



China Sunline Chemical Holdings Ltd.
Interim Financial Statements
For the six months ended 30 June 2022

Table of contents

	Page
A. Condensed Consolidated Interim Statement of Comprehensive Income	1
B. Condensed Interim Statements of Financial Position	2
C. Condensed Consolidated Interim Statement of Changes in Equity	3
D. Condensed Consolidated Interim Statement of Cash Flows	5
E. Selected Notes to the Condensed Interim Financial Statements	6
F. Other Information	
- Audit	15
- Review of the Group Performance	15
- Variance from Prospect Statement	16
- Prospects	17
- Dividend information	17
- Interested person transactions	18
- Confirmation of Undertakings from Directors and Executive Officers	18
- Announcement of Acquisition and Realisation pursuant to Rule 706A	18
- Negative Assurance Confirmation on Interim Financial Results Pursuant to Rule 705(5) of the Listing Manual	18

A. Condensed Consolidated Interim Statement of Comprehensive Income

		<u>Group</u> 6 months ended		
	Note	30/06/2022	30/06/2021	Change %
		RMB' million		
Revenue	4	2,022.5	1,757.5	15%
Cost of sales		<u>(1,328.5)</u>	<u>(1,205.2)</u>	10%
Gross profit		694.0	552.3	26%
Other income		36.2	33.5	8%
Other gains/(losses), net		18.7	(6.6)	(383%)
Selling and distribution expenses		(51.9)	(47.6)	9%
Administrative expenses		(130.3)	(113.9)	14%
Research and development expenses		<u>(96.6)</u>	<u>(57.0)</u>	69%
Profit before income tax	5	470.1	360.7	30%
Income tax expense	6	<u>(42.6)</u>	<u>(95.5)</u>	(55%)
Net profit		427.5	265.2	61%
Other comprehensive income:				
Exchange differences on translation, net of tax		<u>3.1</u>	<u>(1.2)</u>	(358%)
Total comprehensive income for the financial period		<u>430.6</u>	<u>264.0</u>	63%
Net profit attributable to:				
Equity holders of the Company		<u>427.5</u>	<u>265.2</u>	61%
Total comprehensive income attributable to:				
Equity holders of the Company		<u>430.6</u>	<u>264.0</u>	63%
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)				
Basic and diluted earnings per share		<u>44.06</u>	<u>27.32</u>	61%

B. Condensed Interim Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/6/2022 RMB' million	31/12/2021 RMB' million	30/6/2022 RMB' million	31/12/2021 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiary corporations	10	-	-	350.0	350.0
Property, plant and equipment	11	885.9	939.1	-	-
Intangible assets	12	143.0	144.7	-	-
		<u>1,028.9</u>	<u>1,083.8</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	13	360.7	357.3	-	-
Trade and other receivables	14	1,517.7	1,104.9	9.6	149.0
Cash and bank balances		1,206.4	1,377.3	40.7	5.2
		<u>3,084.8</u>	<u>2,839.5</u>	<u>50.3</u>	<u>154.2</u>
TOTAL ASSETS		<u>4,113.7</u>	<u>3,923.3</u>	<u>400.3</u>	<u>504.2</u>
Share capital	15	313.5	313.5	313.5	313.5
Treasury shares	15	(31.2)	(30.2)	(31.2)	(30.2)
Other reserves		649.3	646.2	51.7	48.6
Retained earnings		2,579.4	2,246.6	8.7	125.0
TOTAL EQUITY		<u>3,511.0</u>	<u>3,176.1</u>	<u>342.7</u>	<u>456.9</u>
CURRENT LIABILITIES					
Trade and other payables	16	475.7	637.8	53.5	36.3
Current tax payable		127.0	109.4	4.1	11.0
		<u>602.7</u>	<u>747.2</u>	<u>57.6</u>	<u>47.3</u>
TOTAL LIABILITIES		<u>602.7</u>	<u>747.2</u>	<u>57.6</u>	<u>47.3</u>
TOTAL EQUITY AND LIABILITIES		<u>4,113.7</u>	<u>3,923.3</u>	<u>400.3</u>	<u>504.2</u>

