

China Sunsine's wholly-owned subsidiary, Shandong Sunsine Chemical was listed in the first batch of Champion Manufacturing Enterprise by the Ministry of Industry and Information Technology of China in January 2017.

China Sunsine was listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 5 July 2007.

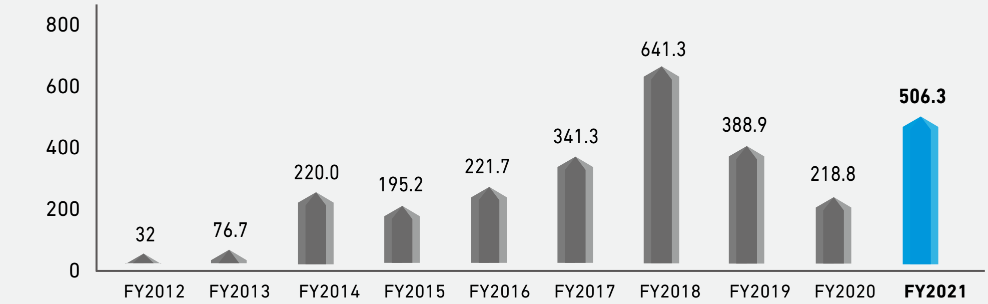
FINANCIAL HIGHLIGHTS

Revenue
(RMB' million)



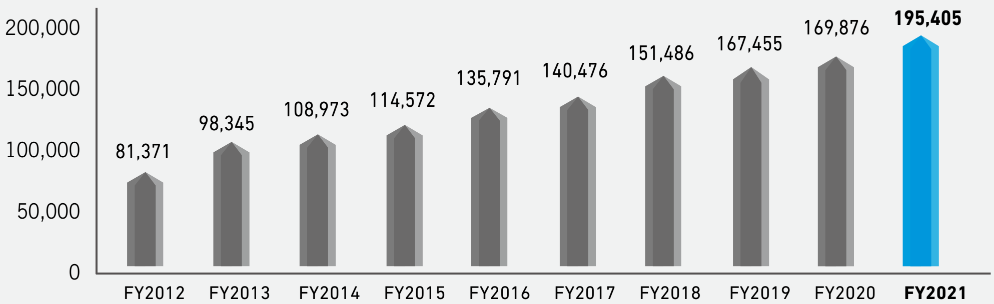
+11.3%
CAGR (FY12-FY21)

Net Profit
(RMB' million)



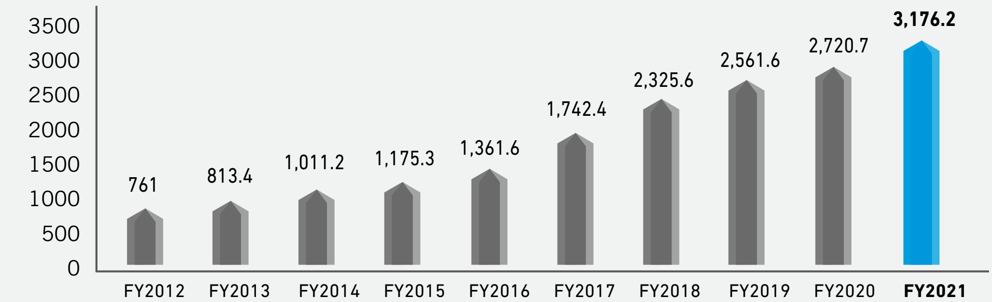
+35.9%
CAGR (FY12-FY21)

Sales Volume
(Tonnes)



+10.2%
CAGR (FY12-FY21)

Net Assets
(RMB' million)



+17.2%
CAGR (FY12-FY21)

FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017	2016
As At 31 December (RMB' million)						
Total Assets	**3,923.4**	3,172.1	2,918.2	2,747.3	2,127.8	1,642.5
Total Liabilities	**747.2**	451.4	356.6	421.7	385.3	280.9
Shareholders' Equity	**3,176.2**	2,720.7	2,561.6	2,325.6	1,742.5	1,361.6
Cash and Cash Equivalents	**1,377.3**	1,326.2	1,279.9	1,038.6	499.6	275.9
Bank Borrowings	**-**	-	-	-	-	-
Treasury Shares	**30.2**	29.3	21.7	2.1	-	31.4
No of Shares ('million)						
No of Ordinary Shares	**970.4**	970.7	975.7	491.3	491.7	464.0
No of Treasury Shares	**13.0**	12.7	7.7	0.4	-	27.7
For the Financial Year (RMB'million)						
Revenue	**3,725.2**	2,333.7	2,691.7	3,283.3	2,738.4	2,036.9
Gross Profit	**1,046.5**	600.3	780.8	1,125.9	788.1	540.4
Net Profit	**506.3**	218.8	388.9	641.3	341.4	221.7
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**805.1**	402.1	554.1	803.9	565.1	407.4
Sales Volume (tonnes)						
Total Volume	**195,405**	169,876	167,455	151,486	140,476	135,791
Accelerator	**101,970**	90,950	88,262	83,255	83,335	82,767
Insoluble sulphur	**37,274**	30,655	29,916	25,759	22,283	20,031
Antioxidants	**54,566**	46,035	47,283	41,095	33,258	31,214
Others	**1,595**	2,236	1,994	1,377	1,600	1,779
Financial Analysis						
Gross Profit Margin (%)	**28.1%**	25.7%	29.0%	34.3%	28.8%	26.5%
Net Profit Margin (%)	**13.6%**	9.4%	14.4%	19.5%	12.5%	10.9%
EBITDA Margin (%)	**21.6%**	17.2%	20.6%	24.5%	20.6%	20.0%
Current Ratio	**3.8**	5.0	6.4	4.8	3.7	3.7
Average YTD Trade Receivables Turnover (Days)	**56**	59	55	52	59	66
Average YTD Trade Payables Turnover (Days)	**9**	13	12	11	11	12
Average YTD Inventory Turnover (Days)	**38**	47	44	36	33	35
Return on Equity (%)	**15.9%**	8.0%	15.2%	27.6%	19.6%	16.3%
Return on Asset (%)	**12.9%**	6.9%	13.3%	23.3%	16.0%	13.5%
Gearing Ratio	**-**	-	-	-	-	-
Per Share Data						
NAV per Share (RMB cents)	**327.3**	280.3	262.6	236.7	354.4	293.4
EPS (RMB cents)	**52.17**	22.50	39.72	65.23	70.83	47.66
Dividend Per Share (SGD cents)	**2.0**	1.0	1.0	5.5	3.0	1.5

CHAIRMAN'S STATEMENT

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The global tyre business picked up in 2021; in particular, some overseas tyre manufacturers had further increased production capacity. Coupled with the volatility of raw material prices which had seen sharp rises after September last year, leading to an increase in the sales price of rubber chemicals, the industry's overall profitability level has increased significantly.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China Sunsine Chemical Holdings Ltd. ("**China Sunsine**" or "**the Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the annual report for the financial year ended 31 December 2021 ("**FY2021**").

Although the global economy is still affected by the COVID-19 pandemic, it is gradually recovering from the devastating consequences from 2020. According to the forecast made in January 2022 by the *International Monetary Fund (IMF)*, the global economy grew by 5.9% in 2021. However, China's economy strongly rebounded thanks to its success in effectively containing the pandemic. It grew by 8.1% for the whole year, making it the fastest growing major economy in the world in 2021.

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CHAIRMAN'S STATEMENT

In the face of volatile raw material prices and an increasingly competitive business environment, guided by the strategy of "Higher sales volume leading to higher production, which in turn stimulates even higher sales", the Group's expansion projects have gradually seen returns, providing great support to the sales team. The Group also continued to improve its internal management to improve efficiency and cost savings. Leveraging its competitive advantages in scale, capital, brand, product quality, environmental protection and technology, the Group reached another new record high in sales volume and achieved the second highest net profit ever.

THE YEAR UNDER REVIEW

The Group's revenue in FY2021 increased by 60% from the financial year ended 31 December 2020 ("**FY2020**") to RMB 3,725.2 million. This was mainly due to the increase in both average selling price ("**ASP**") and sales volume. ASP increased by 39% as compared to that in FY2020. Sales volume increased by 15% from the preceding year, marking the 14th consecutive year of growth since our initial public offering. Net profit surged 131% to RMB 506.3 million from FY2020.

We are pleased to see a high overall capacity utilisation rate of above 95 percent in FY2021; in particular, the insoluble sulphur ("**IS**") and antioxidants facilities operated above their designated capacities. Each expansion project is also underway and gradually gaining steam.

The Group's earnings per share for FY2021 was RMB 52.20 cents and net assets per share as at 31 December 2021 was RMB 327.3 cents. The Group's financial position strengthened further with cash and bank deposits amounting to RMB 1,377.3 million, and no borrowings.

In 2021, being the world's largest rubber accelerator producer and China's largest rubber chemicals enterprise, the Group's market share further increased. We have pulled ahead of our competitors, and have become more competitive.

CAPACITY EXPANSION PLAN

To execute the "Sales and Production Equilibrium" strategy and meet the increasing demand for our products, we have established a range of expansion plans in recent years. Here is an update on the progress of the expansion projects carried out in 2021:

– *Phase I 30,000-tonne per annum IS project* – Commercial production commenced in December 2021.
– *30,000-tonne per annum Anti-oxidant TMQ project* – Construction and installation had been completed; the project is now pending the Government's approval for trial run. We expect the trial run to start in 2Q2022 and commercial production to begin in 2H2022.
– *Controlled Landfill Projects*
  The Phase 1, 50,000-tonne capacity Controlled Landfill Project has been completed and has started commercial operation. The Group has 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 metres) with a budget of RMB 35 million. The Phase 2 Project is expected to be completed by 1H2022.

OUTLOOK AND PROSPECTS

We can now see signs of the global economy recovering, but volatile geopolitical and global affairs have brought about great uncertainty in the world economy. Rising pressure on cost of living has exacerbated concerns about future prospects. Compounded by the re-emergence of the pandemic in China, the Chinese government's prevention efforts will have some impact on our production.

Currently, the China's economic development is facing three-pronged pressures from shrinking demand, supply shocks and weakening expectations. Many uncertainties remain in the tyre market. First of all is the overcapacity situation; the domestic consumption market does not look optimistic. Secondly energy supply remains tight, which to a certain extent affects the further release of production capacity and raises production costs. On a brighter note, the export market remains optimistic; with the relaxation of pandemic measures overseas and the gradual recovery of the market, a period of intensive growth can be expected for rubber chemical exportation.

While there has been a mix of positive and negative factors in the tyre market, the overall trend in the tyre industry remains positive. Replacement tyres account for 70% of tyre consumption and tyres for new cars account for approximately 30%. According to data from the China Association of Automobile Manufacturers

(CAAM), 2021 sales of new automobiles in China has increased by 3.8% from last year and is steadily picking up. New Energy Vehicle sales volume has soared by 160% and is the new driving force of automobile sales. Hence, we expect the Rubber Chemicals industry to maintain a slight growth rate, while the export volume is relatively higher.

It is also clear to us that the rubber chemicals industry is increasingly concentrated and consolidated; Advantages in brand and scale of leading companies have become more distinct. The projects initiated by the Group have led to an increase in our production capacity and we are ready to meet the increased market demand for our products. With the Group's market share further increased, our competitive advantages will become even more pronounced. At the same time, the Group will continue to explore new expansion projects to lay a solid foundation for further long-term sustainable development. Thus, we have complete faith in the development of the Group.

PROPOSED DIVIDEND

In consideration of the Group's earnings performance and future expansion requirements, the Board of Directors recommends a final one-tier tax exempt dividend of SGD0.01 per ordinary share, plus a final special dividend of SGD0.01 per ordinary share, in appreciation of the support from our shareholders. This proposal will be discussed at the upcoming Annual General Meeting.

ACKNOWLEDGEMENTS

The Group built on the momentum from FY2021 and has achieved satisfactory results mainly due to the collective efforts of all our staff. Their humility, patience, dedication, and strive for excellence are commendable.

At the same time, I would like to thank our customers, business associates, suppliers, and the community at large for their long-standing and unwavering support for the Group. Their trust is what keeps us going. Finally, on behalf of the Board of Directors, I would also like to express my sincere gratitude to our shareholders for their trust, understanding, and support over the years.

The road ahead is full of challenges. We have planned for rainy days, and we have weathered storms together to build a resilient and dynamic enterprise. Through decades of struggle and hard work, the Group has continued to strengthen, and its core competitiveness has also greatly increased. We strive to be people-oriented and establish shared values. Let's forge ahead to give back to society and our shareholders!

XU CHENGQIU

Executive Chairman

April 2022

Anti-oxidants Plant

主席致辞

尊敬的股东们:

我代表中国尚舜化工控股有限公司（"**中国尚舜**"，连同其子公司合称"**集团**"）董事会，很高兴向大家呈上集团截至2021年12月31日的财政年度（"**2021财年**"）的年度报告。

2021年，虽然全球经济仍然受到新冠疫情一定程度的影响，但已经开始从2020年的低谷逐渐复苏。据国际货币基金组织（IMF）2022年1月发出的预测，2021年全球经济增长5.9%。而中国由于疫情得到有效控制，经济强劲反弹，全年经济取得了8.1%的增长，是全球增长最快的主要经济体。

2021年，轮胎企业开工率有所回升，特别是国外的一些轮胎企业产能进一步得到释放；加上原材料价格波动较大，去年9月份以后大幅上涨，使得橡胶助剂的销售价格也有所提高，行业整体的盈利水平明显提升。

面对原材料价格波动和竞争日益激烈的商业环境，集团在“以销促产，以产促销”策略的指导下，扩产项目逐渐开始交付使用，给予销售团队极大的支撑；同时，集团也不断改善内部管理，节能增效。凭借着规模、资金、品牌、质量、环保及市场等优势，集团销量再创新高，净利润达到历史第二高的水平。

年度业绩回顾

集团2021财年的营业收入同比大幅增长了60%，至37.252亿元人民币。这主要是由于平均销售价格和销售数量都有所提高。平均销售价格与前一年相比提高了39%；销量同比也增加了15%，达到195,405吨，是上市后连续十四年取得增长。集团2021财年净利润同比则飙升了131%， 达5.063亿元人民币。

我们欣喜地看到，2021年集团的整体产能利用率已经达到了百分之九十五以上，其中不溶性硫磺和防老剂的产能已经满负荷运作。各项扩展项目也在有序地进行并且逐步投入使用。

截至2021年12月31日，集团的每股盈利为52.2分人民币，每股净资产为327.3分人民币。集团的财务状况更

2021年，轮胎企业开工率有所回升，特别是国外的一些轮胎企业产能进一步得到释放；加上原材料价格波动较大，去年9月份以后大幅上涨，使得橡胶助剂的销售价格也有所提高，行业整体的盈利水平明显提升。

加稳健，净现金及银行存款达13.773亿元人民币，无任何贷款。

2021年，作为全球最大的促进剂生产商和中国最大的助剂生产企业，集团的市场份额进一步扩大，与竞争对手的差距也进一步拉大，行业竞争力进一步增强！

产能扩张项目

为了贯彻“产销平衡策略”以及满足市场对集团产品的需求，集团制定了一系列的扩产计划，本年度扩产项目进展如下:

- 一期3万吨的不溶性硫磺项目已经于2021年12月正式投产。
- 3万吨的防老剂TMQ项目的建设和设备安装已经完成，目前正在等待政府的试产批文。我们预计在2022年的第二季度能够开始试产，并在2022年下半年正式投产。
- 刚性填埋场项目
  一期50,000吨填埋场项目已经完工并投入使用。二期50,000吨的建设也已开展。二期工程占地15亩（约10,000平米)，预算为人民币3500万，预计2022年上半年完工。

今后展望

我们已经看到了世界经济复苏的曙光，但是动荡的地缘政治和国际局势给世界经济带来了非常大的不确定性，人们的生活成本压力不断攀升，加重了对未来前景的担忧。疫情也有所反复，防疫工作有可能会对生产造成一定的影响。

目前中国的经济发展面临着需求收缩、供给冲击、预期转弱的三重压力。轮胎市场依然存在着很多不确定因素。一是产能过剩，国内消费市场预期并不乐观；二是能源供应持续紧张，在一定程度上影响产能释放和抬高了生产成本；好的一方面是出口市场依然看好，随着国外疫情管控放松，市场逐步恢复，助剂的出口将迎来爆发期。

虽然轮胎市场利好利空的因素兼而有之，但轮胎行业的总体趋势应该仍然向好。替代轮胎约占轮胎消耗的70%，新车配套轮胎则占约30%。根据中国汽车工业协会（CAAM）的数据，中国2021年的新车销量比前一年增加了3.8%，正在稳步回升。而新能源汽车（New Energy Vehichles）的销量则飙升了160%，是汽车销售的新驱动力。 因此，我们预计助剂行业也将保持微增长，出口量的增长率则相对较高。

我们清楚地看到，橡胶助剂行业的集中度正在进一步提升，龙头企业的品牌和规模优势越来越明显。集团兴建的项目已经陆续投产，正好满足了市场对我们产品的增加的需求，集团的市场份额进一步扩大，集团的竞争优势更加突出；同时，集团也在继续探讨新扩产项目，为实现长期可持续发展打下坚实的基础。我们对集团的发展充满信心。

股息建议

为了回馈股东长期以来的支持，结合考虑公司本年度的盈利状况和今后的扩产计划，董事会建议在2021财年派发每股1新分的免税终期股息和每股1新分的特别股息 。此建议将在来临的股东大会上讨论通过。

衷心感谢

集团在2021年乘势而飞，在经济复苏的大环境下抓住机遇，取得了令人满意的成绩，主要归功于全体员工的共同努力。他们不骄不躁、踏实奋进的精神值得称赞。

同时，我要感谢我们的客户、商业伙伴、供应商和社会各界对集团的长期支持，他们的信赖是我们前进的动力。最后，我代表公司董事会，感谢股东们长期以来对集团的信任、理解和支持。

前进的道路并不是一帆风顺的。我们曾经的未雨绸缪、我们曾经的风雨同舟，就是为了要打造一个坚韧且具有活力的企业。经过几十年的奋斗和努力，集团不断地壮大，核心竞争力也大大地增强。坚持以人为本，树立共同价值观，回馈客户、社会、回馈股东，我们永远在路上！

徐承秋

执行主席

2022年4月

Hengshun Insoluble Sulphur Plant

OPERATIONS AND FINANCIAL REVIEW

OUR FINANCIAL PERFORMANCE IN FY2021

Leveraging on the rapid recovery of China's economy and auto market in 2021 from the impact of the unexpected COVID-19 pandemic in the previous year. China Sunsine Chemical Holdings Ltd (the "**Company**", collectively with its subsidiaries, the "**Group**") has achieved a set of excellent results and reached another record for sales volume.

The Group's revenue in FY2021 increased by 60% to RMB 3,725.2 million from RMB 2,333.7 million in FY2020, mainly due to the increase in both overall average selling price ("**ASP**") and sales volume.

Overall ASP for rubber chemicals increased by 39% to RMB 18,820 per tonne in FY2021 as compared to RMB 13,571 per tonne in FY2020. The increase in ASP was mainly due to the increase in the price of raw materials, and the Group was able to pass on such price increase to our customers. Sales volume of rubber chemicals for FY2021 achieved a new record high of 195,405 tonnes, up 15% from 169,876 tonnes in FY2020. This was attributed to the Group's consistent and robust marketing efforts, backed by its capacity expansion to meet the market demand.