C. Condensed Consolidated Interim Statement of Changes in Equity

GROUP	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2022	313.5	(30.2)	646.2	2,246.6	3,176.1
<i><u>Total Comprehensive Income</u></i>					
Profit for the financial period	-	-	-	427.5	427.5
Exchange differences on translation, net of tax	-	-	3.1	-	3.1
Total comprehensive income, net of tax, for the financial period	-	-	3.1	427.5	430.6
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(1.0)	-	-	(1.0)
Dividend paid	-	-	-	(94.7)	(94.7)
Total distributions to owners	-	(1.0)	-	(94.7)	(95.7)
Balance as at 30 June 2022	313.5	(31.2)	649.3	2,579.4	3,511.0
Balance as at 1 January 2021	313.5	(29.3)	566.1	1,870.4	2,720.7
<i><u>Total Comprehensive Income</u></i>					
Profit for the financial period	-	-	-	265.2	265.2
Exchange differences on translation, net of tax	-	-	(1.2)	-	(1.2)
Total comprehensive income, net of tax, for the financial period	-	-	(1.2)	265.2	264.0
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(0.6)	-	-	(0.6)
Dividend paid	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.6)	-	(46.8)	(47.4)
Balance as at 30 June 2021	313.5	(29.9)	564.9	2,088.8	2,937.3

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

<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2022	313.5	(30.2)	48.6	125.0	456.9
<i>Total Comprehensive Income</i>					
Loss for the financial period	-	-	-	(21.6)	(21.6)
Exchange differences on translation, net of tax	-	-	3.1	-	3.1
Total comprehensive income, net of tax, for the financial period	-	-	3.1	(21.6)	(18.5)
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(1.0)	-	-	(1.0)
Dividend paid	-	-	-	(94.7)	(94.7)
Total distributions to owners	-	(1.0)	-	(94.7)	(95.7)
Balance as at 30 June 2022	313.5	(31.2)	51.7	8.7	342.7
Balance as at 1 January 2021	313.5	(29.3)	51.8	74.6	410.6
<i>Total Comprehensive Income</i>					
Loss for the financial period	-	-	-	(19.2)	(19.2)
Exchange differences on translation, net of tax	-	-	(1.2)	-	(1.2)
Total comprehensive income, net of tax, for the financial period	-	-	(1.2)	(19.2)	(20.4)
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.6)	-	-	(0.6)
Dividend paid	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.6)	-	(46.8)	(47.4)
Balance as at 30 June 2021	313.5	(29.9)	50.6	8.6	342.8

D. Condensed Consolidated Interim Statement of Cash Flows

	Note	<u>Group</u>	
		30/06/2022	30/06/2021
6 months ended			
RMB' million			
Cash flows from operating activities			
Net profit		427.5	265.2
Adjustments for:			
Income tax expense	6	42.6	95.5
Depreciation of property, plant and equipment ("PPE")	5.1	79.7	60.7
Amortisation of intangible assets	5.1	1.7	0.7
(Gain)/loss on disposal of PPE	5.1	(0.1)	0.2
Write-off of PPE	5.1	0.4	2.4
Interest income	5.1	(11.2)	(13.5)
Translation difference		(24.6)	3.1
Operating profit before working capital changes		516.0	414.3
Changes in working capital:			
Inventories		(3.3)	(71.7)
Trade and other receivables		(412.9)	(159.2)
Trade and other payables and accruals		(162.1)	54.2
Cash (used in)/generated from operations		(62.3)	237.6
Income taxes paid		(25.2)	(53.4)
Net cash (used in)/generated from operating activities		(87.5)	184.2
Cash flows from investing activities			
Additions to PPE	11	(26.7)	(154.9)
Additions to intangible asset		-	(3.1)
Proceeds from disposal of PPE		0.1	1.7
Interest received		11.2	13.5
Net cash used in investing activities		(15.4)	(142.8)
Cash flows from financing activities			
Dividend paid		(94.7)	(46.8)
Cash deposit pledged with bank		(0.2)	(9.4)
Government grants received		-	20.0
Purchase of treasury shares		(1.0)	(0.6)
Net cash used in financing activities		(95.9)	(36.8)
Net (decrease)/increase in cash and cash equivalents		(198.8)	4.6
Effect of currency translation on cash and cash equivalents		27.8	(4.5)
Cash and cash equivalents at beginning of financial period		1,369.0	1,322.9
Cash and cash equivalents at end of financial period		1,198.0	1,323.0
Cash and cash equivalents at end of financial period include the followings			
Cash and cash equivalents		1,206.4	1,335.7
Cash deposit pledged with bank		(8.4)	(12.7)
Cash and cash equivalents at end of financial period		1,198.0	1,323.0

E. Selected Notes to the Condensed Interim Financial Statements

1. General information

China Sunshin 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 18 Cross Street, #07-08 Cross Street Exchange, Singapore 048423.