The Group's **Sales volume** for Accelerator, Insoluble Sulphur ("**IS**") and Anti-oxidant products increased by 12%, 22% and 19%, respectively. Domestic sales volume increased by 4%, while international sales volume increased by 42%, mainly due to the increase in the production utilisation rates of overseas' tyre manufacturing companies, as a result of the global economic recovery.

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, while the Average Gross Profit Margin ("**GPM**") also increased by 2.4 percentage points from 25.7% to 28.1%.

ANALYSIS OF SALES AND VOLUME

	SALES VOLUME (TONNES)			SALES (RMB' MILLION)		
	FY2021	FY2020	Change	**FY2021**	FY2020	Change
Rubber Chemicals						
Accelerators	**101,970**	90,950	12%	**2,228.1**	1,435.3	55%
Insoluble Sulphur	**32,274**	30,655	22%	**307.5**	229.0	34%
Anti-oxidants	**54,566**	46,035	19%	**1,112.6**	610.8	82%
Others	**1,595**	2,236	(29%)	**29.5**	30.3	(3%)
	195,405	169,876	15%	**3,677.7**	2,305.4	60%
Domestic Sales	**125,001**	120,437	4%	**2,258.2**	1,572.4	44%
International Sales	**70,404**	49,439	42%	**1,419.5**	733.0	94%
Heating Power	**86,632**	83,177	4%	**19.1**	15.8	21%
Waste Treatment	**12,367**	4,116	200%	**27.1**	12.1	124%
Hotel & Restaurant	**-**	-	-	**1.3**	0.4	225%
Total Sales				**3,725.2**	2,333.7	60%

New TMQ Plant

Other income amounted to RMB 97.0 million, consisting mainly of the interest income (RMB 24.2 million), government grants (RMB 49.3 million), and sales of scrap materials.

Other losses, net amounted to RMB 6.1 million, mainly consisting of foreign exchange losses arising from depreciation of USD against RMB.

Distribution and marketing expenses increased by 30% to RMB 96.0 million, as compared to RMB 73.8 million in FY2020. This was mainly due to higher freight costs, higher port charges, and higher incentives payable to sales personnel as a result of better sales performance.

Administrative expenses for FY2021 increased by 47%, from RMB 157.5 million in FY2020 to RMB 231.4 million. This was mainly due to higher staff costs and bonus as a result of better performance, as well as administrative expenses incurred by our subsidiary, Shandong Hengshun New Materials Co., Ltd. ("**Hengshun**"), which started operations at the end of 2021.

Research and development ("R&D") expenses also increased by 47% to RMB 110.8 million in FY2021, mainly due to more R&D activities being carried out.

Profit before income tax ("PBIT") surged by 133%, from RMB 300.5 million in FY2020 to RMB 699.1 million, mainly due to higher sales revenue.

For the reasons set above, **Net profit attributable to shareholders** in FY2021 soared by 131% to RMB 506.3 million from RMB 218.8 million in FY2020.

FINANCIAL POSITION REVIEW

Property, plant and equipment ("PPE") increased by RMB 74.6 million from RMB 864.6 million to RMB 939.2 million, mainly due to additions to construction in progress ("**CIP**") and PPE, offset by depreciation charged.

Intangible assets increased by RMB 76.3 million from RMB 68.3 million to RMB 144.6 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 financial year end.

OPERATIONS & FINANCIAL REVIEW

Hengshun Insoluble Sulphur Facility

Trade and other receivables increased by RMB 389.5 million from RMB 715.4 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 financial year.

Trade and other payables increased by RMB 228.3 million from RMB 409.5 million to RMB 637.8 million mainly due to the issuance of notes payable by the Company's main subsidiary, Shandong Sunsine, amounting to RMB 225.3 million to pay its suppliers, in order to optimise its cashflow structure.

CASH FLOW REVIEW

	FY2021 RMB' million	FY2020 RMB' million	Change RMB' million
Cash generated from operating activities	**371.3**	426.9	(55.6)
Cash used in investing activities	**(262.5)**	(235.5)	27.0
Cash used in financing activities	**(52.6)**	(103.6)	(51.0)
Net increase in cash and cash equivalents	**56.1**	87.8	(31.7)
Cash and bank balances at end of year per consolidated statement of cash flows	**1,369.0**	1,322.9	46.1

The Group continued to be very financially prudent and kept a vigilant watch over its cashflows. **Net cash generated from operating activities** decreased by RMB 55.6 million from RMB 426.9 million in FY2020 to RMB 371.3 million in FY2021 mainly due to higher inventories and trade and other receivable levels.

With strong cashflows generated during the financial year, Management continued to invest in its future growth. **Net cash used in investing activities** increased by RMB 27.0 million from RMB 235.5 million in FY2020 to RMB 262.5 million in FY2021 mainly due to the additions to PPE and CIP, as well as additions to LUR.

Net cash used in financing activities decreased by RMB 51.0 million from RMB 103.6 million in FY2020 to RMB 52.6 million in FY2021, mainly due to the prior year's acquisition of Heze Yongshun Environmental Protection Technology Co., Ltd. and repayment of its bank borrowings.

EXPANSION PROJECTS

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 Project

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.

Below is a summary of our estimated Annual Capacity[1] at the end of each financial year:

Tonnes	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Accelerators	87,000	87,000	87,000	87,000	97,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	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	45,000	75,000
Total	**152,000**	**152,000**	**152,000**	**162,000**	**172,000**	**192,000**	**222,000**	**252,000**

[1] *Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT.*

BOARD OF DIRECTORS

XU CHENG QIU

Executive Chairman

XU CHENG QIU is the Executive Chairman of our Group, responsible for the overall management, formulation and implementation of our business strategies. He has more than 30 years of experience in the rubber chemical industry. He joined our Group in 1977, when the predecessor of our subsidiary, Shanxian Chemical, was first established. In December 1998, Mr Xu, together with other employees, executed an MBO and he became the Executive Chairman and General Manager of Shanxian Chemical. He was also honoured with numerous awards, amongst them "Outstanding Entrepreneur" award, from the Heze City Economic and Trade Committee and "Excellent Leader in Technological Innovation" by China Rubber Industry Association (CRIA). Mr Xu is part of a group of Chairpersons spearheading the various committees of CRIA. He obtained his degree in Rubber Chemical Engineering from Shandong Chemical College in 1966 and became a qualified senior engineer in 1989.

XU JUN

Executive Director

XU JUN is our Executive Director and was appointed in November 2013 as the Vice-Chairman of Shandong Sunsine to assist our Chairman, Mr Xu Cheng Qiu, in the strategic planning, direction and overall management of the subsidiary. He joined the Group in 1998 as the head of the management department. In 2003, he was promoted to Assistant to General Manager and subsequently became our Deputy General Manager in 2006. Mr Xu obtained his diploma in Business Administration from Jining University of Technology in 1992 and the ISO9000 Internal Auditor Qualification in 2002.

LIU DE MING

Executive Director & General Manager of Shandong Sunsine

LIU DE MING was appointed as Executive Director of the Company with effect from 30 April 2021. He was also appointed as the General Manager ("**GM**") of the Company's subsidiary-Shandong Sunsine in October 2020. Mr Liu De Ming is responsible for the overall management and operations of our China's subsidiaries. Prior to that, he was the GM of the Group's another subsidiary Weifang Sunsine. Mr Liu joined the Group in 1995 since his graduation from Beijing Chemical University. Mr Liu has more than 30 years of working experiences in production, technology and management.

Mr Liu De Ming is also a member of the Company's Risk Management Advisory Committee ("**RMAC**").

LIM HENG CHONG BENNY

Lead Independent Director

LIM HENG CHONG BENNY is our Lead Independent Director. Mr Lim has been in legal practice for more than 20 years, and is presently a partner at Chris Chong & C T Ho LLP, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

BOARD OF DIRECTORS

XU CHUN HUA

Independent Director

XU CHUN HUA is our Independent Director. She has more than 40 years of experience in the rubber and rubber chemical industry. Ms Xu was the Principal of Qingdao Rubber Tyre Engineering University. Previously, she was a lecturer in Nanjing Chemical University and she used to work for Beijing Rubber Chemical Research Centre. She is currently serving as Vice President of the China Rubber Industry Association. She has also written various articles for journals and magazines such as Rubber Industry, Synthetic Rubber Industry, as well as compiled handbooks such as the Synthetic Rubber Handbook and Rubber Chemical Practical Handbook. She obtained her degree in High Polymer Chemistry from Fudan University in 1965.

KOH CHOON KONG

Independent Director

KOH CHOON KONG was appointed as our Non-Executive Director in November 2009, and re-designated as Independent Director in December 2012. He has more than 20 years of audit, accounting, corporate finance and business experience, and currently is part of the management team of the largest independent power producer (IPP) in Bangladesh, Summit Power International Limited. Mr Koh served as Group CFO of several SGX-listed corporations and worked in diverse organisations including Citicorp Investment Bank (Singapore) Limited, EtonHouse International, ICH Capital and Price Waterhouse. He graduated from the Nanyang Technological University with a Bachelor of Accountancy and later obtained his Master of Business Administration degree from the University of Manchester. He is a member of the Singapore Institute of Director, a Chartered Accountant of Singapore, as well as a CFA charter holder.

YAN TANG FENG

Independent Director

YAN TANG FENG is our Independent Director. He was appointed on 26 September 2019. Mr Yan has more than 15 years of experience in corporate finance and investment management. He is currently the President of Sinolion Holdings Pte. Ltd., responsible for the overall management of investment management and business operations. He was the Vice President of ICH Capital Group and was later promoted to Senior Vice President, responsible for investment management. Mr Yan was the Non-Executive Chairman of Shengli Oil & Gas Pipe Holdings Ltd and Non-Executive Director of Starrise Media Holdings Ltd, both companies are listed in the main board of Hong Kong Stock Exchange. Mr Yan graduated from Shandong University in July 1994 with a bachelor's degree in engineering.

KEY EXECUTIVES

TONG YIPING

Chief Financial Officer

TONG YIPING was appointed as Chief Financial Officer since March 2016. He joined the Group as Group's Financial Controller in October 2013, and is responsible for the overall financial operations of the Group as well as corporate secretarial matters and investors relations. He has more than 15 years of experience as an accounting professional. Prior to joining the Company, Mr Tong was the Finance Manager of China Yuchai International Ltd, a company listed in New York Stock Exchange. Mr Tong is a fellow with the Association of Chartered Certified Accountants, and a member of Institute of Singapore Chartered Accountants. He obtained an honours bachelor degree in Accountancy from Oxford Brookes University, UK.

MA YUE BIN

First Deputy General Manager

MA YUE BIN was appointed as the Group's First Deputy General Manager and Director of Shandong Sunsine in Oct 2020. He oversees the whole Group's production. Mr Ma joined the Group in 1986 and has over 30 years of experience in production, operation and management. From September 1995 to June 1998, he took the correspondence course of Shandong Economic Management Institute.

ZHANG SONG

Chief Engineer

ZHANG SONG was appointed as the Group's Chief Engineer, Director cum Deputy General Manager of Shandong Sunsine in Oct 2020. He is in charge of the Group's technology and R&D activities. Mr Zhang joined the Group in 2008 since obtained his master degree in inorganic chemistry. He has more than 12 years' experience in research and development activities, technology upgrading and management. He has joined and led several technological projects organised by China national or provincial authorities, and won numerous rewards. He is also one of the drafters to the Chinese Standards for Insoluble Sulphur.

WANG BAOLI

Deputy General Manager

WANG BAOLI was appointed as the Group Deputy General Manager in Oct 2020. He is in charge of Group's sales and marketing activities. Prior to that, Mr Wang was GM Assistant, Finance Manager of Shandong Sunsine, in charge of the finance matters as well as the control of the product selling prices and terms. He has nearly 30 years' finance, sales control and management experiences since he joined the Group in 1992. Mr Wang graduated from Shandong University of Finance and Economics with a Bachelor degree in Accounting.

XU CHI

General Manager Assistant

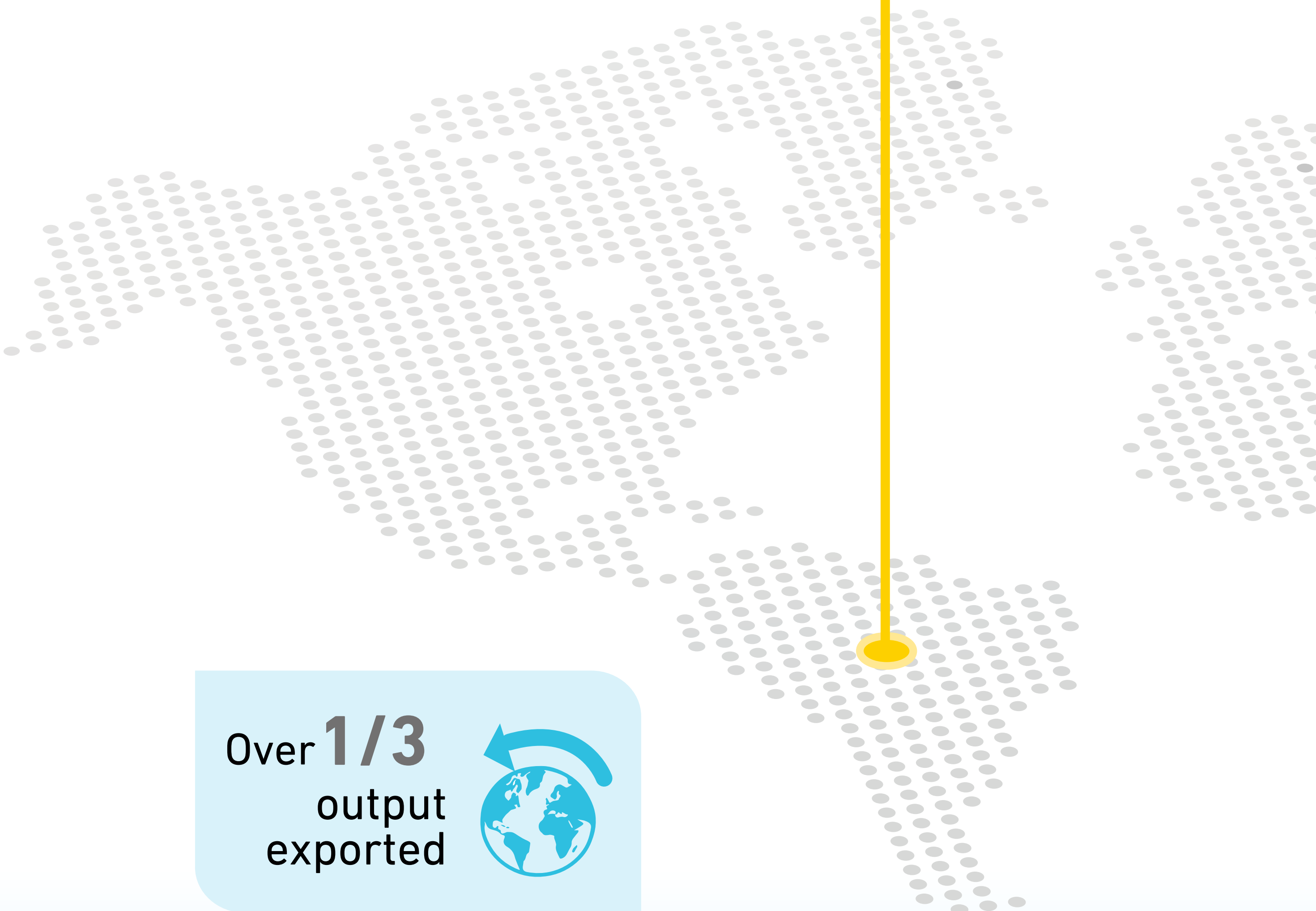
XU CHI was appointed as the Group General Manager Assistant and Director of Shandong Sunsine. He is in charge of the Group's procurement, as well as the market information departments of Shandong Sunsine. Mr Xu has more than 26 years' experience in the sales, procurement, marketing as well as administration.