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

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

2. Basis of preparation

2.1 Statement of Compliance

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the financial year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.3.

2.2 Basis of measurement

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

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

2.3 New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation in the interim financial statements for the current financial period compared with those used in the audited financial statements for the financial year ended 31 December 2021. A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.4 Use of judgements and estimates

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

Credit loss allowance for trade receivables

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

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

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

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

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

3. Seasonal operations

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

4. Revenue

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

	<u>Group</u>	
	6 months ended	
	30/06/2022	30/06/2021
	RMB'million	RMB'million
Sale of rubber chemicals		
-People's Republic of China	1,183.9	1,055.0
-Rest of Asia	592.2	469.4
-America	54.2	49.0
-Europe	138.9	88.7
-Others	24.0	74.6
	<u>1,993.2</u>	<u>1,736.7</u>
Provision of heating power		
- People's Republic of China	<u>11.9</u>	<u>7.4</u>
Waste treatment		
- People's Republic of China	<u>16.6</u>	<u>12.9</u>
Hospitality income		
- People's Republic of China	<u>0.8</u>	<u>0.5</u>
Total	<u>2,022.5</u>	<u>1,757.5</u>

- (b) Segment information

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

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

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

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

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

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	<u>Rubber Chemicals</u> RMB'million	<u>Heating Power</u> RMB'million	<u>Waste Treatment</u> RMB'million	<u>Others</u> RMB'million	<u>Total</u> RMB'million
6 months ended					
30 June 2022					
Sales					
Total segment sales	2,500.4	109.6	17.1	1.1	2,628.2
Inter-segment sales	(507.2)	(97.7)	(0.5)	(0.3)	(605.7)
Sales to external parties	1,993.2	11.9	16.6	0.8	2,022.5
Adjusted EBITDA	537.9	19.2	4.4	(21.3)	540.2
Depreciation	(66.9)	(9.7)	(2.6)	(0.5)	(79.7)
Amortisation	(1.1)	(0.1)	(0.3)	(0.2)	(1.7)
Segment assets	3,784.8	182.9	92.4	53.6	4,113.7
Segment assets include:					
Additions to property, plant and equipment	25.6	0.5	0.6	-	26.7
Additions to intangible assets	-	-	-	-	-
Segment liabilities	410.9	38.6	71.0	82.2	602.7
6 months ended					
30 June 2021					
Sales					
Total segment sales	2,111.9	75.3	14.9	0.8	2,202.9
Inter-segment sales	(375.2)	(67.9)	(2.0)	(0.3)	(445.4)
Sales to external parties	1,736.7	7.4	12.9	0.5	1,757.5
Adjusted EBITDA	412.8	10.9	4.1	(19.1)	408.7
Depreciation	(48.5)	(9.2)	(2.5)	(0.5)	(60.7)
Amortisation	(0.3)	(0.1)	(0.1)	(0.2)	(0.7)
Segment assets	3,207.3	184.6	92.1	20.9	3,504.9
Segment assets include:					
Additions to property, plant and equipment	150.1	2.3	2.5	-	154.9
Additions to intangible assets	3.1	-	-	-	3.1
Segment liabilities	418.1	34.2	66.7	48.6	567.6

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

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

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

5. Profit before income tax

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

	<u>Group</u>	
	6 months ended	
	30/06/2022	30/06/2021
	RMB'million	RMB'million
Interest income	(11.2)	(13.5)
Depreciation of property, plant and equipment ("PPE")	79.7	60.7
Amortisation of intangible assets	1.7	0.7
Impairment of trade receivables	0.3	0.3
Foreign exchange (gain)/loss, net	(19.0)	4.1
(Gain)/loss on disposal of PPE	(0.1)	0.2
Write-off of PPE	0.4	2.4

5.2. Related party transaction

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

	<u>Group</u>	
	6 months ended	
	30/06/2022	30/06/2021
	RMB'million	RMB'million
Wages and salaries	20.0	20.5
Employer's contribution to defined contribution plans including Central Provident Fund	0.1	0.1
	<u>20.1</u>	<u>20.6</u>

Included in the above is total compensation to directors of the Company amounting to RMB18.7 million (1H2021: RMB18.9 million).

6. Income tax expense

	<u>Group</u>	
	6 months ended	
	30/06/2022	30/06/2021
	RMB'million	RMB'million
Tax expense attributable to profit is made up of:		
Profit for the financial period:		
- Current income tax	78.7	95.5
Over provision in prior financial years:		
- Current income tax	(36.1)	-
	<u>42.6</u>	<u>95.5</u>

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

7. Earnings per share

	<u>Group</u>	
	6 months ended	
	30/06/2022	30/06/2021
Net profit attributable to equity holders of the Company (RMB'mil)	<u>427.5</u>	<u>265.2</u>
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	<u>970,309</u>	<u>970,697</u>
Basic and diluted earnings per share (RMB cents)	<u>44.06</u>	<u>27.32</u>

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

8. Net assets per share

	<u>Group</u>		<u>Company</u>	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Net asset attributable to shareholders (RMB' million)	3,511.0	3,176.1	342.7	456.9
Number of issued shares excluding treasury shares ('000)	969,901	970,395	969,901	970,395
Net asset value per ordinary share (RMB cents)	<u>361.99*</u>	327.30	<u>35.33</u>	47.08

* equivalent to SGD 75.15 cents at exchange rate of 4.8170 as at 30 June 2022

9. Dividends

Please refer to Section F, Dividend Information paragraph.

10. Investments in subsidiary corporations

	<u>Company</u>	
	30/06/2022	31/12/2021
	RMB'million	RMB'million
<i>Equity investments at cost</i>		
Beginning and end of financial period/year	<u>350.0</u>	<u>350.0</u>

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

10. Investments in subsidiary corporations (Cont'd)

The Group had the following subsidiary corporations as at 30 June 2022 and 31 December 2021:

<u>Name</u>	<u>Principal Activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent and the Group</u>	
			<u>30/06/2022</u>	<u>31/12/2021</u>
			%	%
<i>Held by Company</i>				
Shandong Sunsine Chemical Co.,Ltd	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, and insoluble sulphur	People's Republic of China	100	100
<i>Held by Shandong Sunsine Chemical Co.,Ltd</i>				
Weifang Sunsine Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	100	100
Shandong Sheng Tao Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	100	100
Shanxian Sunsine Hotel Management Co., Ltd	Hotel investment and management (dormant)	People's Republic of China	100	100
Shanxian Guangshun Heating Co., Ltd	Production and supply of heating power, including preparation and implementation of the project	People's Republic of China	100	100
Shandong Hengshun New Material Co., Ltd	Manufacturing of chemical agent and rubber chemicals	People's Republic of China	100	100
Heze Yongshun Environmental Protection Technology Co., Ltd	Waste treatment	People's Republic of China	100	100
<i>Held by Shanxian Sunsine Hotel Management Co., Ltd</i>				
Shandong Fulong Villa Co., Ltd	Hotel and restaurant	People's Republic of China	100	100

Significant restrictions

Cash and short-term deposits of RMB1,165.7 million (31/12/2021: RMB1,372.7 million) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

11. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost of RMB26.7 million (30/6/2021: RMB154.9 million), and disposed of assets with an aggregate carrying amount of RMB0.1 million (30/06/2021: RMB1.9 million).