GLOBAL MARKET

SOUTH AMERICA

Argentina
Brazil
Chile
Peru

Over **1,000** customers globally



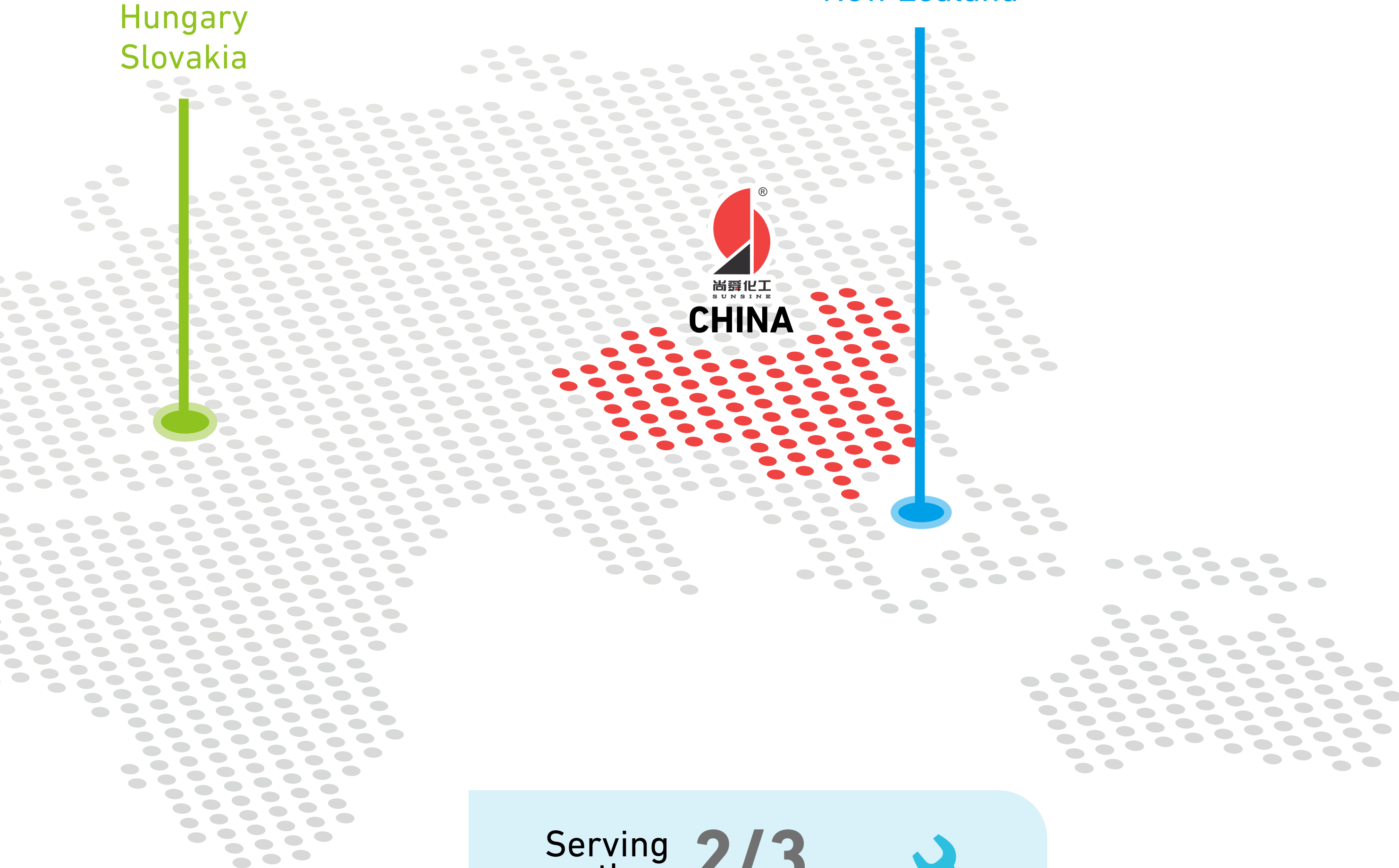
Over **1/3** output exported

EUROPE

Italy
Germany
France
Netherlands
Spain
Poland
Hungary
Slovakia

ASIA - PACIFIC

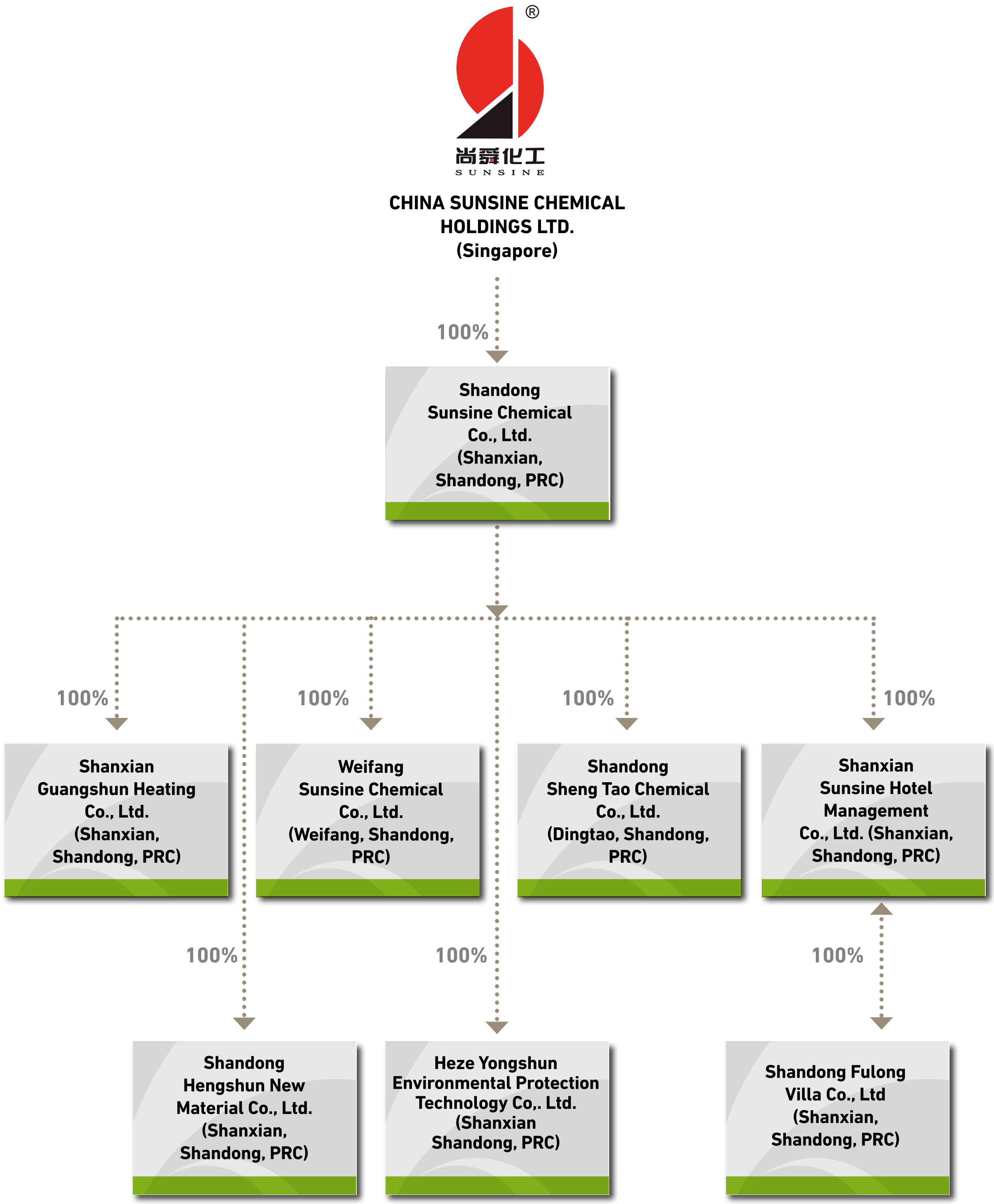
India
Korea
Japan
Malaysia
Thailand
Indonesia
Vietnam
Australia
New Zealand



Serving more than **2/3** of the Global Top 75 tyre makers

SUPERIOR PRODUCTS **WE OFFER**

GROUP STRUCTURE



CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Singapore Office

112 Robinson Road
#11-01 Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
E-mail: info@ChinaSunsine.com
Website: www.ChinaSunsine.com

China Main Offices

Shandong Sunsine Chemical Co., Ltd.
Shandong Shanxian Economic Development Zone
Shandong Province
Post Code: 274300
The People's Republic of China

Weifang Sunsine Chemical Co., Ltd.
Lingang Chemical Zone South Area
Weifang Binhai Economic Development Zone
Shandong Province
Post Code: 262737
The People's Republic of China

BOARD OF DIRECTORS

Xu Cheng Qiu Executive Chairman
Xu Jun Executive Director
Liu De Ming Executive Director
Lim Heng Chong Benny Lead Independent Director
Xu Chun Hua Independent Director
Koh Choon Kong Independent Director
Yan Tang Feng Independent Director

AUDIT COMMITTEE

Koh Choon Kong Chairman
Xu Chun Hua
Yan Tang Feng

NOMINATING COMMITTEE

Lim Heng Chong Benny Chairman
Xu Cheng Qiu
Xu Chun Hua

REMUNERATION COMMITTEE

Xu Chun Hua Chairman
Koh Choon Kong
Yan Tang Feng

JOINT COMPANY SECRETARIES

Jacqueline Anne Low
Tong Yiping FCCA CA (Singapore)

BANKERS

China Construction Bank Corporation Heze/Shanxian/Weifang Branch
Agricultural Bank of China Shanxian/Weifang Branch
Bank of China Heze Branch
Industrial and Commercial Bank of China Shanxian Branch
Postal Savings Bank of China Shanxian Branch
DBS Bank Ltd

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road, #02-00
Singapore 068898

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
80 Robinson Road, #25-00
Singapore 068898
Tel: +65 6534 5700
Fax: +65 6534 5766

Director-in-charge:
Meriana Ang Mei Ling
(Appointed since financial year ended 31 December 2021)

China Sunsine Chemical Holdings Ltd. (the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the "**Group**") to ensure greater transparency and protection of shareholders' interests. The board of directors of the Company (the "**Board**") is pleased to confirm that the Company has complied with the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") and the accompanying Practice Guidance to the Code, where they are applicable and practical to the Group. Where there is any variation from the provisions of the Code, explanations on how the Group's practices are consistent with the aim and philosophy of the principle in question, have been provided within this report.

This report sets out the Company's corporate governance processes, practices and structures that were in place throughout the financial year ended 31 December 2021 ("**FY2021**"), with specific reference to the principles and provisions of the Code. The Board and the management of the Company (the "**Management**") will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of the Board

The Board assumes responsibility for stewardship of the Group, and puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

The Board's primary role is to protect and enhance long-term value and returns for shareholders. It provides entrepreneurial leadership, oversees the business and affairs of the Group, and approves the Group's financial and strategic plans, key business initiatives, major investments and divestments proposals, and funding decisions.

Additionally, the Board has direct responsibility for decision-making in respect of the following corporate events and actions:

(a) ensure that necessary financial and human resources are in place for the Group to meet its objectives;

(b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;

(c) establish, together with Management, the strategies and financial objectives to be implemented by Management;

(d) review the performance of Management, approve the nominations of the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee;

(e) review and endorse the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee;

(f) assume responsibility for corporate governance; and

(g) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision include those involving interested person transactions (such as conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, annual budgets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

Each Director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his/her knowledge. Where a director faces a conflict of interest issue, he/she will disclose and declare his/her conflict of interest, and recuse himself/herself from discussions and decisions involving the issues of conflict. Each Board member makes decisions objectively and discharges his/her duties and responsibilities at all times as fiduciaries in the interests of the Group.

Board and Board Committees

To assist the Board in the execution of the Board's responsibilities, certain functions of the Board have been delegated to 3 Board committees, comprising an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"). Each of these committees functions within clearly defined terms of reference setting out their compositions, authorities and duties, and operating procedures (including reporting back to the Board) which are reviewed on a regular basis to ensure continued relevance and consistency with the Code. The effectiveness of each committee is also constantly being monitored.

The Board meets 4 times a year and as warranted by particular circumstances. Telephonic attendance and conference at the Board and Board committee meetings are allowed under the Constitution of the Company. In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

The number of the Board and Board committee meetings held for the period from 1 January 2021 to 31 December 2021, as well as the attendance of each member of the Board and Board committees at the respective meetings, are set out below:-

	Board	**AC**	**NC**	**RC**
	Number of Meetings Held: 4	**Number of Meetings Held: 4**	**Number of Meetings Held: 1**	**Number of Meetings Held: 1**
NAME OF DIRECTORS	**Meetings Attended As Member**	**Meetings Attended As Member**	**Meetings Attended As Member**	**Meetings Attended As Member**
Xu Cheng Qiu	4 out of 4	N.A.	1 out of 1	N.A.
Liu Jing Fu(1)	0 out of 4	N.A	N.A.	N.A.
Xu Jun	4 out of 4	N.A.	N.A.	N.A.
Liu De Ming	2 out of 4	N.A.	N.A.	N.A.
Lim Heng Chong Benny	4 out of 4	N.A.	1 out of 1	N.A.
Xu Chun Hua	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Koh Choon Kong	4 out of 4	4 out of 4	N.A.	1 out of 1
Yan Tang Feng	4 out of 4	4 out of 4	N.A.	1 out of 1

Notes:

(1) Mr Liu Jing Fu retired and ceased to be the Chief Executive Officer and Executive Director on 30 April 2021.

(2) Mr Liu De Ming was appointed as an Executive Director on 30 April 2021.

Directors' Orientation and Development

The Company has an orientation program for all new Directors, and the Directors also have the opportunity to visit the Group's operating facilities in the People's Republic of China and meet with Management to gain a better understanding of the Group's business operations. Directors who are first-time directors, or who have no prior experience as directors of a listed company will undergo the Listed Entity Director Programme conducted by the Singapore Institute of Directors ("**SID**"), and will also undergo briefings on the roles and responsibilities as directors of a listed company.

Our Executive Director, Mr Liu De Ming, who was appointed on 30 April 2021, and has no prior experience as a director of a listed company, attended the Listed Entity Director Programme conducted by SID during FY2021.

All newly appointed Directors will receive a formal letter from the Company setting out the duties and responsibilities as a Director, along with an information pack containing the Company's annual report, Constitution, respective Board committees' terms of reference (where applicable), as well as a template director's disclosure form pertaining to his/her obligations in relation to disclosure of interests in securities and conflict of interests.

The Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Companies Act 1967 of Singapore ("**Companies Act**") and listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. They are also informed of and are encouraged to attend relevant seminars such as those organised by the SGX-ST, SID and other external professional organisations to keep abreast of developments relevant to their roles.

Access to Information

To assist the Board in fulfilling its responsibilities, Management provides the Board with complete and adequate information in a timely manner prior to meetings and on an on-going basis. As a general rule, Board papers are required to be sent to the directors at least 7 days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key management personnel who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance.

Access to Management and Company Secretary

The Directors have separate and independent access to the Management and the Joint Company Secretaries at all times.

At least one Joint Company Secretary attends all Board meetings. The Joint Company Secretaries are responsible for preparing minutes of Board proceedings, and are responsible to the Board for advising on corporate and administrative matters, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Joint Company Secretaries are subject to the approval of the Board as a whole.

The Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in the discharge of their duties, at the expense of the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Composition

The Board, through the NC, examines and reviews its structure, size and composition annually, taking into account the scope and nature of the Company's operations. The nature of the directors' appointments and membership on the Board committees for FY2021 are as follows:-

Name of Directors	**Position held on the Board**	**Board Committee Membership**		
		AC	**NC**	**RC**
Xu Cheng Qiu	Executive Chairman	–	Member	–
Liu Jing Fu[1]	Executive Director and Chief Executive Officer ("**CEO**")	–	–	–
Xu Jun	Executive Director	–	–	–
Liu De Ming[2]	Executive Director	–	–	–
Lim Heng Chong Benny	Lead Independent Director	–	Chairman	–
Xu Chun Hua	Independent Director	Member	Member	Chairman
Koh Choon Kong	Independent Director	Chairman	–	Member
Yan Tang Feng	Independent Director	Member	–	Member

Notes:

(1) Mr Liu Jing Fu retired on 30 April 2021 and ceased to be the CEO and Executive Director on the same day.

(2) Mr Liu De Ming was appointed as an Executive Director on 30 April 2021.

The Board presently comprises 7 directors, of whom 4 are independent non-executive directors. The present composition of the Board complies with Rule 210(5)(c) of the Listing Manual of the SGX-ST ("**Listing Manual**") that the Board must have at least two non-executive directors who are independent and free of any material business or financial connection with the Company, Provision 2.2 of the Code that the independent directors should make up a majority of the Board where the Executive Chairman is part of the management team and not an independent director, and with Provision 2.3 of the Code that the majority of the Board comprises non-executive directors. Given that the Independent Directors make up a majority of the Board, the Board is thus able to exercise objective judgment on corporate affairs independently.

Board Diversity

The Board recognises that board diversity is an essential element contributing to a well-functioning and effective Board, as well as the sustainable development of the Group. As such, the Board has in place a Board Diversity Policy, the objectives of which are to promote and enhance the decision-making process of the Board through the perspectives derived from the professional expertise, business experience, industry discipline, skills, knowledge, gender, age, educational background, ethnicity and culture, length of service, and other diverse qualities of the Board members. When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of its members, the NC will consider the various aspects of board diversity, and set practical timelines to implement the policy. It will also report to the Board on an annual basis on the progress made in promoting and achieving its board diversity objectives. The Board will, on a continuing basis, review the relevant aspects of diversity of its members to ensure they serve the needs and plans of the Company and the Group.

The Board is of the view that its current structure, size and composition is appropriate for effective decision-making, provides balance and diversity of expertise, gender and knowledge of the Group's business, foster constructive debate, and avoid groupthink. The NC is also satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to function effectively. In addition, the NC has noted that the Board comprises one female director out of a total of seven directors, in recognition of the importance and value of gender diversity. The Board also consists of directors with ages ranging from 50 to more than 70 years old, and who have served on the Board for different tenures. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process. As such, based on the above, the Board is of the view that it has achieved its board diversity targets.

Board Independence

The NC conducts a review annually to determine whether or not a director is independent, adopting the Code's definition of an "independent director" and guidance as to relationships, including those provided in the Code, the Listing Manual and the Practice Guidance to the Code, that are relevant in its determination. Each Independent Director is required to complete an annual declaration to confirm his/her independence, and in particular, that he/she does not have any relationship with the Company and its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Group. The independent directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

In assessing the independence of each Independent Director for FY2021, the NC noted that Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua, who are the Independent Directors of the Company, has each served on the Board for an aggregate period of more than 9 years from the respective dates of their first appointment. As such, the Board has subjected their independence to a particularly rigorous review.

The NC carried out the aforesaid review on the independence of each Independent Director in February 2022 (with Mr Lim Heng Chong Benny and Mdm Xu Chun Hua as members of the NC abstaining from deliberation in respect of the review of his/her independence) based on the respective Independent Directors' self-declaration of his/her relationship with the Company and its related corporations, its substantial shareholders or its officers, and his/her confirmation of independence and non-conflict of interest. In particular, the NC also took into account the actual performance of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua on the Board and Board committees, and their Individual Director Self-assessment of their contributions to the effectiveness of the Board, and was of the view that each of them has at all times exercised independent judgment in the best interests of the Company in the discharge of his/her director's duties and should therefore continue to be deemed an Independent Director, notwithstanding that they have served more than 9 years on the Board.

After due consideration and with the concurrence of the NC (with each Independent Director abstaining from the discussion and decision-making process with respect to the assessment of his/her independence), the Board has determined that each of the Independent Directors has continued to demonstrate strong independence in character and judgment in the manner in which he/she has discharged his/her responsibilities as a director of the Company. Each of them has continued to express his/her viewpoints, debated issues, sought clarifications where necessary, objectively scrutinised and challenged Management, and ask tough strategic and operational questions. Each of the Independent Directors has constructively challenged Management's assumptions, helped develop proposals on strategy, and assessed performance of Management, in the best interest of the Group.

Taking into account the views of the NC and the annual confirmation from each of the Independent Directors of his/her independence, the Board considers each of the Independent Directors to be independent and will be able to exercise independent judgment in the best interest of the Company in discharging their duties as independent directors.

Under Rule 210(5)(d)(iii) of the Listing Manual which came into effect on 1 January 2022, a Director will not be independent if he has served for an aggregate period of more than nine (9) years and his continued appointment as an Independent Director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the Directors and CEO of the issuer, and associates of such Directors and CEO (the "**Two-Tier Voting**"). In accordance with Rule 210(5)(d)(iii), such resolutions approved by a Two-Tier Voting process will remain valid until the earlier of (i) the retirement or resignation of the Independent Director; or (ii) the conclusion of the third AGM of the Company following the passing of these resolutions.

The continued appointment of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua as Independent Directors of the Company was approved by shareholders through the Two-Tier Voting process at the AGM held on 30 April 2021 pursuant to Rule 210(5)(d)(iii) of the Listing Manual.

Led by the Lead Independent Director, the Independent Directors meet regularly without the presence of Management to discuss matters such as the changes that they would like to see in the Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings. After such meetings, the Lead Independent Director will provide feedback to the Executive Chairman and the Board. During FY2021, the Independent Non-Executive Directors met regularly without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Roles of Executive Chairman and CEO

Currently, the Executive Chairman of the Company is Mr Xu Cheng Qiu. Mr Xu is the founder of the Group and plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the overall strategic planning and growth of the Group. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management.

As Executive Chairman of the Board, Mr Xu bears responsibility for the effective working of the Board. He is responsible for, amongst others, ensuring that Board meetings are held when necessary, setting the Board meeting agendas to enable the Board to carry out its duties effectively and responsibly, taking a leading role to ensure and maintain a high standard of corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters.

Following the retirement of Mr Liu Jing Fu as CEO and Executive Director of the Company on 30 April 2021, Mr Xu assumed the role of CEO to oversee the whole Group's operations, in addition to his role as Executive Chairman of the Company.

Role of Lead Independent Director

In line with the recommendations in the Code, Mr Lim Heng Chong Benny has been appointed as the Lead Independent Director of the Company to lead and coordinate the activities of the independent directors and to address the concerns, if any, of the Company's shareholders for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Company has established a NC to, *inter alia*, make recommendations to the Board on all Board appointments. The NC currently comprises the following independent directors, with the Lead Independent Director being the Chairman of the NC:

Lim Heng Chong Benny	–	Chairman
Xu Cheng Qiu	–	Member
Xu Chun Hua	–	Member

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-appointment of directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board.

The principal functions of the NC include the following:

(a) to make recommendations to the Board on all Board appointments, and re-appointment of directors or alternate directors (if any), having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour) where applicable;

(b) to review the independence of the directors annually;

(c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;

(d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

(e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

(f) to review succession plans for directors, in particular, the appointment and/or replacement of the Executive Chairman, the CEO and key management personnel according to different time horizons so as to identify competencies needed for the Group's long-term strategy and objectives;

(g) to review and make recommendations to the Board regarding the orderly replacement of Board members and key management personnel in the medium term, where necessary, as well as contingency planning and preparedness against sudden and unforeseen changes or circumstances;

(h) to make recommendations to the Board relating to the review of training and professional development programs for the Board and its directors;

(i) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

(j) to assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board.

The NC has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Mdm Xu Chun Hua and Mr Yan Tang Feng are independent. More details of the Board and NC's determination of the independence of the Independent Directors are set out under Principle 2 of this report in the section headed "*Board Independence*".

Other Principal Commitments and Board Representations

The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. The NC has taken into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, in making this determination, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as director.

The Board has also adopted an internal guideline that each director should hold not more than 5 listed company board representations to address competing time commitments when directors serve on multiple boards. The NC believes a director's commitment and contributions to the Company, and his/her attendance at and contributions during Board and Board committee meetings are relevant factors to be taken into consideration in assessing whether a director has adequately discharged his duties.

The following key information regarding all directors is set out in the following pages of this Annual Report:

(a) pages 14 to 17 – Academic and professional qualifications;

(b) page 48 – Key information (including each of the Director's board representations on other listed companies and other principal commitments (if any)); and

(c) pages 49 to 50 – Shareholding in the Company and its related corporations.

The Company currently has no alternate directors on its Board. The Board is of the view that the appointment of alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. An alternate director, when appointed, should be subject to the same criteria and process for selection of directors, and be appropriately qualified.

The NC has in place a formal process for the selection and appointment of new directors, and re-appointment of directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment, as well as to advance the Company's objective of promoting board diversity.

Process for selection of new directors

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

(a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the SID, search consultants, advertisements) to source for potential candidates;

(c) The NC assesses suitability of short-listed candidates, meets and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and

(d) The NC makes recommendations to the Board for approval.

Criteria for appointment of new directors

All new appointments are subject to the recommendation of the NC based on, *inter alia*, the following objective criteria:

(a) Integrity;

(b) Independent mindedness;

(c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;

(d) Able to commit time and effort to carry out duties and responsibilities effectively;

(e) Experience in the relevant field of business of the Company or industries in which it operates; and

(f) Financially literate.

Process for re-appointment of directors

Pursuant to Rule 720(5) of the Listing Manual and the Company's Constitution, all directors must submit themselves for re-nomination and re-appointment at least once every 3 years. Under the Company's existing Constitution, one-third of the directors (except for the managing director, if any) for the time being (or if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM of the Company. In addition, a newly appointed director must also submit himself or herself for re-election at the AGM immediately following his or her appointment.

Other considerations

Apart from the above-stated formal process for the selection and appointment of new directors, as well as re-appointment of directors, the NC and the Board will also take into consideration whether a candidate or director had previously served on the board of a company with an adverse track record or with a history of irregularities or is or was under investigation by regulators, and seek clarity on the candidate or director's involvement therein. The Board and NC will also assess whether a director's resignation from the board of any such company casts any doubt on the director's qualification and ability to act as a director of the Company.

Re-election of Directors at the forthcoming AGM

At the forthcoming AGM, Mr Xu Cheng Qiu, Mr Xu Jun and Mr Yan Tang Feng are due for retirement by rotation under Regulation 104(2) of the Constitution of the Company, and they had submitted themselves for re-nomination and re-election. Mr Liu De Ming, who was appointed as an Executive Director on 30 April 2021, will cease to hold office at the forthcoming AGM in accordance with Regulation 114 of the Company's Constitution, and has offered himself for re-election at the forthcoming AGM. The NC (save for Mr Xu Cheng Qiu who had abstained from the deliberation process in respect of his own nomination and assessment) has reviewed and recommended the re-election of Mr Xu Cheng Qiu, Mr Xu Jun, Mr Yan Tang Feng and Mr Liu De Ming (collectively, the "**Retiring Directors**") as Directors of the Company.

Mr Yan Tang Feng has no relationship, whether familial, business, financial, employment or otherwise, with the Company, its related corporations, substantial shareholders, or any officers, which could interfere or be perceived to interfere with his independent judgment.

The Board (save for the Retiring Directors who had abstained from the deliberation process in respect of their own re-election) has accepted the NC's recommendation and proposes that the Retiring Directors be re-elected at the forthcoming AGM.

Please refer to the explanatory notes to the Notice of the AGM dated 13 April 2022 and pages 120 to 126 of this Annual Report for the additional information in respect of the Retiring Directors seeking re-election at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual read with Appendix 7.4.1 of the Listing Manual.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole and the Board committees, as well as the contribution by each director to the effectiveness of the Board.

The assessment of the Board and the Board committees provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him/her to discharge his/her duties effectively and the changes that should be made to enhance the effectiveness of the Board as a whole.

The individual director's assessment exercise allowed each director to reflect upon his/her own performance on the Board and Board committees so that the overall quality of the board members may be improved upon and enhanced. It also assisted the NC in determining whether to re-nominate directors who are due for retirement by rotation at the next AGM, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company. More details of the Board and NC's assessment and determination exercise are set out under Principle 4 of this report in the sections headed "*Other Principal Commitments and Board Representation*" and "*Re-appointment of Directors*".

The NC determines how the Board and Board committees' performance may be evaluated and proposes objective performance criteria. Such performance criteria is approved by the Board and addresses how the Board and Board committees have enhanced long-term shareholders' value.

Evaluation processes

(a) Board and Board committees

Each Board member is required to complete a Board and Board Committees Assessment Checklist ("**Checklist**"). Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board for discussion on the changes which should be made to help the Board and Board committees discharge their respective duties more effectively.

(b) *Individual directors*

In the case of the assessment of individual directors, each director is required to complete an individual director's assessment form by way of a self-assessment of his/her contribution to the effectiveness of the Board and Board committees. Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board. The Chairman of the Board then provides the necessary feedback on the respective Board and Board committee performance of each director, with a view to improving their respective performance on the Board and the Board committees.

Performance criteria

The performance criteria for the Board evaluation are in respect of the Board size, composition and independence, conduct of meetings, corporate strategy and planning, risk management and internal control, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, achievement of financial targets which includes return on equity, improvement of performance of the Company's share price vis-à-vis the Singapore Straits Times Index, recruitment policy, process for determining remuneration and compensation of directors and key management personnel, financial reporting, and communication with shareholders.

The individual director's performance criteria are categorised into (1) attendance at Board and Board committees, and related activities, (2) adequacy of preparation for Board and Board committee meetings, (3) contribution in strategic/business decision, finance/accounting, risk management, legal/regulatory, human resource management, or any other specialist area of each director, (4) area of experience, (5) generation of constructive debate, (6) maintenance of independence, (7) disclosure of related party transactions, and (8) overall assessment.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Composition and Role of the RC

The RC currently comprises entirely independent directors as follows:

Xu Chun Hua	–	Chairman
Koh Choon Kong	–	Member
Yan Tang Feng	–	Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of each individual director, the CEO and key management personnel (who are not directors or the CEO).

The principal functions of the RC include the following:

(a) to review and recommend to the Board for endorsement a framework of remuneration for the Board and key management personnel, and the specific remuneration packages for each director as well as for the key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives, benefits-in-kind, and termination terms to ensure they are fair;

(b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;

(c) to review and approve the annual increments and/or variable bonus to be granted to the Executive Directors and key management personnel of the Company;

(d) in the case of directors' service agreements, to consider what compensation or commitments the directors' service agreements, if any, would entail in the event of early termination; and

(e) to recommend to the Board, in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long-term incentive schemes.

The recommendations of the RC would be submitted to the Board for endorsement. Each member of the RC will refrain from voting on any resolution in respect of the assessment of his/her remuneration. No director will be involved in determining his/her own remuneration.

The RC has access to expert advice in the field of executive remuneration outside the Company with regards to remuneration matters wherever necessary. The RC should ensure that existing relationships, if any, between any of its directors or the Company and its appointed remuneration consultants, will not affect the independence and objectivity of the remuneration consultants. In FY2021, the Company did not seek any expert advice outside the Company on remuneration of its Directors.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The RC assists the Board by ensuring that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value. The RC reviews and recommends to the Board the remuneration package, determines the overall annual increment and bonus for each of the Executive Directors and key management personnel, and ensures that they are appropriate and proportionate to the sustained performance and value creation of the Group.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies, as well as the costs of living in the cities in which the Company operates. As part of its review, the RC ensures that the performance related elements of remuneration form a significant and appropriate part of the total remuneration package of executive directors and key management personnel, and is designed to align the directors' and key management personnel's interests with those of shareholders and link rewards to corporate and individual performance, taking into account industry benchmarks.

The RC also reviews all matters concerning the remuneration of independent directors by ensuring that the remuneration is commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of these directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM.

Only the executive directors have entered into service agreements with the Company, which are for a fixed appointment period. The RC reviews and recommends to the Board what compensation commitments the executive directors' service agreements would entail in the event of early termination, and aims to be fair and avoid rewarding inadequate performance. The terms of the executive directors' service agreements were approved by the Board.

Pursuant to the terms thereof, the service agreements may be terminated by either party giving not less than six (6) months' notice in writing. Each of the key management personnel were issued a letter of appointment, the terms of which were reviewed by the RC, and approved by the Board. The RC is satisfied that the termination clauses set out in the service agreements and the letters of appointment are fair and reasonable to the parties, and are not overly generous.

The Company has not adopted the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company will review the feasibility of having such contractual provisions in future renewals of service agreements and/or employment contracts of its Executive Directors and key management personnel as recommended by the Practice Guidance.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Policy in respect of independent directors' remuneration

The independent directors do not enter into service agreements with the Company. They are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each independent director is paid a basic fee. In addition, independent directors who perform additional services through Board committees are paid an additional fee for such services. The Lead Independent Director and the Chairman of each Board committee are paid a higher fee as compared to members of the committee in view of the greater responsibility carried by that office. The amount of directors' fees payable to independent directors is subject to shareholders' approval at the Company's AGM.

Remuneration policy in respect of executive directors and other key management personnel

The Company advocates a performance-based remuneration system that is flexible and responsive to the market and the performance of the Company and the individual employee. This allows the Company to better align executive compensation with shareholders' value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.

For the purpose of assessing the performance of Executive Directors and other key management personnel, key performance targets are clearly set out at the beginning of each financial year. These targets include, where applicable, revenue, gross profit margin, net profit after tax, return on shareholders' equity, total shareholders return (i.e. dividend plus share price movement over the year), and safety production and environmental protection related targets.

Disclosure on Remuneration

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors or the CEO) for FY2021, are set out as follows:

Name of Directors and CEO	Salary	Bonus	Director's fees	Other benefits	Total Remuneration	
	%	%	%	%	%	S$'000
Xu Cheng Qiu	5	95	–	–	100	7,327
Liu Jing Fu(1)	99	1	–	–	100	96
Xu Jun	50	47	–	3	100	92
Liu De Ming(2)	50	48	–	2	100	176
Lim Heng Chong Benny	–	–	100	–	100	50
Xu Chun Hua	–	–	100	–	100	45
Koh Choon Kong	–	–	100	–	100	45
Yan Tang Feng	–	–	100	–	100	40

Remuneration Band & Name of Key Management Personnel	Salary	Bonus	Other benefits	Total
	%	%	%	%
S$250,000 and below S$500,000				
Nil				
Below S$250,000				
Tong Yiping	72	20	8	100
Wang Bao Li	29	68	3	100
Ma Yue Bin	27	71	2	100
Zhang Song	32	65	3	100
Xu Chi	33	63	4	100

Notes:

(1) Although Mr Liu Jing Fu had retired and ceased to be the CEO and Executive Director on 30 April 2021, he was paid his full remuneration for the whole FY2021 in appreciation of his significant contributions to the Group.

(2) Mr Liu De Ming was appointed as an Executive Director on 30 April 2021.

The Company has not disclosed the exact amount of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The aggregate remuneration paid to key management personnel (who are not Directors or the CEO) in FY2021 is S$580,000.

There was no employee of the Company or its subsidiaries who is a substantial shareholder, or an immediate family member of any director, the CEO or a substantial shareholder of the Company and whose remuneration exceeded S$100,000 for FY2021. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2021. Accordingly, no share option has been granted to the above directors or key management personnel. The Company may consider to have such a scheme to align the interests of key executives with that of shareholders, improving performance and achieving sustainable growth for the Company.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO or the top five key management personnel (who are not directors or the CEO).

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Risk Governance Structure

The Board is overall responsible for the governance of risk. The Board oversees the Group's risk management framework and policies, reviews the Group's business, financial and operational risks, and formulates strategies and measures to manage and mitigate these risks with the assistance of internal and external auditors.

The Board ensures that Management reviews and seeks to identify areas of significant business risks on an ongoing basis, and takes appropriate measures to control and mitigate such risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Board. The Board oversees Management in the design, implementation and monitoring of the risk management and internal control systems of the Group, to safeguard the interests of the Company and its shareholders.

Enterprise Risk Management

The Company has set up a Risk Management Advisory Committee ("**RMAC**") to oversee the Group's risk management framework and policies, review the Group's business, financial and operational risks, and to advise the Board on strategies and measures to manage and mitigate these risks. The RMAC is headed by the Executive Chairman of the Company, together with 6 executives (including a director and the Chief Financial Officer ("**CFO**")), whose names are set out below:

Xu Cheng Qiu	–	Chairman
Liu De Ming	–	Member (appointed as a member on 30 April 2021)
Tong Yiping	–	Member
Ma Yue Bin	–	Member
Wang Bao Li	–	Member
Liu Kun	–	Member
Zheng Huai Yu	–	Member

In order to ensure and maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, an Enterprise Risk Management ("**ERM**") programme was developed with the assistance of the Company's previous internal auditor, Messrs MS Risk Management Pte Ltd, and has been implemented to identify, prioritise, assess, manage and monitor key risks faced by the Group. In 2015, the Company appointed a new internal auditor, Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd., which refreshed the ERM programme to identify new risks, if any. In 2019, the Company undertook a fresh round of review of its ERM programme with the assistance of a new ERM consultant, Messrs BDO LLP. The risk management system covers, *inter alia*, financial, operational, compliance and information technology controls of the Group. The key risks identified are deliberated by Management, and reported to the RMAC, which is responsible for the effective implementation of risk management strategy, policies and processes within the framework of the ERM programme. The RMAC will also follow up on the actions required to be taken by Management to mitigate such identified risks. The RMAC also reviews the adequacy and effectiveness of the ERM programme periodically, and reports its findings to the AC and the Board at least once a year or as and when new significant risks are identified.

Internal Control and Risk Management Systems

To ensure that its internal control and risk management systems are adequate and effective, the Company has also requested its internal auditor to take such identified risks into consideration in drawing up the annual internal audit plan. The Company's internal auditor also assists the Company to conduct an annual review of the adequacy and effectiveness of the Company's internal controls. The external auditor, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance or failures in internal control, and recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect, and holds regular discussions with Management to ensure the timely and proper implementation of such recommendations. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal control and risk management processes of the Group are inadequate or ineffective, or there are non-compliance of the Company's system of internal control and processes.

Based on the internal control and risk management systems established and maintained by the Group, the work conducted by the internal and external auditors as set out in their respective reports, the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, and the report of the RMAC to the Board, the Board, with the concurrence of AC, is of the opinion that the system of internal control and risk management procedures maintained by Management are adequate and effective to meet the needs of the Company in addressing the financial, operational, compliance and information technology risks to the Company and the Group as at 31 December 2021.

The Board has also received a letter of assurance from the Executive Chairman and the CFO confirming, *inter alia*, that:

(a) the financial records of the Company have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and internal control systems are adequate and effective.

The Board notes that no system of internal controls can provide absolute assurance against or eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. However, by identifying and managing risks that may arise on a regular basis, the Group believes that it will be better placed to mitigate risks such as material financial misstatements or losses, and to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and management of business risks.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Composition and Role of AC

The AC currently comprises the following directors, all of whom are independent non-executive directors:

Koh Choon Kong – Chairman
Yan Tang Feng – Member
Xu Chun Hua – Member

All the members of the AC bring with them invaluable industry knowledge and professional expertise in the financial or business spheres, and have adequate financial management knowledge and experience to discharge their responsibilities as members of the AC.

The primary functions of the AC include the following:

(a) to discuss and review at least annually any significant financial reporting issues and judgments in relation to the financial statements and how the issues are addressed so as to ensure the integrity of the financial statements;

(b) to discuss and review at least annually the adequacy and effectiveness of the internal controls and risk management system of the Group with respect to financial, operational, compliance and information technology risks;

(c) to review any announcements relating to the Company's financial performance before submission to the Board for approval;

(d) review the assurance from the Executive Chairman and the CFO who are responsible for the financial records and financial statements;

(e) to assess and review at least annually the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit functions;

(f) to discuss and review with auditors regarding, *inter alia*, the assistance given by Management to the auditors;

(g) to assess and review at least annually the independence and objectivity of the external auditors, taking into consideration the aggregate fees paid for audit and non-audit services provided by the external auditors;

(h) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and the terms of engagement and remuneration payable to the external auditor taking into consideration the quality of work carried out by the external auditors and the basis of such assessment;

(i) to review interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual);

(j) to review the internal audit plan and findings of the internal auditor;

(k) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

(l) to undertake such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition, the AC has independent access to the internal and external auditors, who report independently their findings and recommendations to the AC. The AC met with the internal and external auditors, without the presence of Management, at least once during the financial year.

During the financial year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's half-year and full-year financial results. The AC also reviewed and approved both the Company's internal and external auditors' plans to ensure that the plans covered sufficiently the terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal and the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

The AC is briefed by the external auditor of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report.

External Auditor

In evaluating the quality of the work carried out by the external auditor, Messrs Nexia TS Public Accounting Corporation ("**Nexia TS**"), the AC's assessment of the performance of Nexia TS was based on Nexia TS's firm-wide audit quality framework, which is in line with the requirements of the Singapore Standards on Quality Control 1 (Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements) ("**Nexia AQI Framework**"). The key elements of the Nexia AQI Framework include assessment on the experience and involvement of senior audit team members, training programmes and independence requirements of the team members, regular inspections by both internal and external parties (e.g. the Accounting and Corporate Regulatory Authority Practice Monitoring Programme inspections), human resources (e.g. attrition rates of the audit team).

In evaluating the nomination of Nexia TS for re-appointment for the financial year ended 31 December 2021, the AC has considered the adequacy of the resources, experience and competence of Nexia TS. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. It is noted that the aggregate amount of fees paid to the external auditor for FY2021 is S$216,000. No non-audit fees were paid to the external auditor for financial year ended 31 December 2021 which may affect their independence. None of the members of the AC were partners of Nexia TS within the last 2 years or has any financial interest in Nexia TS.

Upon such evaluation, the AC recommended to the Board that Nexia TS be nominated for re-appointment as external auditor of the Company at the forthcoming AGM of the Company. The Company has complied with the requirements of Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms.

Internal Auditor

The role of the internal auditor is to assist the AC by ensuring that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The Company's internal audit functions are outsourced to Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd. (the "**Internal Auditor**"), which is staffed with professionals with relevant qualifications and experience. They carry out their internal audit works in accordance with the Standards for the Professional Practice of Internal Auditing that are set by the Institute of Internal Auditors. The Internal Auditor has unrestricted direct access to the AC without the presence of the Executive Chairman or senior management, at least annually. The AC approves the hiring, removal, evaluation and compensation of the outsourced Internal Auditor, to ensure that they meet the professional standards set out in the Code, and that such outsourcing will not compromise the Group's quality of internal audit work. The AC ensures that the Management provides adequate support to the Internal Auditor which include, amongst others, access to documents, records, properties and personnel of the Group.