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

12. Intangible assets

	<u>Group</u>	
	30/06/2022	31/12/2021
	RMB'million	RMB'million
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of financial year	162.3	83.9
Addition	-	78.4
End of financial year	<u>162.3</u>	<u>162.3</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	17.6	15.6
Amortisation charge	1.7	2.0
End of financial year	<u>19.3</u>	<u>17.6</u>
Net book value	<u>143.0</u>	<u>144.7</u>

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

13. Inventories

	<u>Group</u>	
	30/06/2022	31/12/2021
	RMB'million	RMB'million
Raw materials	186.7	182.7
Finished/Trading goods	<u>174.0</u>	<u>174.6</u>
	<u>360.7</u>	<u>357.3</u>

14. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	RMB'million	RMB'million	RMB'million	RMB'million
Notes receivables	434.4	184.1	-	-
Trade receivables				
- Non-related parties	<u>920.5</u>	<u>757.2</u>	-	-
Less: Loss allowance	<u>(10.7)</u>	<u>(10.4)</u>	-	-
Trade receivables - net	909.8	746.8	-	-
Non-trade receivables				
- Subsidiary corporations*	<u>-</u>	<u>-</u>	<u>9.5</u>	<u>149.0</u>
- Non-related parties	<u>104.0</u>	<u>38.6</u>	<u>0.1</u>	<u>-</u>
	104.0	38.6	9.6	149.0
Advances to suppliers	66.5	105.1	-	-
Deposits	2.3	28.5	-	-
Prepayments	<u>0.7</u>	<u>1.8</u>	-	-
	<u>1,517.7</u>	<u>1,104.9</u>	<u>9.6</u>	<u>149.0</u>

*The non-trade receivables from subsidiary corporations are unsecured, interest-free and are repayable on demand.

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

15. Share capital and treasury shares

(a) Share capital

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
As at 1 Jan 2022 and 30 Jun 2022	<u>983,388,000</u>	<u>62.6</u>	<u>313.5</u>

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

There is no outstanding convertibles issued by the Company as at 30 June 2022 (30 June 2021: Nil).

(b) Treasury shares

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
2022			
As at 1 Jan 2022	12,992,900	(6.0)	(30.2)
Treasury shares purchased	<u>494,000</u>	<u>(0.2)</u>	<u>(1.0)</u>
As at 30 Jun 2022	<u>13,486,900</u>	<u>(6.2)</u>	<u>(31.2)</u>
2021			
As at 1 Jan 2021	12,667,900	(5.8)	(29.3)
Treasury shares purchased	<u>225,000</u>	<u>(0.1)</u>	<u>(0.6)</u>
As at 30 Jun 2021	<u>12,892,900</u>	<u>(5.9)</u>	<u>(29.9)</u>

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

(c) Number of ordinary shares excluding treasury shares

<u>Group and Company</u>	No. of ordinary shares excluding treasury shares	Amount	
		← SGD'million	→ RMB'million
2022			
As at 1 Jan 2022	970,395,100	56.6	283.3
Treasury shares purchased	<u>(494,000)</u>	<u>(0.2)</u>	<u>(1.0)</u>
As at 30 Jun 2022	<u>969,901,100</u>	<u>56.4</u>	<u>282.3</u>
2021			
As at 1 Jan 2021	970,720,100	56.8	284.2
Treasury shares purchased	<u>(225,000)</u>	<u>(0.1)</u>	<u>(0.6)</u>
As at 30 Jun 2021	<u>970,495,100</u>	<u>56.7</u>	<u>283.6</u>

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

16. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	30/06/2022 RMB'million	31/12/2021 RMB'million	30/06/2022 RMB'million	31/12/2021 RMB'million
Notes payable	-	225.3	-	-
Trade payables - Non-related parties	64.3	84.9	-	-
Non-trade payables - Non-related parties	225.6	134.5	-	0.1
Accruals for operating expenses	138.4	150.0	53.5	36.2
Deferred grants	12.1	13.4	-	-
Deferred revenue	35.3	29.7	-	-
	<u>475.7</u>	<u>637.8</u>	<u>53.5</u>	<u>36.3</u>

17. Borrowings and debt securities

The Group and the Company do not have any outstanding borrowings as at 30 June 2022 and 31 December 2021.

F. Other information

Audit or review

The consolidated condensed interim statements of financial position as at 30 June 2022 and the related consolidated interim statement of comprehensive income, statements of changes in equity and consolidated interim statement of cash flows for the six months period and the selected explanatory notes (the “**Consolidated Interim Financial Statements**”) have not been audited or reviewed by the Company’s independent auditors.