The Internal Auditor's primary line of reporting on any risks or control issues is to the Chairman of the AC, although the Internal Auditor also liaise with the Executive Chairman and the CFO on administrative matters.

During the financial year, the Internal Auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational, compliance and information technology controls. Audits were carried out on all significant business units in the Company. All findings and recommendations of the Internal Auditor are submitted to the AC for deliberation with copies of these reports extended to the Executive Chairman and the relevant senior management officers.

The AC also reviews annually the adequacy, effectiveness and independence of the internal audit function, and is satisfied that it is independent, effective and adequately resourced and has appropriate authority and standing to discharge its responsibilities.

Whistle-Blowing Policy

The Group has established and implemented a whistle-blowing policy which sets out the procedures by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting and on misconduct or wrongdoing relating to the Group and its officers.

The Company's whistle-blowing policy allows employees to raise concerns and offer reassurance that the whistleblower will be protected against detrimental or unfair treatment for whistle-blowing in good faith. All the information in the whistleblowing report, including the identity of the employee, will be treated with strict confidentiality.

The AC is responsible for oversight and monitoring of whistle-blowing. The AC is tasked with investigating whistle-blowing reports made in good faith and in confidence, and will address any issues/concerns that are raised and follow up with the necessary investigations and/or other appropriate actions.

Following the launch of the whistle-blowing policy, a set of guidelines which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud or other misconduct which may be made pursuant to the whistle-blowing policy, so that investigations may be carried out in an appropriate and timely manner, and disciplinary or civil actions that may be initiated following completion of investigations, are appropriate, balanced, and fair. The Company publicly discloses, and clearly communicates to employees, the existence of the whistle-blowing policy and procedures for raising such concerns.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meeting

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

Conduct of General Meetings

The Company ensures that true and fair information is delivered adequately to all shareholders, and that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

To encourage more shareholder participation, the Company's general meetings are usually held in the city centre of Singapore, which is easily accessible to most shareholders. Notices of general meetings are published through the SGXNET, and in the newspapers, as well as despatched to shareholders, together with the Letter to Shareholders (in relation to the proposed renewal of the share purchase mandate), Annual Report and Sustainability Report within the prescribed time period. Any shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend any general meeting is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Pursuant to the Companies Act, the Central Provident Fund Board and relevant intermediaries may appoint more than two proxies. At shareholders' meetings, each distinct issue is proposed as a separate resolution. Shareholders are invited to put forth any questions they may have on the motions tabled and to be decided upon.

All directors, in particular the chairman of each Board committee, are required to be present at general meetings of shareholders to address shareholders' questions. The External Auditors are also present to address shareholders' queries (if any) about the conduct of audit and the preparation and content of the auditors' report. All the Directors had attended the AGM of the Company held on 30 April 2021, which was conducted by way of electronic means.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

At general meetings, all resolutions are put to vote by poll so as to better reflect shareholders' interest and ensure greater transparency. An independent scrutineer will be appointed to explain to the shareholders the rules, including the poll voting procedures that govern such general meetings, and to validate the votes cast at the general meetings. Votes cast for or against each resolution, and the respective percentages, are tallied and informed to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNET after the general meetings.

The results of general meetings are disclosed by way of Company announcement on the SGX-ST. The Company Secretary prepares minutes of general meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, if any, and responses from the Board and Management. These minutes are published on the Company's corporate website and on the SGXNET.

Due to the COVID-19 pandemic, the Company's AGM for FY2020 held on 30 April 2021 was conducted by way of electronic means. Physical copies of the Notice of AGM, proxy form, annual report, Letter to Shareholders (in relation to the proposed renewal of the share purchase mandate) and Sustainability Report were not sent to shareholders, but were published on the SGXNET and the Company's website. The Notice of AGM was also not published in the newspapers. Shareholders participated in the AGM via electronic means, and were directed to pre-register online and submit questions related to the AGM in advance of the AGM. The Company published the responses to the substantial queries and relevant comments from shareholders on SGXNet and the Company's website one day before the AGM.

As the AGM for FY2020 was held by electronic means, voting at the AGM was conducted by proxy only. Shareholders who wished to vote on any or all of the resolutions at the AGM had appointed the Chairman of the AGM as their proxy by completing the proxy form for the AGM, and submitting the proxy form by post or by email to the Company forty-eight (48) hours before the AGM.

In view of the current COVID-19 situation, as a precautionary measure to prevent the transmission of the COVID-19 virus, the Company's AGM for FY2021 will continue to be held via electronic means. Shareholders will not be able to attend the AGM in person, but may observe the proceedings of the AGM by audio or audio-visual means. Shareholders may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM. Please refer to the notice of the FY2021 AGM and announcement dated 13 April 2022 for more information on the forthcoming AGM.

Dividend Policy

The Company declared dividends every year since its IPO in 2007. However, in view of the uncertain economic conditions which are exacerbated by the COVID-19 pandemic, and the anticipated capital expenditure for the Group's expansion plans as announced in the full year results announcement for FY2021, it is difficult for the Company to commit to a fixed dividend policy. Nevertheless, the Board will discuss recommendations for dividend payments, whether in the form of final dividends or interim dividends, during Board meetings, taking into consideration the availability of the Company's retained earnings, the Group's profitability and financial position, capital expenditure requirements, future expansion or investment plans, and other relevant factors as may be determined by the Board.

The Board has recommended a one-tier tax exempt final dividend of S$0.01 per ordinary share, and a one-tier tax exempt special dividend of S$0.01 per ordinary share for FY2021 in view of the good performance of the Group for FY2021.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Board is mindful of its obligations to provide timely and fair disclosure of material information to the SGX-ST in accordance with the Corporate Disclosure Policy as set out in the Listing Manual. The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company.

Material information is communicated to shareholders in a timely manner through:

(a) announcements of full year and half year financial results which are published via the SGXNET;

(b) annual reports or circulars of the Company that are prepared and sent to all shareholders;

(c) notices of AGMs and extraordinary general meetings published on SGXNET and the Company's corporate website;

(d) press releases on major developments of the Group; and

(e) the Company's website at www.ChinaSunsine.com at which shareholders can access information on the Group.

The Company has an investor relations policy which provides for a mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The Company has an investor relations ("**IR**") manager who communicates with its shareholders, analysts and potential investors regularly and attends to their queries. Together with the CFO, the IR manager also manages the dissemination of corporate information to the public as well as institutional investors, and promotes relations with and act as liaison for such parties. The contact details of the CFO and IR manager are provided in the Company's website and in its press releases.

The Board establishes and maintains regular dialogue with its shareholders through analyst briefings and at general meetings. The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. During FY2021, the Company held half-yearly briefings for shareholders via electronic means on its financial results after each release of its results announcement, and it was noted that many shareholders participated in these briefings.

(E) MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Group key focus areas during FY2021 are ensuring sales and production equilibrium, ensuring environment friendly and safe production, ensuring the expansion projects were carried out smoothly and within the targeted timeline, enhancing customer satisfaction and employees' well-being, and contributing to community development.

The Group engages and manages its relationship with the key stakeholders through various means. Full details of the Group's strategy, areas of focus, methods of engagement can be found in the Company's Sustainability Report 2021.

The Company maintains and updates its corporate website regularly with various information on the Group and the Company which serves as an important resource for investors and all stakeholders. The CFO and IR manager are the contact persons with whom the stakeholders may directly communicate, and their contact details are provided in the Company's corporate website and in its press releases.

(F) OTHER CORPORATE GOVERNANCE MATTERS

Dealings in Securities

The Group has adopted and implemented policies in line with Rule 1207(19) of the Listing Manual in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by Management who may possess unpublished material price-sensitive information of the Group.

The Group and its officers and employees are prohibited from trading in the Company's securities, during the period beginning 1 month before the date of the announcement of the full year or half year results and ending on the date of the announcement of the relevant results ("**Prohibited Periods**"). Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

Directors and officers are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the Prohibited Periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders. On a quarterly basis, Management reports findings of IPTs, if any, during AC meetings.

In the event that a member of the AC is interested in any IPT, he or she will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on IPTs, including those required by prevailing legislation, the Listing Manual and accounting standards are complied with.

There were no IPTs of aggregate value exceeding S$100,000 conducted during FY2021.

Material Contracts

Pursuant to Rule 1207(8) of the Listing Manual, save for the Service Agreements entered into with the executive directors, no material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of the CEO, each director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

PARTICULARS OF DIRECTORS

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Xu Cheng Qiu	78	Executive Chairman	11 October 2006	30 April 2019	None	None
Xu Jun	51	Executive Director	18 May 2007	27 May 2020	None	None
Liu De Ming	50	Executive Director	30 April 2021	N.A.	None	None
Lim Heng Chong Benny	51	Lead Independent Director	18 May 2007	30 April 2021	Directorship in other Listed Companies - Alliance Healthcare Group Limited Other Principal Commitments - Chris Chong & C T Ho LLP	None
Xu Chun Hua	79	Independent Director	18 May 2007	30 April 2021	Other Principal Commitments - China Rubber Industry Association Rubber Chemical Commission - Sailun Group Co., Ltd	None
Koh Choon Kong	51	Independent Director	15 November 2009	30 April 2021	Other Principal Commitments - Summit Power International Limited	None
Yan Tang Feng	52	Independent Director	26 September 2019	27 May 2020	Other Principal Commitments - Sinolion Holdings Pte. Ltd.	None

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2021 and the balance sheet of the Company as at 31 December 2021.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 57 to 109 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Xu Chengqiu
Xu Jun
Liu Deming (appointed on 30 April 2021)
Lim Heng Chong Benny
Xu Chunhua
Koh Choon Kong
Yan Tangfeng

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which a director is deemed to have an interest**	
	At 31.12.2021	At 1.1.2021	**At 31.12.2021**	At 1.1.2021
China Sunsine Chemical Holdings Ltd.				
(No. of ordinary shares)				
Xu Chengqiu [(a),(b)]	**–**	–	**593,023,100**	593,023,100
Lim Heng Chong Benny	**200,000**	200,000	**–**	–
Koh Choon Kong [(c)]	**–**	–	**8,452,000**	8,452,000
Yan Tangfeng [(d)]	**–**	–	**1,692,000**	1,892,000

Directors' interests in shares or debentures (continued)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2021	At 1.1.2021	**At 31.12.2021**	At 1.1.2021
Immediate and Ultimate Holding Corporation - Success More Group Ltd				
(No. of ordinary shares)				
Xu Chengqiu [(a)]	**7,427**	7,427	**–**	–
Xu Jun	**812**	812	**–**	–

(a) Xu Chengqiu owns 74.27% of the issued share capital of Success More Group Ltd which owns 587,285,100 shares in the Company, and as such, by virtue of Section 7 of the Companies Act 1967 of Singapore, is deemed to have an interest in the Company and its subsidiary corporations.

(b) 5,738,000 shares in the deemed interests of Xu Chengqiu arises from shares held by the nominee, UOB Kay Hian Pte. Ltd.

(c) The deemed interests of Koh Choon Kong arises from 6,552,000 shares held by the nominee, DBS Nominee (Private) Limited, and 1,900,000 shares held by the nominee, Maybank Kim Eng Securities Pte. Ltd.

(d) The deemed interests of Yan Tangfeng arises from 1,692,000 shares held by the nominee, DBS Nominee (Private) Limited.

The directors' interests in the ordinary shares of the Company as at 21 January 2022 were the same as those as at 31 December 2021.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Koh Choon Kong (Chairman)
Xu Chunhua
Yan Tangfeng

Audit Committee (continued)

All members of the Audit Committee were independent non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act 1967 of Singapore. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company as at 31 December 2021 and the consolidated financial statements of the Group for the financial year ended 31 December 2021 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the Board of Directors

Xu Chengqiu
Director

Xu Jun
Director

5 April 2022

INDEPENDENT AUDITOR'S **REPORT**

To the Members of China Sunsine Chemical Holdings Ltd.

Report on the Audit of the Financial Statements

Our opinion

We have audited the accompanying consolidated financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 of Singapore (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition
Refer to Note 2.2 and Note 4 to the financial statements.

Area of focus

The Group derives revenue primarily from sale of rubber chemicals which are recognised at a point in time, i.e. when the control of the products has been transferred to the customers, being when the products are delivered to the customer and are accepted by the customer. For export sales, revenue are recognised at a point in time when the products are loaded on board, based on the incoterms, namely free on board ("FOB") and cost, insurance and freight ("CIF"). The Group's other revenue includes provision of heating power, waste treatment and hospitality income which are also recognised at a point in time when the services or the goods are consumed by or delivered to the customer. During the financial year ended 31 December 2021, the Group recognised total revenue of RMB3,725,164,000.

Key Audit Matters (continued)

Revenue recognition (continued)
Refer to Note 2.2 and Note 4 to the financial statements.

***Area of focus* (continued)**

We focus on this area as a key audit matter as there is presumed fraud risk with regards to revenue recognition and revenue being one of the key performance indicators of the Group, represents the most significant item on the Group's financial statements. The potential existence of management override controls and large volume of transactions also increase the inherent risk of material misstatement in the amount of revenue reported.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

- Reviewed and assessed that the Group's revenue recognition policies are in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* and have been consistently applied within the Group;

- Evaluated the design and implementation of internal controls relating to revenue and receivables and tested the operating effectiveness;

- Performed analytical procedures to identify unusual fluctuations or trends and areas where there is a higher risk of misstatement;

- Performed substantive test of details of revenue transactions throughout the financial year on a sampling basis through verification of supporting documents and performed cut-off test to ascertain that sales have been properly taken up in the correct financial year;

- Reviewed credit notes issued subsequent to the end of the financial year and ascertained that revenue is adjusted accordingly, if any; and

- Reviewed management journal entries to detect any unusual transactions in relation to revenue for evidence of fraud.

Expected credit loss ("ECL") allowance on trade receivables
Refer to Note 2.9 (b), Note 3, Note 13 and Note 26(b) to the financial statements.

Area of focus

As at 31 December 2021, the Group has trade receivables from non-related parties of RMB746,800,000, net of loss allowance of RMB10,438,000. These trade receivables represent approximately 19% of the Group's total assets.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise ECL on financial assets. For trade receivables, the Group uses a provision matrix to measure the lifetime ECL allowance and trade receivables are grouped based on shared credit risk characteristics and days past due for the purpose of the ECL assessment. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjustments are made to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Key Audit Matters (continued)

Expected credit loss ("ECL") allowance on trade receivables (continued)
Refer to Note 2.9 (b), Note 3, Note 13 and Note 26(b) to the financial statements.

***Area of focus* (continued)**

The assessment of ECL allowance on trade receivables is considered to be a key audit matter because of the significant judgements applied, subjective assumptions used by management and the related estimation uncertainty involved in determining the adequacy of the loss allowance provided.

The significance of this is further elevated by the current overall economic outlook in the People's Republic of China and in the countries where the customers operate, which has increased the risk of default of the Group's customers.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

- Obtained an understanding and evaluated the Group's processes and ECL assessment for trade receivables;

- Assessed the appropriateness of the estimates and judgments used by management in the estimation of credit losses and consequently the allowances required by comparing against the aging profile of trade receivables, historical default rates, debt collection patterns and other information on creditworthiness of the Group's customers;

- Reviewed the aging analysis of trade receivables and tested the accuracy of aging report; and

- Reviewed and considered the adequacy of disclosures made in the financial statements in respect of the credit risk of trade receivables.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that was of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company has been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Meriana Ang Mei Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
5 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	4	**3,725,164**	2,333,664
Cost of sales		**(2,678,704)**	(1,733,367)
Gross profit		**1,046,460**	600,297
Other income			
- Interest	7	**24,237**	22,108
- Others	7	**72,771**	2,932
Other losses - net			
- (Loss allowance)/reversal of loss allowance on trade receivables	26(b)	**(51)**	838
- Others	8	**(6,110)**	(17,778)
Expenses			
- Distribution and marketing		**(95,965)**	(73,832)
- Administrative		**(231,417)**	(157,461)
- Research and development		**(110,808)**	(75,320)
- Finance	9	**–**	(1,324)
Profit before income tax		**699,119**	300,460
Income tax expense	10(a)	**(192,789)**	(81,681)
Net profit		**506,330**	218,779
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation losses arising from consolidation		**(3,237)**	(3,284)
Other comprehensive loss, net of tax		**(3,237)**	(3,284)
Total comprehensive income		**503,093**	215,495
Net profit attributable to:			
Equity holders of the Company		**506,330**	218,779
Total comprehensive income attributable to:			
Equity holders of the Company		**503,093**	215,495
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)			
Basic and diluted earnings per share	11	**52.17**	22.50

The accompanying notes form an integral part of these financial statements.

BALANCE **SHEETS**

As at 31 December 2021

	Note	Group 2021 RMB'000	Group 2020 RMB'000	Company 2021 RMB'000	Company 2020 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**1,377,293**	1,326,238	**5,166**	6,430
Trade and other receivables	13	**1,104,871**	715,432	**149,010**	68,831
Inventories	14	**357,321**	197,522	**–**	–
		2,839,485	2,239,192	**154,176**	75,261
Non-current assets					
Investments in subsidiary corporations	15	**–**	–	**350,010**	350,010
Property, plant and equipment	16	**939,239**	864,612	**–**	–
Intangible assets	17	**144,644**	68,264	**–**	–
		1,083,883	932,876	**350,010**	350,010
Total assets		**3,923,368**	3,172,068	**504,186**	425,271
LIABILITIES					
Current liabilities					
Trade and other payables	19	**624,424**	409,522	**36,265**	7,556
Deferred grants	20	**13,393**	–	**–**	–
Current income tax liabilities	10(b)	**109,401**	41,847	**11,007**	7,159
		747,218	451,369	**47,272**	14,715
Total liabilities		**747,218**	451,369	**47,272**	14,715
NET ASSETS		**3,176,150**	2,720,699	**456,914**	410,556
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21(a)	**313,471**	313,471	**313,471**	313,471
Treasury shares	21(b)	**(30,155)**	(29,347)	**(30,155)**	(29,347)
Other reserves	22	**646,219**	566,132	**48,568**	51,805
Retained profits	23	**2,246,615**	1,870,443	**125,030**	74,627
Total equity		**3,176,150**	2,720,699	**456,914**	410,556

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2021

	Note	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
2021										
Beginning of financial year		**313,471**	**(29,347)**	**(3,137)**	**305**	**54,627**	**257,169**	**257,168**	**1,870,443**	**2,720,699**
Total comprehensive (loss)/ income for the financial year		–	–	(3,237)	–	–	–	–	506,330	503,093
Transfer to statutory and voluntary reserves		–	–	–	–	–	41,662	41,662	(83,324)	–
Purchase of treasury shares	21(b)	–	(808)	–	–	–	–	–	–	(808)
Dividend relating to 2020 paid	24	–	–	–	–	–	–	–	(46,834)	(46,834)
End of financial year		**313,471**	**(30,155)**	**(6,374)**	**305**	**54,627**	**298,831**	**298,830**	**2,246,615**	**3,176,150**
2020										
Beginning of financial year		**313,471**	**(21,712)**	**147**	**305**	**54,627**	**235,711**	**235,711**	**1,743,335**	**2,561,595**
Total comprehensive (loss)/ income for the financial year		–	–	(3,284)	–	–	–	–	218,779	215,495
Transfer to statutory and voluntary reserves		–	–	–	–	–	21,458	21,457	(42,915)	–
Purchase of treasury shares	21(b)	–	(7,635)	–	–	–	–	–	–	(7,635)
Dividend relating to 2019 paid	24	–	–	–	–	–	–	–	(48,756)	(48,756)
End of financial year		**313,471**	**(29,347)**	**(3,137)**	**305**	**54,627**	**257,169**	**257,168**	**1,870,443**	**2,720,699**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Net profit		**506,330**	218,779
Adjustments for:			
- Income tax expense	10(a)	**192,789**	81,681
- Amortisation and depreciation	5	**130,230**	122,375
- Write-off of property, plant and equipment	5	**4,824**	1,604
- Loss on disposal of property, plant and equipment	5	**696**	–
- Gain from bargain purchase	8	**–**	(279)
- Gain from de-recognition of right-of-use asset	7	**–**	(291)
- Interest income	7	**(24,237)**	(22,108)
- Interest expense	9	**–**	1,324
- Loss allowance/(reversal of loss allowance) on trade receivables		**51**	(838)
- Unrealised currency exchange losses		**6,464**	39,857
		817,147	442,104
Changes in working capital, net of effects from acquisition of subsidiary corporation			
- Inventories		**(159,799)**	50,901
- Trade and other receivables		**(389,490)**	47,264
- Trade and other payables		**228,294**	(50,354)
Cash generated from operations		**496,152**	489,915
Income tax paid	10(b)	**(124,852)**	(63,039)
Net cash generated from operating activities		**371,300**	426,876
Cash flows from investing activities			
Additions to property, plant and equipment	16	**(213,192)**	(275,299)
Additions to intangible assets	17	**(78,361)**	–
Acquisition of a subsidiary corporation, net of cash acquired	29(b)	**–**	(42,395)
Disposal of financial asset, fair value through profit or loss	29(b)	**–**	60,000
Disposal of property, plant and equipment		**4,796**	87
Interest received		**24,237**	22,108
Net cash used in investing activities		**(262,520)**	(235,499)
Cash flows from financing activities			
Cash deposits restricted in use pledged in banks		**(5,000)**	(1,952)
Purchase of treasury shares	21(b)	**(808)**	(7,635)
Repayment of bank borrowings	29(b)	**–**	(43,400)
Repayment of lease liability		**–**	(803)
Interest paid		**–**	(1,068)
Dividends paid to equity holders of the Company	24	**(46,834)**	(48,756)
Net cash used in financing activities		**(52,642)**	(103,614)
Net increase in cash and cash equivalents		**56,138**	87,763
Cash and cash equivalents			
Beginning of financial year		**1,322,936**	1,278,558
Effects of currency translation on cash and cash equivalents		**(10,083)**	(43,385)
End of financial year	12	**1,368,991**	1,322,936

The accompanying notes form an integral part of these financial statements.

Reconciliation of lease liability arising from financing activities

			Non-cash changes		
	1 January RMB'000	Principal and interest repayments RMB'000	Addition/ De-recognition during the financial year RMB'000	Interest expense RMB'000	31 December RMB'000
2021	**–**	**–**	**–**	**–**	**–**
2020	10,071	(803)	(9,524)	256	–

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

China Sunsine 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 15 to the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Chinese Renminbi ("RMB") and have been rounded to the nearest thousand, unless otherwise stated.

The preparation of 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 are disclosed in Note 3 to the financial statements.

On 1 January 2021, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRS(I)s ("INT SFRS(I)s") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I)s.

The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Impact of COVID-19

Since the last financial year ended 31 December 2020, the COVID-19 pandemic continued to have a significant impact on local and world economies. The Group's significant operations are in People's Republic of China, and the COVID-19 pandemic has been largely under control with the increasing vaccination, the production and human normal livelihood has recovered rapidly. The Group's financial performance has improved significantly in 2021 as compared to that in 2020.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Impact of COVID-19 (continued)

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 December 2021.

(i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

(ii) The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 December 2021.

The Group will continue to keep a vigilant watch on the challenges that may arise from the ongoing COVID-19 pandemic and uncertainties in the wider macro environment.

2.2 Revenue

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

(a) Sale of rubber chemicals

Local sales revenue are recognised at a point in time when the products are delivered to the customer and are accepted by the customer.

Export sales revenue are recognised at a point in time when the products are loaded on board, based on the incoterms, namely free on board ("FOB") and cost, insurance and freight ("CIF").

(b) Provision of heating power

Revenue is recognised at a point in time when the steam has been supplied to the customer and the customer has used it. The consumption of steam is measured by meters installed.

(c) Waste treatment

Revenue is recognised at a point in time when the chemical waste has been treated.

(d) Hospitality income

Revenue is recognised at a point in time when goods and services has been delivered and consumed by the customer.

2 Significant accounting policies (continued)

2.2 Revenue (continued)

(e) Interest income

Interest income is recognised using the effective interest rate method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

Subsidiary corporations

(a) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

2 Significant accounting policies (continued)

2.4 Group accounting (continued)

Subsidiary corporations (continued)

(b) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. If the amount in (b) exceeds the aggregate amounts specified in (a), the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve.

2 Significant accounting policies (continued)

2.4 Group accounting (continued)

Subsidiary corporations (continued)

(c) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Grants received or receivable for the acquisition of property, plant and equipment are deducted from the cost of the asset acquired to which the grant relates in arriving at the carrying amount of the asset.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Plant and machinery	10 years
Buildings	12 to 20 years
Motor vehicles	5 to 8 years
Office equipment	5 years

2 Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation (continued)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses - net".

2.6 Intangible assets

Land use rights

Land use rights are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 35 years and 50 years respectively, which is the shorter of their estimated useful lives and periods of contractual rights.

2.7 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 **Significant accounting policies** (continued)

2.8 Impairment of non-financial assets

Property, plant and equipment
Right-of-use assets
Intangible assets
Investments in subsidiary corporations

Property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

For an asset, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.9 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

2 Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) *Classification and measurement* (continued)

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

(b) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 26(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Significant accounting policies (continued)

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Leases

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  This right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

- Lease liability

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

2 Significant accounting policies (continued)

2.13 Leases (continued)

- Lease liability (continued)

  Lease payments include the following:

  – Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  – Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  – Amount expected to be payable under residual value guarantees
  – The exercise price of a purchase option if is reasonably certain to exercise the option; and
  – Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in index or rate;
  – There is a change in the Group's assessment of whether it will exercise an extension option; or
  – There is a modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2 Significant accounting policies (continued)

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 Significant accounting policies (continued)

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Defined contribution plans – retirement benefits

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary corporations of the Group ("PRC Subsidiary Corporations") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC Subsidiary Corporations are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiary Corporations. The only obligation of the PRC Subsidiary Corporations with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss when incurred.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.17 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollar ("SGD"). The financial statements are presented in Chinese Renminbi ("RMB") as the functional currency of the Group's operating subsidiary corporations is Chinese Renminbi.

2 Significant accounting policies (continued)

2.17 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other losses - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

2.18 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2 Significant accounting policies (continued)

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors whom are responsible for allocating resources and assessing performance of the operating segments.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Expected credit loss allowance on 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.

3 Critical accounting estimates, assumptions and judgements (continued)

Expected credit loss allowance on trade receivables (continued)

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.

As at 31 December 2021, the Group's trade receivables amounted to RMB757,238,000 (2020: RMB406,560,000) which arose from the Group's different revenue segments - sale of rubber chemicals, provision of heating power and waste treatment. The loss allowance provided for trade receivables as at 31 December 2021 amounted to RMB10,438,000 (2020: RMB10,387,000).

The carrying amounts of trade receivables at the end of each financial year are disclosed in Note 13.

The Group's and the Company's credit risk exposure for trade receivables are set out in Note 26(b).

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the financial year, the Group carried out a valuation exercise on certain property, plant and equipment and intangible assets due to presence of impairment indicators. Based on the impairment assessment, there is no impairment loss recognised for the financial years ended 31 December 2021 and 2020 respectively.

The recoverable amount of the property, plant and equipment and intangible asset with impairment indicators were derived based on fair value less cost to sell as determined by an independent external valuer. For the purpose of impairment assessment, the fair value of property, plant and equipment is determined using depreciation replacement cost, taking into consideration economic useful life and physical/functional deterioration and applying adjustment of 40% and 60% (2020: 40% and 60%) respectively and the fair value of intangible asset is determined using market approach which is the comparison of similar nature such as location, approved usage and useful life, adjusted using the coefficient approach. Actual results may ultimately differ from the estimates and key assumptions utilised in the calculations. Accordingly, there may be material adjustments to the carrying amounts of the respective assets.

The carrying amounts of the Group's property, plant and equipment and intangible assets as at 31 December 2021 amounted to RMB939,239,000 (2020: RMB864,612,000) and RMB144,644,000 (2020: RMB68,264,000) respectively.

4 Revenue

(a) Disaggregation of revenue from contracts with customers

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.

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Sale of rubber chemicals		
- People's Republic of China	**2,258,194**	1,572,433
- Rest of Asia	**1,009,329**	483,659
- America	**108,695**	47,771
- Europe	**190,704**	134,452
- Others	**110,727**	67,022
	3,677,649	2,305,337
Provision of heating power		
- People's Republic of China	**19,100**	15,826
Waste treatment		
- People's Republic of China	**27,110**	12,088
Hospitality income		
- People's Republic of China	**1,305**	413
Total	**3,725,164**	2,333,664

(b) Contract liabilities

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Waste treatment (Note 19)	**29,745**	23,356

Contract liabilities relates to considerations from customers for the unsatisfied obligation in providing treatment of waste services. Revenue will be recognised when the waste treatment service is provided to the customers.

4 Revenue (continued)

(c) Revenue recognised in relation to contract liabilities

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Revenue recognised in current period that was included in contract liabilities balance at the beginning of the financial year	**23,356**	–

(d) Unsatisfied performance obligations

Management expects that the transaction price allocated to unsatisfied performance obligations as at 31 December 2021 and 2020 may be recognised as revenue in the next financial year.

5 Expenses by nature

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Purchases of inventories	**2,297,344**	1,342,537
Amortisation of intangible assets (Note 17)	**1,981**	1,261
Depreciation of property, plant and equipment (Note 16)	**128,249**	120,474
Depreciation of right-of-use asset (Note 18(a))	**–**	640
Total amortisation and depreciation	**130,230**	122,375
Directors' fees	**864**	950
Employee compensation (Note 6)	**293,253**	222,558
Auditor's remuneration paid/payable to		
- Auditor of the Company	**1,038**	1,016
- Other auditor	**125**	155
Total audit fees	**1,163**	1,171
Freight charges	**53,649**	45,161
Port charges	**17,306**	10,520
Research expense (excluding salaries and depreciation)	**97,975**	64,089
Utilities	**285,619**	113,202
Write-off of property, plant and equipment	**4,824**	1,604
Loss on disposal of property, plant and equipment	**696**	–
Lease expense – Short-term leases (Note 18(c))	**204**	163
Other expenses	**93,566**	66,080
Changes in inventories	**(159,799)**	49,570
Total cost of sales, distribution and marketing, administrative and research and development expenses	**3,116,894**	2,039,980

6 Employee compensation

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Wages and salaries	**256,716**	199,982
Employer's contribution to defined contribution plans including Central Provident Fund	**36,537**	22,576
	293,253	222,558

7 Other income

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Interest income on financial assets measured at amortised cost - bank deposits	**24,237**	22,108
Gain on sale of scrap materials	**13,229**	2,023
Deferred grants income (Note 20)	**49,317**	–
Government grants – Jobs Support Scheme ("JSS") [1]	**63**	80
Gain from de-recognition of right-of-use asset	**–**	291
Others	**10,162**	538
	72,771	2,932
	97,008	25,040

[1] The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

8 Other losses - net

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Currency exchange losses – net	**(6,110)**	(18,057)
Gain from bargain purchase of a subsidiary corporation (Note 29(b))	**–**	279
	(6,110)	(17,778)

9 Finance expense

	Group	
	2021	2020
	RMB'000	RMB'000
Interest expense - lease liability (Note18(b))	–	256
Interest expense - bank loans	–	1,068
	–	1,324

10 Income taxes

(a) Income tax expense

	Group	
	2021	2020
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
- Current income tax	**190,281**	77,399
Under provision in prior financial years:		
- Current income tax	**2,508**	4,282
	192,789	81,681

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	Group	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**699,119**	300,460
Tax calculated at tax rate of 25% (2020: 25%)	**174,780**	75,115
Effects of:		
- different tax rates in other country	**(674)**	(772)
- income not subject to tax	**(1,949)**	(8,116)
- expenses not deductible for tax purposes	**1,459**	1,966
- foreign withholding tax	**7,151**	6,978
- deferred income tax assets not recognised	**9,514**	2,228
- under provision of tax in prior financial years	**2,508**	4,282
Tax charge	**192,789**	81,681

10 Income taxes (continued)

(a) *Income tax expense* (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of RMB222,888,000 (2020: RMB184,831,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore. The tax losses have no expiry date.

Deferred income tax liabilities of approximately RMB65,682,000 (2020: RMB65,503,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiary corporations (established in People's Republic of China) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future.

(b) *Movements in current income tax liabilities*

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Beginning of financial year	**41,847**	23,449	**7,159**	4,333
Currency translation differences	**(383)**	(244)	**(383)**	(244)
Income tax paid	**(124,852)**	(63,039)	**(2,920)**	(3,908)
Tax expense	**190,281**	77,399	**7,151**	6,978
Under provision in prior financial years	**2,508**	4,282	**–**	–
End of financial year	**109,401**	41,847	**11,007**	7,159

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2021	**2020**
Net profit attributable to equity holders of the Company (RMB'000)	**506,330**	218,779
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**970,546**	972,544
Basic and diluted earnings per share (RMB cents)	**52.17**	22.50

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

12 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**687,391**	384,565	**5,166**	6,430
Short-term bank deposits	**689,902**	941,673	**–**	–
	1,377,293	1,326,238	**5,166**	6,430

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents (as above)	**1,377,293**	1,326,238
Less: Bank deposits pledged	**(8,302)**	(3,302)
Cash and cash equivalents per consolidated statement of cash flows	**1,368,991**	1,322,936

Bank deposits pledged are in relation to the security granted for the issuance of letters of credit.

13 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Notes receivables	**184,136**	148,459	**–**	–
Trade receivables				
- Non-related parties	**757,238**	406,560	**–**	–
Less: Loss allowance (Note 26(b))	**(10,438)**	(10,387)	**–**	–
Trade receivables - net	**746,800**	396,173	**–**	–
Non-trade receivables				
- Subsidiary corporations	**–**	–	**149,001**	68,817
- Non-related parties	**38,526**	49,213	**9**	14
	38,526	49,213	**149,010**	68,831
Advances to suppliers	**105,108**	98,791	**–**	–
Deposits	**28,526**	15,968	**–**	–
Prepayments	**1,775**	6,828	**–**	–
	1,104,871	715,432	**149,010**	68,831

The non-trade receivables from subsidiary corporations are unsecured, interest-free and are repayable on demand. As at 31 December 2021, the non-trade receivables from subsidiary corporations included dividends receivables of RMB140,000,000 (2020: RMB60,000,000).

14 Inventories

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Raw materials	**177,424**	109,393
Finished/Trading goods	**179,897**	88,129
	357,321	197,522

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB2,137,545,000 (2020: RMB1,392,107,000).

15 Investments in subsidiary corporations

	Company	
	2021	**2020**
	RMB'000	**RMB'000**
Equity investments at cost		
Beginning and end of financial year	**350,010**	350,010

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

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2021	**2020**
			%	**%**
Held by Company				
Shandong Sunsine Chemical Co.,Ltd [(a),(b)]	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
Held by Shandong Sunsine Chemical Co.,Ltd				
Weifang Sunsine Chemical Co., Ltd [(b),(c)]	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	**100**	100
Shandong Sheng Tao Chemical Co., Ltd [(b),(c)]	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	**100**	100
Shanxian Sunsine Hotel Management Co., Ltd [(c),(d)]	Hotel investment and management (dormant)	People's Republic of China	**100**	100

15 Investments in subsidiary corporations (continued)

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

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2021	**2020**
			%	**%**
Held by Shandong Sunsine Chemical Co.,Ltd (continued)				
Shanxian Guangshun Heating Co., Ltd [(b),(c)]	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 [(b),(c)]	Manufacturing of chemical agent and rubber chemicals	People's Republic of China	**100**	100
Heze Yongshun Environmental Protection Technology Co., Ltd [(b),(c),(e)]	Waste treatment	People's Republic of China	**100**	100
Held by Shanxian Sunsine Hotel Management Co., Ltd				
Shandong Fulong Villa Co., Ltd [(b),(c)]	Hotel and restaurant	People's Republic of China	**100**	100

(a) Audited by Shan Dong He Hua United Certified Public Accountants for local statutory purposes.

(b) For the purposes of preparing the consolidated financial statements of the Group, these financial statements have been audited by Shanghai Nexia TS Certified Public Accountants.

(c) Not required to be audited under the laws of the country of incorporation.

(d) The subsidiary corporation was dormant during the financial year.

(e) The subsidiary corporation was acquired by the Group on 28 July 2020 (Note 29).

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

Significant restrictions

As at 31 December 2021, cash and short-term deposits of the Group of RMB1,372,127,000 (2020: RMB1,319,808,000) 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.

16 Property, plant and equipment

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Group						
2021						
Cost						
Beginning of financial year	966,300	501,762	15,418	32,334	240,660	1,756,474
Additions	7,665	1,125	601	950	206,214	216,555
Grants received (Note 20)	–	–	–	–	(3,363)	(3,363)
Disposal	(4,027)	(1,943)	(2,208)	–	–	(8,178)
Written off	(15,555)	(3,146)	(431)	(795)	–	(19,927)
Reclassification	259,340	81,600	345	691	(341,976)	–
End of financial year	1,213,723	579,398	13,725	33,180	101,535	1,941,561
Accumulated depreciation and impairment losses						
Beginning of financial year	644,502	216,276	8,011	21,163	1,910	891,862
Depreciation charge (Note 5)	92,808	30,355	1,645	3,441	–	128,249
Disposal	(2,064)	(228)	(394)	–	–	(2,686)
Written off	(12,749)	(1,402)	(199)	(753)	–	(15,103)
End of financial year	722,497	245,001	9,063	23,851	1,910	1,002,322
Net book value						
End of financial year	**491,226**	**334,397**	**4,662**	**9,329**	**99,625**	**939,239**

16 **Property, plant and equipment** (continued)

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Group						
2020						
Cost						
Beginning of financial year	876,050	475,641	13,413	29,751	30,448	1,425,303
Additions	5,493	2,053	1,736	251	269,766	279,299
Grants received (Note 20)	–	–	–	–	(4,000)	(4,000)
Acquisition of a subsidiary corporation (Note 29(b))	29,389	28,997	317	1,737	1,295	61,735
Disposal	(478)	–	–	–	–	(478)
Written off	(4,232)	–	(83)	(1,070)	–	(5,385)
Reclassification	60,078	(4,929)	35	1,665	(56,849)	–
End of financial year	966,300	501,762	15,418	32,334	240,660	1,756,474
Accumulated depreciation and impairment losses						
Beginning of financial year	562,002	186,386	6,564	18,698	1,910	775,560
Depreciation charge (Note 5)	85,602	29,890	1,525	3,457	–	120,474
Disposal	(391)	–	–	–	–	(391)
Written off	(2,711)	–	(78)	(992)	–	(3,781)
End of financial year	644,502	216,276	8,011	21,163	1,910	891,862
Net book value						
End of financial year	**321,798**	**285,486**	**7,407**	**11,171**	**238,750**	**864,612**

16 Property, plant and equipment (continued)

As at the end of financial year, management reviewed property, plant and equipment for indication of impairment and concluded that there are no indication that the Group's property, plant and equipment would be impaired except for property, plant and equipment of a subsidiary corporation, Shandong Fulong Villa Co., Ltd and has therefore performed impairment assessment for those assets. The basis of impairment and key assumptions used for impairment assessment are disclosed in Note 3. Based on the impairment assessment, management is of the view that no additional or reversal of impairment is required for the financial years ended 31 December 2021 and 2020.