Review of the Group performance

Condensed Consolidated interim statements of profit or loss

Revenue increased by 15% to RMB 2,022.5 million in 1H2022 as compared to RMB 1,757.5 million in 1H2021, due to the increase in overall Average Selling Price (“**ASP**”), partially offset by decrease in the sales volume.

ASP increased by 18% to RMB 22,043 per tonne in 1H2022 as compared to RMB 18,642 per tonne in 1H2021. The increase in ASP was mainly due to the increase in the price of raw materials, and the Group being able to pass on such price increase to our customers.

Analysis of Sales and Volume

	Sales Volume (Tonnes)		Sales (RMB'million)	
	1H2022	1H2021	1H2022	1H2021
Rubber Chemical				
Accelerators	45,715	49,660	1,096.0	1,079.9
Insoluble Sulphur	17,066	17,076	144.3	146.5
Anti-oxidant	27,066	25,595	740.5	494.7
Others	575	831	12.4	15.6
Total	90,422	93,162	1,993.2	1,736.7
<i>Local Sales</i>	<i>55,710</i>	<i>59,335</i>	<i>1,183.9</i>	<i>1,055.0</i>
<i>International Sales</i>	<i>34,712</i>	<i>33,827</i>	<i>809.3</i>	<i>681.7</i>
Heating Power	41,911	38,498	11.9	7.4
Waste treatment	7,060	6,224	16.6	12.9
Hotel & Restaurant	-	-	0.8	0.5

The overall **Sales volume** in 1H2022 decreased by 3% from 93,162 tonnes in 1H2021 to 90,422 tonnes, mainly due to (i) the Group’s total production output decreased due to the combined effects of the Winter Olympic Games and Chinese New Year; and (ii) the decrease in the PRC sales. As a result of the outbreak of COVID-19 in many PRC cities, the Group’s domestic sales had decreased by 6% from 59,335 tonnes in 1H2021 to 55,710 tonnes in 1H2022. However, international sales increased by 3% to 34,712 tonnes as compared to 33,827 tonnes in 1H2021 as the global economy was recovering gradually from the Covid-19 pandemic.

Due to the weak domestic demand and intensified competition, the sales volume for Accelerators decreased, whereas the sales volume for Anti-oxidant products increased mainly due to our TMQ project which has been completed and started its commercial operation, allowing the Group to increase its production and sell more to the market. Sales volume for Insoluble Sulphur (“**IS**”) remained stable.

Gross profit increased by 26% from RMB 552.3 million in 1H2021 to RMB 694.0 million in 1H2022, and GPM increased 2.9 percentage points from 31.4% to 34.3%. The increases were mainly due to the increase in ASP.

Other income was RMB 36.2 million in 1H2022, consisting of mainly interest income and sale of scrap materials.

Other gains, net amounted to RMB 18.7 million in 1H2022, mainly consisting of foreign exchange gains and write-off of PPE.

Selling and distribution expenses increased by 9% from RMB 47.6 million in 1H2021 to RMB 51.9 million in 1H2022 mainly due to higher port charges as a result of higher overseas sales volume.

Administrative expenses increased by 14% from RMB 113.9 million in 1H2021 to RMB 130.3 million in 1H2022, mainly due to the increase in depreciation as a result of more down time during Chinese New Year 2022; increase in staff social insurance as a result of the increase in contribution bases; and increase in safety production expenses and sewerage expenses.

Research and development (“R&D”) expenses increased by 69% from RMB 57.0 million in 1H2021 to RMB 96.6 million in 1H2022, mainly due to the Group having invested more into R&D activities.

Profit before income tax (“PBT”) increased by 30% from RMB 360.7 million in 1H2021 to RMB 470.1 million in 1H2022, mainly due to increase in sales revenue and gross profit.

Income tax expense was RMB 42.6 million in 1H2022, mainly due to the “High-tech Enterprise” status obtained by our main subsidiary, Shandong Sunsine, on 15 December 2021, which entitles Shandong Sunsine to a concessionary tax rate of 15% for 3 years with effect from 1 January 2021. Shandong Sunsine received the approval letter in May 2022, and the local tax authority refunded approximately RMB 36.1 million to the Group during 1H2022 for the over-payment of FY2021 tax expenses.

For the reasons set out above, **Net profit** increased by 61% from RMB 265.2 million in 1H2021 to RMB 427.5 million in 1H2022.