17 Intangible assets

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Land use rights		
Cost		
Beginning of financial year	**83,864**	53,287
Acquisition of a subsidiary corporation (Note 29(b))	**–**	30,577
Additions during the year	**78,361**	–
End of financial year	**162,225**	83,864
Accumulated amortisation		
Beginning of financial year	**15,600**	14,339
Amortisation charge (Note 5)	**1,981**	1,261
End of financial year	**17,581**	15,600
Net book value	**144,644**	68,264

The amortisation charge for the financial year of RMB1,981,000 (2020: RMB1,261,000) is included in the statement of comprehensive income as part of the administrative expenses.

As at the end of financial year, management reviewed intangible assets for indication of impairment and concluded that there are no indication that the Group's intangible assets would be impaired except for intangible asset of a subsidiary corporation, Shandong Fulong Villa Co., Ltd and has therefore performed impairment assessment for those assets. The basis of impairment and key assumptions used for impairment assessment are disclosed in Note 3. Based on the impairment assessment, management is of the view that no impairment is required for the financial years ended 31 December 2021 and 2020.

17 Intangible assets (continued)

Land use rights are related to the following parcels of land:

Location	Period	Land area (sq m)
Facility 1		
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 5 Sep 2056)	162,087
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 31 Oct 2059)	89,109
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA(1)	110,514
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA(1)	45,187
		406,897
Facility 2		
Bin Hai Economic Development Area, Weifang	50 years (expiring on 13 Mar 2061)	187,852
Facility 3		
Zhuji County, Changjiang Road North, Chenji, Dingtao	50 years (expiring on 2 Sep 2064)	59,942
Zhuji County, Changjiang Road North, Chenji, Dingtao	NA(2)	126,725
		186,667
Facility 4		
Economic and Technological Development Zone, Shanxian	50 years (expiring on 26 Dec 2063)	46,175
Economic and Technological Development Zone, Shanxian	NA(3)	80,492
		126,667
Facility 5		
Fulong Lake, Fugang Village, Shanxian	35 years (expiring on 7 Sep 2050)	33,618
Facility 6		
Economic and Technological Development Zone, Shanxian	50 years (expiring on 26 Dec 2063)	43,526
Economic and Technological Development Zone, Shanxian	50 years (expiring on 4 Jul 2062)	99,972
		143,498
Facility 7		
Economic and Technological Development Zone, Shanxian	50 years (expiring on 29 July 2071)	40,000
Facility 8		
Economic and Technological Development Zone, Shanxian	NA(4)	15,475
Economic and Technological Development Zone, Shanxian	NA(4)	89,955
		105,430

17 Intangible assets (continued)

(1) The land for Facility 1 is where Shandong Sunsine Chemical Co., Ltd's ("Shandong Sunsine") chemical factories are built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Sunsine has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(2) The land for Facility 3 is where Shandong Sheng Tao Chemical Co., Ltd's ("Shandong Sheng Tao") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Sheng Tao has obtained construction permission from the local authority of Dingtao County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(3) The land for Facility 4 is where Shanxian Guangshun Heating Co., Ltd's ("Guangshun") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Guangshun has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(4) The land for Facility 8 is where Shandong Hengshun New Material Co., Ltd's ("Hengshun") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Hengshun has obtained construction permission from the local authority of Shanxian County in the financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group has obtained the right to use through contractual arrangement with the local government agency.

18 Leases – The Group as a lessee

Nature of the Group's leasing activities

Land and properties

In the previous financial year, the Group leased land and properties from Heze Yongshun Environmental Technology Co., Ltd ("Yongshun") for its production operations. There was no externally imposed covenant on these lease arrangements. On 28 July 2020, the Group acquired Yongshun, who own these land and properties, the leases were then de-recognised and recognised as property, plant and equipment accordingly.

18 Leases – The Group as a lessee (continued)

(a) *Right-of-use asset - carrying amount and depreciation charged during the financial year*

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Cost		
Beginning of financial year	–	10,970
De-recognition due to acquisition of a subsidiary corporation	–	(10,970)
End of financial year	–	–
Accumulated depreciation		
Beginning of financial year	–	1,097
Depreciation charge (Note 5)	–	640
De-recognition due to acquisition of a subsidiary corporation	–	(1,737)
End of financial year	–	–
Carrying amount		
End of financial year	–	–

(b) *Interest expense*

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Interest expense on lease liability (Note 9)	–	256

(c) *Lease expense not capitalised in lease liabilities*

	Group	
	2021	**2020**
	RMB'000	**RMB'000**
Lease expense – short-term leases (Note 5)	**204**	163

(d) *Total cash outflow for all leases was RMB204,000 (2020: RMB966,000).*

19 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Notes payable	**225,323**	–	**–**	–
Trade payables - Non-related parties	**84,866**	54,423	**–**	–
Non-trade payables - Non-related parties	**134,504**	188,952	**–**	–
Accruals for operating expenses	**149,986**	142,791	**36,265**	7,556
Contract liabilities (Note 4b)	**29,745**	23,356	**–**	–
	624,424	409,522	**36,265**	7,556

20 Deferred grants

	Group	
	2021	2020
	RMB'000	RMB'000
Beginning of financial year	**–**	–
Amount received from government agencies	**66,073**	4,000
Recognised directly into profit or loss (Note 7)	**(49,317)**	–
Deducted against the carrying amount of property, plant and equipment (Note 16)	**(3,363)**	(4,000)
End of financial year	**13,393**	–

In 2021, deferred grants relate to government grant subsidy received from the government agency for the research and development activities undertaken by the Group's subsidiary corporation in the People's Republic of China for prevention of air pollution and production automation.

In 2020, deferred grants relate to government grant subsidy received from the government agency for the purchase of machinery for the prevention of air pollution by the Group's subsidiary corporation in the People's Republic of China.

21 Share capital and treasury shares

(a) *Share capital*

	No. of ordinary shares	Amount SGD'000	Amount RMB'000
<u>Group and Company</u>			
2021			
Beginning and end of financial year	**983,388,000**	**62,649**	**313,471**
2020			
Beginning and end of financial year	983,388,000	62,649	313,471

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

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) *Treasury shares*

	No. of ordinary shares	Amount SGD'000	Amount RMB'000
<u>Group and Company</u>			
2021			
Beginning of financial year	**12,667,900**	**(5,849)**	**(29,347)**
Treasury shares purchased	**325,000**	**(168)**	**(808)**
End of financial year	**12,992,900**	**(6,017)**	**(30,155)**
2020			
Beginning of financial year	7,745,300	(4,310)	(21,712)
Treasury shares purchased	4,922,600	(1,539)	(7,635)
End of financial year	12,667,900	(5,849)	(29,347)

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

In 2021, the Company purchased 325,000 treasury shares in the open market. The cost of the treasury shares purchased amounted to SGD168,000 (equivalent to RMB808,000).

In 2020, the Company purchased 4,922,600 treasury shares in the open market. The cost of the treasury shares purchased amounted to SGD1,539,000 (equivalent to RMB7,635,000).

22 Other reserves

(a) Composition:

	Group		Company	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Merger reserve	**305**	305	**–**	–
Capital reserve	**54,627**	54,627	**54,627**	54,627
Statutory common reserve	**298,831**	257,169	**–**	–
Voluntary common reserve	**298,830**	257,168	**–**	–
Currency translation reserve	**(6,374)**	(3,137)	**(6,059)**	(2,822)
	646,219	566,132	**48,568**	51,805

(b) Movements:

	Group		Company	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
(i) Merger reserve				
Beginning and end of financial year	**305**	305	**–**	–
(ii) Capital reserve				
Beginning and end of financial year	**54,627**	54,627	**54,627**	54,627
(iii) Statutory common reserve				
Beginning of financial year	**257,169**	235,711	**–**	–
Transfer from retained profits	**41,662**	21,458	**–**	–
End of financial year	**298,831**	257,169	**–**	–
(iv) Voluntary common reserve				
Beginning of financial year	**257,168**	235,711	**–**	–
Transfer from retained profits	**41,662**	21,457	**–**	–
End of financial year	**298,830**	257,168	**–**	–
(v) Currency translation reserve				
Beginning of financial year	**(3,137)**	147	**(2,823)**	461
Net currency translation differences of financial statements of the Company	**(3,237)**	(3,284)	**(3,237)**	(3,284)
End of financial year	**(6,374)**	(3,137)	**(6,059)**	(2,823)

Other reserves are non-distributable.

22 Other reserves (continued)

Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency.

Statutory and Voluntary common reserves

According to the Company Law of People's Republic of China ("PRC") and Articles of Association of PRC Subsidiary Corporations, the subsidiary corporations are required to provide the following statutory reserves which are appropriated from the net profit as reported in the PRC statutory financial statements:

(i) Statutory common reserve

A company is required to transfer 10% of the net profit as reported in its PRC statutory financial statements to statutory common reserve annually, except where the fund has reached 50% of the company's registered capital. This fund can be used to make up for any losses incurred or be converted into paid-up capital, provided that the fund does not fall below 25% of the registered capital.

(ii) Voluntary common reserve

In accordance with the relevant laws and regulations in the People's Republic of China, the subsidiary corporation is allowed to appropriate a minimum of 10% of the net profit reported in the statutory accounts to the voluntary common reserve which serves as staff welfare fund until the balance of such reserve reached 50% of its registered share capital.

The amount to be set aside is determined by the Board of Directors annually in accordance with the relevant regulations. This reserve cannot be used for purposes other than those for which is created and is not distributable as cash dividends.

23 Retained profits

(a) Retained profits of the Group and the Company are distributable.

(b) Movement in retained profits for the Company is as follows:

	Company	
	2021	**2020**
	RMB'000	**RMB'000**
Beginning of financial year	**74,627**	78,452
Net profit	**97,237**	44,931
Dividends paid (Note 24)	**(46,834)**	(48,756)
End of financial year	**125,030**	74,627

24 Dividends

	Group 2021 RMB'000	Group 2020 RMB'000
Ordinary dividends (Note 23)		
Final dividends paid in respect of the previous financial year of SGD 0.01 (2020: SGD 0.01) per share	**46,834**	48,756

At the forthcoming Annual General Meeting on 29 April 2022, a final dividend of SGD0.01 per share and a special dividend of SGD0.01 per share, total amounting to SGD19,408,000 (equivalent to approximately RMB91,565,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2022.

25 Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group 2021 RMB'000	Group 2020 RMB'000
Property, plant and equipment	**8,002**	33,217

26 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Market risk

(i) Currency risk

The Group operates in People's Republic of China ("PRC"). Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Euro ("EUR").

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Currently, the PRC government imposes control over foreign currencies. Chinese Renminbi ("RMB"), the official currency of the PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The Company's operation does not expose itself to significant currency risk.

26 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
2021					
Financial assets					
Cash and cash equivalents	823,930	533,783	12,159	7,421	1,377,293
Trade and other receivables	787,581	201,174	9,224	9	997,988
Receivables from inter-company	584,069	–	–	149,604	733,673
	2,195,580	734,957	21,383	157,034	3,108,954
Financial liabilities					
Trade and other payables	(558,414)	–	–	(36,265)	(594,679)
Payables to inter-company	(584,069)	–	–	(149,604)	(733,673)
	(1,142,483)	–	–	(185,869)	(1,328,352)
Net financial assets/ (liabilities)	1,053,097	734,957	21,383	(28,835)	1,780,602
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(1,053,097)	–	–	28,835	(1,024,262)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	734,957	21,383	–	756,340

26 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows: (continued)

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
2020					
Financial assets					
Cash and cash equivalents	911,467	402,569	6,402	5,800	1,326,238
Trade and other receivables	514,215	93,804	1,780	14	609,813
Receivables from inter-company	471,925	–	–	69,031	540,956
	1,897,607	496,373	8,182	74,845	2,477,007
Financial liabilities					
Trade and other payables	(378,610)	–	–	(7,556)	(386,166)
Payables to inter-company	(471,925)	–	–	(69,031)	(540,956)
	(850,535)	–	–	(76,587)	(927,122)
Net financial assets/ (liabilities)	1,047,072	496,373	8,182	(1,742)	1,549,885
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(1,047,072)	–	–	1,742	(1,045,330)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	496,373	8,182	–	504,555

26 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and EUR change against the RMB by 2% (2020: 6%) and 10% (2020: 3%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follow:

	Increase/(decrease)	
	2021	**2020**
	Net profit	**Net profit**
	RMB'000	**RMB'000**
USD against RMB		
- Strengthened	**11,024**	22,337
- Weakened	**(11,024)**	(22,337)
EUR against RMB		
- Strengthened	**1,604**	184
- Weakened	**(1,604)**	(184)

Exposure for SGD against RMB is not material to the Group.

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

For the financial years ended 31 December 2021 and 2020, the Group is not exposed to significant cash flow and fair value interest rate risk as the Group's exposure on interest rate risk is primarily from short-term bank deposits placed.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major class of financial assets of the Group is cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group's Executive Chairman based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by the directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

26 Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	2021 RMB'000	2020 RMB'000
By geographical areas		
People's Republic of China	**541,684**	300,589
Overseas market	**215,554**	95,584
	746,800	396,173

The movement in the credit loss allowance is as follows:

	2021 RMB'000	2020 RMB'000
Beginning of financial year	**(10,387)**	(12,688)
Allowance made	**(980)**	(2,019)
Reversal of unutilised amount	**929**	2,857
Net amount recognised in profit or loss	**(51)**	838
Allowance written-off	**–**	1,463
End of financial year (Note 13)	**(10,438)**	(10,387)

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor significantly delay in payments, or a debtor will probably enter bankruptcy. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 6 months after the invoices are issued, and writes off or impairs the financial asset. Where receivables are written off or impaired, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

26 Financial risk management (continued)

(b) Credit risk (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 *Financial Instruments* are set out in the provision matrix as follows:

	Aging				
	1 - 3 months RMB'000	**3 - 6 months RMB'000**	**6 months - 1 year RMB'000**	**More than 1 year RMB'000**	**Total RMB'000**
2021					
Domestic customers					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	503,719	27,527	151	10,287	541,684
Loss allowance (Note 13)	–	–	(151)	(10,287)	(10,438)
Oversea customers					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	205,462	10,092	–	–	215,554
Loss allowance	–	–	–	–	–
2020					
Domestic customers					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	296,459	4,130	1,839	8,548	310,976
Loss allowance (Note 13)	–	–	(1,839)	(8,548)	(10,387)
Oversea customers					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	92,819	2,765	–	–	95,584
Loss allowance	–	–	–	–	–

Cash and cash equivalents

The Group and the Company held cash and cash equivalents with banks of high credit ratings and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

Loan to subsidiary corporations

The Company has assessed that its subsidiary corporations have strong financial capacity to meet the contractual obligation of RMB149,001,000 (2020: RMB68,817,000) (Note 13) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

26 Financial risk management (continued)

(*c*) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group monitors working capital projections regularly, taking into account the available banking facilities to ensure that the Group has adequate working capital to meet current requirement.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000
Group				
2021				
Trade and other payables	**594,679**	**–**	**–**	**–**
2020				
Trade and other payables	386,166	–	–	–
Company				
2021				
Trade and other payables	**36,265**	**–**	**–**	**–**
2020				
Trade and other payables	7,556	–	–	–

26 Financial risk management (continued)

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group and the Company are not subject to any externally imposed capital requirements.

(e) *Fair value measurements*

The fair values of current financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

(f) *Financial instruments by category*

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost	**2,375,281**	1,936,051	**154,176**	75,261
Financial liabilities at amortised cost	**594,679**	386,166	**36,265**	7,556

27 Related party transactions

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

	Group	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	**40,410**	11,146
Employer's contribution to defined contribution plans including Central Provident Fund	**157**	174
	40,567	11,320

Included in the above is total compensation to directors of the Company amounting to RMB37,781,000 (2020: RMB8,012,000).

28 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 (2020: 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 *Operating Segments* 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:

	Rubber Chemicals	Heating Power	Waste Treatment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2021					
Sales					
Total segment sales	4,551,244	170,951	29,700	1,881	4,753,776
Inter-segment sales	(873,595)	(151,851)	(2,590)	(576)	(1,028,612)
Sales to external parties	3,677,649	19,100	27,110	1,305	3,725,164
Adjusted EBITDA	816,131	19,639	4,490	(35,148)	805,112
Depreciation	(103,522)	(18,747)	(4,988)	(992)	(128,249)
Amortisation	(634)	(142)	(786)	(419)	(1,981)
Segment assets	3,638,978	180,119	86,131	18,140	3,923,368
Segment assets include:					
Additions to property, plant and equipment	200,607	5,917	6,635	33	213,192
Additions to intangible assets	68,914	–	9,447	–	78,361
Segment liabilities	554,338	54,485	66,530	71,865	747,218

28 Segment information (continued)

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

	Rubber Chemicals RMB'000	Heating Power RMB'000	Waste Treatment RMB'000	Others RMB'000	Total RMB'000
2020					
Sales					
Total segment sales	2,941,703	112,593	14,503	1,013	3,069,812
Inter-segment sales	(636,366)	(96,767)	(2,415)	(600)	(736,148)
Sales to external parties	2,305,337	15,826	12,088	413	2,333,664
Adjusted EBITDA	390,696	15,952	3,546	(8,143)	402,051
Depreciation	(99,663)	(18,467)	(1,988)	(996)	(121,114)
Amortisation	(570)	(142)	(130)	(419)	(1,261)
Segment assets	2,798,329	190,624	138,819	44,296	3,172,068
Segment assets include:					
Additions to property, plant and equipment	201,493	4,672	69,134	–	275,299
Additions to intangible assets	–	–	30,577	–	30,577
Segment liabilities	275,038	41,557	95,459	39,315	451,369

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.

(a) Reconciliations

Segment profits

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	2021 RMB'000	2020 RMB'000
Adjusted EBITDA for reportable segments	**805,112**	402,051
Depreciation	**(128,249)**	(121,114)
Amortisation	**(1,981)**	(1,261)
Interest expense	**–**	(1,324)
Interest income	**24,237**	22,108
Profit before income tax	**699,119**	300,460

28 Segment information (continued)

(b) Geographical Segment

Currently, the Group's business operates only in PRC. For geographical segment information, the revenue is based on where the customers are located.

	Revenue		Non-current assets	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	**2,305,709**	1,600,760	**1,083,883**	932,876
Rest of Asia	**1,009,329**	483,659	**–**	–
America	**108,695**	47,771	**–**	–
Europe	**190,704**	134,452	**–**	–
Other countries	**110,727**	67,022	**–**	–
	3,725,164	2,333,664	**1,083,883**	932,876

There are no customers individually contributing more than 10% to the revenue of the Group.

(c) Revenue from major services

Revenue from external customers are derived mainly from sale of rubber chemicals, provision of heating power, waste treatment and hospitality income as disclosed in Note 4.

29 Business combination

On 17 July 2020, the Company's wholly owned subsidiary corporation, Shandong Sunsine Chemical Co., Ltd, entered into an Equity Transfer Agreement with Mr Li Pin and Mr Yao Xian Feng (collectively, the "Vendors") and Heze Yongshun Environmental Protection Technology Co., Ltd ("Yongshun"), for the acquisition ("Acquisition") of 100% equity interest of Yongshun from the Vendors for a total cash consideration of RMB43,000,000.

The Acquisition was funded by internal resources and the consideration was fully paid to the Vendors in two tranches on 27 and 28 July 2020 respectively.

The principal activity of Yongshun is that of waste treatment. Following the Acquisition, the Group is expected to reduce the environmental risks faced by the Group and save costs in the long run.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	RMB'000
Cash paid	43,000
Consideration transferred for the business	**43,000**

29 Business combination (continued)

(b) Effect on cash flows of the Group

	RMB'000
Cash paid (as above)	43,000
Less: Cash and cash equivalents in the subsidiary corporation acquired	(605)
Cash outflow on acquisition	**42,395**

(c) Identifiable assets acquired and liabilities assumed

	At fair value RMB'000
Property, plant and equipment (Note 16)	61,735
Intangible assets (Note 17)	30,577
Financial asset, at fair value through profit or loss	60,000
Inventories	1,331
Trade and other receivables	69,233
Cash and bank balances	605
Total assets	223,481
Trade and other payables	(136,802)
Bank borrowings	(43,400)
Total liabilities	(180,202)
Total identifiable net assets	**43,279**
Less: Bargain purchase on acquisition of a subsidiary corporation (Note 8)	(279)
Consideration transferred for the business	**43,000**

In December 2020, the Group has disposed the financial asset, at fair value through profit or loss, for consideration of RMB60,000,000 and repaid the bank borrowings of RMB43,400,000.

(d) Acquisition-related costs

The Group did not incur any acquisition-related cost in respect of the acquisition of Yongshun.

(e) Revenue and profit contribution

The acquired business contributed revenue of RMB12,088,000 and net loss of RMB1,564,000 to the Group from the period from 28 July 2020 to 31 December 2020.

Had Yongshun been acquired from 1 January 2020, consolidated revenue and consolidated profit for the financial year ended 31 December 2020 would have been RMB2,341,480,000 and RMB219,602,000 respectively.

30 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2022 and which the Group has not early adopted:

Description	***Effective for annual periods beginning on or after***
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 Jan 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment—Proceeds before Intended Use	1 Jan 2022
Amendments to SFRS(I) 1-37: Onerous Contracts—Cost of Fulfilling a Contract	1 Jan 2022
Amendment to SFRS(I) 1: First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2022
Amendment to SFRS(I) 9: Financial Instruments	1 Jan 2022
Amendment to Illustrative Examples Accompanying SFRS(I) 16: Leases	1 Jan 2022
Amendment to SFRS(I) 1-41: Agriculture	1 Jan 2022
SFRS(I) 17: Insurance Contracts	1 Jan 2022
Amendments to SFRS(I) 17: Insurance Contracts	1 Jan 2022
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 Jan 2022
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 Jan 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 Jan 2023
Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
Amendment to SFRS(I) 17: Initial Application of SFRS(I) 17 and SFRS(I) 9—Comparative Information	–
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

- **Amendments to SFRS(I) 1-1 Presentation of Financial Statements:**

  Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

  The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the balance sheet date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  The Group does not expect any significant impact arising from applying these amendments.

30 New or revised accounting standards and interpretations (continued)

- **Amendments to SFRS(I) 1-16 Property, Plant and Equipment:**

  Proceeds before Intended Use (effective for annual periods beginning on or after 1January 2022)

  The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

  Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

  The Group does not expect any significant impact arising from applying these amendments.

- **Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets:**

  Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

  An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

  The Group does not expect any significant impact arising from applying these amendments.

31 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Sunsine Chemical Holdings Ltd. on **5 April 2022**.

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2022

SHARE CAPITAL

Number of Issued Shares	:	983,388,000
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings[1])	:	970,395,100
Number and Percentage of Treasury Shares	:	12,992,900 (1.34%)[2]
Number and Percentage of Subsidiary Holdings	:	0
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	:	One vote per share

Notes:

(1) "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act 1967 of Singapore.

(2) Percentage calculated against the number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
1 - 99	72	0.00	1	0.05
100 - 1,000	55,900	0.01	103	5.35
1,001 - 10,000	4,893,692	0.50	775	40.24
10,001 - 1,000,000	76,483,499	7.88	1,012	52.54
1,000,001 and above	888,961,937	91.61	35	1.82
Total	**970,395,100**	**100.00**	**1,926**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Shareholder's Name	Number of Shares Held	%
1	SUCCESS MORE GROUP LIMITED	587,285,100	60.52
2	CITIBANK NOMINEES SINGAPORE PTE LTD	67,408,598	6.95
3	DBS NOMINEES PTE LTD	40,967,459	4.22
4	UOB KAY HIAN PTE LTD	37,290,324	3.84
5	CHIA KEE KOON	33,202,100	3.42
6	RAFFLES NOMINEES (PTE) LTD	15,790,043	1.63
7	MAYBANK SECURITIES PTE LTD	12,729,800	1.31
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,585,300	1.19
9	LEOW EK HUA	7,500,000	0.77
10	ASDEW ACQUISITIONS PTE LTD	6,636,400	0.68
11	YEO KHEE CHYE	5,940,000	0.61
12	OCBC SECURITIES PRIVATE LTD	5,836,500	0.60
13	PHILLIP SECURITIES PTE LTD	5,655,326	0.58
14	XU XIANLEI	4,813,200	0.50
15	ABN AMRO CLEARING BANK N.V.	4,162,590	0.43
16	LIM SOON HWEE (LIN SHUNHUI)	3,635,000	0.37
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,503,800	0.36
18	HSBC (SINGAPORE) NOMINEES PTE LTD	3,350,023	0.35
19	OCBC NOMINEES SINGAPORE PTE LTD	3,149,000	0.32
20	LEE YOW FEE	2,828,000	0.29
	TOTAL	**863,268,563**	**88.94**

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 16 March 2022, approximately 37.82% of the issued ordinary shares of the Company excluding treasury shares are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Success More Group Limited [1]	587,285,100	60.52	–	–
Xu Cheng Qiu [1][2]	–	–	593,023,100	61.11

Notes:

(1) By virtue of Section 7 of the Companies Act 1967 of Singapore, Mr Xu Cheng Qiu is deemed to be interested in the 587,285,100 Shares held by Success More Group Limited.

(2) Mr Xu Cheng Qiu is deemed to be interested in the 5,738,000 Shares held by the nominees, UOB Kay Hian Pte. Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be convened and held by way of electronic means on Friday, 29 April 2022 at 10.00 a.m. ("**AGM**") for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021, together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of 1 Singapore cent per ordinary share, and a final one-tier tax exempt special dividend of 1 Singapore cent per ordinary share for the financial year ended 31 December 2021. **(Resolution 2)**

3. To re-elect Mr Xu Cheng Qiu, who is retiring as a Director by rotation under Regulation 104(2) of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 3)**
   [See Explanatory Note 1]

4. To re-elect Mr Xu Jun, who is retiring as a Director by rotation under Regulation 104(2) of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 4)**
   [See Explanatory Note 2]

5. To re-elect Mr Yan Tang Feng, who is retiring as a Director by rotation under Regulation 104(2) of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 5)**
   [See Explanatory Note 3]

6. To re-elect Mr Liu De Ming, who is retiring as a Director under Regulation 114 of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 6)**
   [See Explanatory Note 4]

7. To approve the amount of S$180,000 proposed as Directors' fees for the financial year ended 31 December 2021 (2020: S$190,000). **(Resolution 7)**

8. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 8)**

9. To transact any other ordinary business that may be properly transacted at an annual general meeting.

As Special Business:-

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

10. **SHARE ISSUE MANDATE** **(Resolution 9)**

That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "**Act**") and the listing rules of the SGX-ST, authority be and is hereby given to the Directors to:

(a) (i) issue shares of the Company whether by way of rights issue, bonus issue or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, which were issued and outstanding or subsisting at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares,

and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company for the time being in force; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note 5]

11. **RENEWAL OF SHARE PURCHASE MANDATE** **(Resolution 10)**

That:

(a) for the purposes of the Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s), (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing on and from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase by the Company; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Limit**" means the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST) as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the maximum price (excluding brokerage, commission, applicable goods and service tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they and/or he may consider expedient, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note 6]

BY ORDER OF THE BOARD

TONG YIPING
JACQUELINE ANNE LOW
Joint Company Secretaries

Singapore, 13 April 2022

EXPLANATORY NOTES:

1. **Resolution 3** – Mr Xu Cheng Qiu will, upon re-election, remain as Executive Chairman and a member of the Nominating Committee of the Company. Please refer to the section entitled "Additional Information on Directors seeking Re-election" appended to this Notice for detailed information on Mr Xu Cheng Qiu as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

2. **Resolution 4** – Mr Xu Jun will, upon re-election, remain as an Executive Director of the Company. Please refer to the section entitled "Additional Information on Directors seeking Re-election" appended to this Notice for detailed information on Mr Xu Jun as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

3. **Resolution 5** – Mr Yan Tang Feng will, upon re-election, remain as an Independent Director of the Company, and as a member of the Audit Committee and the Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to the section entitled "Additional Information on Directors seeking Re-election" appended to this Notice for detailed information on Mr Yan Tang Feng as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

4. **Resolution 6** – Mr Liu De Ming will, upon re-election, remain as an Executive Director of the Company. Please refer to the section entitled "Additional Information on Directors seeking Re-election" appended to this Notice for detailed information on Mr Liu De Ming as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

5. **Resolution 9** – Resolution 9, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50% of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, which were issued and outstanding at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (b) any subsequent bonus issue, consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares.

6. **Resolution 10** – Resolution 10, if passed, will renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in this Resolution.

   The Company may use internal or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

   The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the unaudited financial statements of the Group and the Company for the financial year ended 31 December 2021, based on certain assumptions, are set out in paragraph 2.8 of the Letter to Shareholders dated 13 April 2022.

   Please refer to the Letter to Shareholders dated 13 April 2022 for more details.

NOTES:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL https://www.chinasunsine.com and on SGX's website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual conference), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 13 April 2022. This announcement may be accessed at the Company's website at the URL https://www.chinasunsine.com, and will also be made available on SGX's website at the URL https://www.sgx.com/securities/company-announcements.

3. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must submit his/her/its proxy form appointing the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying proxy form for the AGM may be accessed at the Company's website at the URL https://www.chinasunsine.com, and will also be made available on SGX's website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company at 112 Robinson Road, #11-01, Singapore 068902; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, not less than 48 hours before the time appointed for the AGM.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, members are strongly encouraged to submit completed proxy forms electronically via email, where possible.

6. The 2021 Annual Report and the Letter to Shareholders dated 13 April 2022 (in relation to the proposed renewal of the share purchase mandate) may be accessed at the Company's website at the URL https://www.chinasunsine.com. The above-stated documents are also available for viewing and download on SGX's website at the URL https://www.sgx.com/securities/company-announcements. Printed copies of the 2021 Annual Report and Letter to Shareholders will not be sent to members. Members who wish to receive a printed copy of the 2021 Annual Report and related documents will need to download, complete and submit a Request Form to the Company by 21 April 2022. The Request Form may be accessed at the Company's website at the URLhttps://www.chinasunsine.com, and will also be made available on SGX's website at the URL https://www.sgx.com/securities/company-announcements.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 10 May 2022 (the "**Record Date**"), for the purpose of determining shareholders' entitlements to the final (one-tier tax exempt) dividend of 1.0 Singapore cent per ordinary share and a final (one-tier tax exempt) special dividend of 1.0 Singapore cent per ordinary share for the financial year ended 31 December 2021 (the "**Proposed Final Dividend**").

Duly completed registrable transfers in respect of the ordinary shares of the Company ("**Shares**") received by the Company's Share Registrar, Trico Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road, #02-00, Singapore 068898, up to the Record Date will be registered to determine shareholders' entitlements to the Proposed Final Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on the Record Date will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved by shareholders at the Annual General Meeting to be held on 29 April 2022, will be paid on 24 May 2022.

Additional Information on Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST")

Mr Xu Cheng Qiu, Mr Xu Jun, Mr Yan Tang Feng and Mr Liu De Ming are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 29 April 2022 ("**AGM**") under Ordinary Resolutions 3 to 6 as set out in the Notice of AGM dated 13 April 2022 (collectively, the "**Retiring Directors**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the additional information relating to the Retiring Directors as required under Appendix 7.4.1 is set out below, to be read in conjunction with the information set out under "Board of Directors" and the "Corporate Governance Report" on pages 14 to 17 and pages 25 to 48, respectively of this Annual Report:

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
Country of principal residence	People's Republic of China	People's Republic of China	Singapore	People's Republic of China
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	Mr Xu Cheng Qiu plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. The Board considered the recommendation of the Nominating Committee (with Mr Xu abstaining from the decision-making process), and is confident that Mr Xu will continue to contribute to the growth of the Company	The Board considered the recommendation of the Nominating Committee, and is satisfied that Mr Xu is able to provide valuable contributions to the Board	The Board considered the recommendation of the Nominating Committee, and is satisfied that Mr Yan is able to exercise independent judgement and provide valuable contributions to the Board given his decades of experience in corporate finance and investment management	The Board considered the recommendation of the Nominating Committee, and is satisfied that Mr Liu is able to provide valuable contributions to the Board
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Xu is responsible for the overall management, formulation and implementation of the Group's business strategies	Executive Mr Xu is responsible for assisting Chairman in strategic planning, direction and overall management of the Group's main subsidiary	Non-Executive	Executive Mr Liu is in charge of the overall management and operations of the Group's China subsidiaries
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman Member of Nominating Committee	Executive Director	Independent Director Member of Audit Committee and Remuneration Committee	Executive Director

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father of Mr Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd; Father of Mr Xu Chi, General Manager Assistant of Shandong Sunsine	Son of Mr Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Brother of Mr Xu Chi, General Manager Assistant of Shandong Sunsine Chemical Co., Ltd;	None	None
Conflict of interests (including any competing business)	No	No	No	No
Working experience and occupation(s) during the past 10 years	2006 - Present Executive Chairman China Sunsine Chemical Holdings Ltd.	2007 - Present Executive Director China Sunsine Chemical Holdings Ltd.	2009 - 2012 Non-Executive Chairman Shengli Oil & Gas Pipe Holdings Ltd 2012 - 2013 Non-Executive Director Starrise Media Holdings Ltd 2008 - Present President Sinolion Holdings Pte. Ltd.	2020 - present: GM, Shandong Sunsine 2016 - 2020: GM, Weifang Sunsine 2012 - 2016: DGM, Weifang Sunsine 2006 - 2012: Head of Technical Department, Shandong Sunsince 1998 - 2006: Supervisor in the Accelerator Workshop, Shandong Shanxian Chemical Co., Ltd (former name of Shandong Sunsine) 1997 - 1998: Technician in Technical Department, Shanxian Organic Chemical Factory; 1995 - 1997: Staff in the Workshop, Shanxian Organic Chemical Factory (former name of Shandong Shanxian Chemical Co., Ltd)
Shareholding interest in the listed issuer and its subsidiaries	Please refer to the Directors' Statement on pages 49 to 50 of this Annual Report	No	Please refer to the Directors' Statement on page 49 of this Annual Report	No
Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
Other Principal Commitments Including Directorships	None	None	President Sinolion Holdings Pte. Ltd.	None
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No

DETAILS	Xu Cheng Qiu	Xu Jun	Yan Tang Feng	Liu De Ming
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

Proxy Form
Annual General Meeting

IMPORTANT:

*Alternative Arrangements for Annual General Meeting (the "**AGM**" or "**Meeting**")*

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of the AGM and proxy form will not be sent to members. Instead, the Notice of the AGM and proxy form will be sent to members by electronic means via publication on the Company's website at https://www.chinasunsine.com, and on SGX's website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual conference), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM, and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 13 April 2022. This announcement may be accessed at the Company's website at https://www.chinasunsine.com, and will also be made available on SGX's website at the URL https://www.sgx.com/securities/company-announcements.
3. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend and vote on his/her/its behalf at the AGM.**

*Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") Investors*

5. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit votes by 5.00 pm on 19 April 2022.

Personal Data

6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of the AGM dated 13 April 2022.

I/We, ______________________________ (Name)

______________________________ (NRIC No. /Passport No. /Company Registration No.)

of ______________________________ (Address)

being a member/members of CHINA SUNSINE CHEMICAL HOLDINGS LTD. (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company, to be convened and held by way of electronic means on Friday, 29 April 2022 at 10.00 a.m., and at any adjournment thereof. I/We direct the Chairman of the Meeting as my/our proxy to vote for or against, or abstain from voting on, the Resolutions to be proposed at the AGM as indicated hereunder:

No.	Resolutions relating to:	*For	*Against	*Abstain
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021, together with the Independent Auditor's Report thereon			
2	Declaration of a final one-tier tax exempt dividend of 1 Singapore cent per ordinary share, and a final one-tier tax exempt special dividend of 1 Singapore cent per ordinary share for the financial year ended 31 December 2021			
3	Re-election of Mr Xu Cheng Qiu as a Director			
4	Re-election of Mr Xu Jun as a Director			
5	Re-election of Mr Yan Tang Feng as a Director			
6	Re-election of Mr Liu De Ming as a Director			
7	Approval for the payment of Directors' fees of S$180,000 for the financial year ended 31 December 2021			
8	Re-appointment of Messrs Nexia TS Public Accounting Corporation as the Company's Auditor, and to authorise the Directors to fix their remuneration			
9	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act 1967 of Singapore and the listing rules of the SGX-ST			
10	Renewal of Share Purchase Mandate			

* Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "**For**" or "**Against**" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "**For**" and "**Against**" the relevant resolution, please insert the relevant number of shares in the boxes provided. If you wish the Chairman of the Meeting as your proxy to abstain from voting on any resolution, please tick (✓) in the "**Abstain**" box provided in respect of that resolution. Alternatively, please insert the relevant number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "**Abstain**" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this __________ day of ______________ 2022

TOTAL NUMBER OF SHARES HELD IN:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) or Common Seal of member(s)

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. This proxy form may be accessed at the Company's website at the URL https://www.chinasunsine.com, and will also be made available on SGX's website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on 19 April 2022.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company at 112 Robinson Road, #11-01, Singapore 068902; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, not less than 48 hours before the time appointed for the AGM.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

5. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, members are strongly encouraged to submit completed proxy forms electronically via email, where possible.**

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed under its seal or the hand of its attorney or duly authorised officer. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

OUR DISTINGUISHED CLIENTS

- Bridgestone
- Michelin
- Goodyear Tire
- Cooper
- Sumitomo
- Hankook
- Yokohama
- CST Tire
- Toyo Tire
- Pirelli
- GITI Tire
- Hangzhou Zhongce
- Double Coin
- Guizhou Tire

尚舜化工
SUNSINE

CHINA SUNSINE CHEMICAL HOLDINGS LTD.
(Incorporated in the Republic of Singapore on 28 June 2006)
(Company Registration Number: 200609470N)

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