Condensed Interim statements of financial position

Property, plant and equipment decreased by RMB 53.2 million from RMB 939.1 million to RMB 885.9 million, mainly due to depreciation charged.

Trade and other receivables increased by RMB 412.8 million from RMB 1,104.9 million to RMB 1,517.7 million, mainly due to the increase in notes receivables and trade receivables. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. Notes receivables increased by RMB 250.3 million from RMB 184.1 million to RMB 434.3 million. Trade receivables increased by RMB 163.0 million from RMB 746.8 million to RMB 909.8 million, due to higher sales during the financial period.

The aging report of notes receivables and trade receivables as at 30 June 2022 was as follows:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	410.8	21.1	2.5		434.4
Trade receivables	718.8	69.3	122.1	10.3	920.5
Loss allowance	-	-	(0.4)	(10.3)	(10.7)
Net trade receivables	718.8	69.3	121.7	-	909.8

Trade and other payables decreased by RMB 162.1 million from RMB 637.8 million to RMB 475.7 million mainly due to decrease in notes payables, offset by increase in other payables to contractors.

Condensed Consolidated statements of cash flows

Net cash used in operating activities amounted to RMB 87.5 million, mainly due to increase in trade and other receivables.

Net cash used in investing activities amounted to RMB 15.4 million, mainly due to additions to PPE offset by interest received.

Net cash used in financing activities amounted to RMB 95.9 million, mainly due to distribution of dividends and purchase of treasury shares.

Variance from prospect statement

In Section F Prospects paragraph of our FY2021 results announcement dated 23 February 2022, the Company stated that “Other major economies also advanced in 2021... All these point to the rapid recovery of global economies... China’s economy now facing pressures related to demand, supply and expectations... Some of our rivals have implemented their expansion plans, and we expect the competition to intensify among the bigger players.” Therefore, the current results are in line with the Company’s commentary.

Prospects

China's GDP grew 2.5%¹ in 1H2022, and 0.4% in 2Q2022, which was the lowest quarterly growth rate in almost 4 decades. Automakers sold a total of 12.06² million units in China in the first half of 2022, representing a decrease of 6.6% in auto sales year-on-year. However, sales of New Energy Vehicles (NEVs) increased 1.2 times year-on-year to 2.6 million units in 1H2022. According to CAAM's forecast, with the implementation of the economic stimulus policies announced by the State Council of China, China's macro economy is expected to stabilize and improve gradually, and consumer confidence will be restored. As such, it is expected that the total vehicles sales volume in 2022 will reach 27 million units, representing a 3% increase year on year.

Currently, China's economy is still facing increased pressures related to shrinking demand, supply disruptions and weaker expectations. Together with the multiple outbreaks of COVID-19 cases in many Chinese cities, the Ukraine-Russia conflict, as well as the increasingly complex and worsening US-China relationship, we are now facing an increasingly unpredictable macro economic environment fraught with greater challenges and uncertainties.

Given such operating environment, and with international crude oil prices remaining volatile, leading to the fluctuation in the prices of our main raw materials, the low production utilisation rate of Chinese tyre manufacturing companies, and increased competition, the management expects that the rubber chemicals industry will face more headwinds in the near future, which will have a greater impact on our performance in 2H2022 compared to 1H2022.

Nevertheless, the Group will continue with its strategy of "sales production equilibrium". Given our strong balance sheet and financial stability, our market leadership position, our ability to provide high quality products, economies of scale, wide variety of rubber chemical products, and compliance with national environmental protection laws and regulations, we remain confident about the Group's profitability in the next 12 months.

Updates of capacity expansion plans

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

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

2. 30,000-tonne per annum TMQ and 2,000-tonne per annum HTMQ project

This project has been completed and commercial production has commenced.

3. Controlled Landfill Projects

The Group is still in the process of constructing the Phase 2, 50,000-tonne capacity Controlled Landfill Project. The main body work has been completed, and is now undergoing auxiliary work. The Phase 2 Project is expected to be completed by the end of 2022.

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

Tonnes	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e
Accelerators	87,000	87,000	97,000	117,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	30,000	30,000	30,000	30,000	60,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	77,000	77,000
Total	152,000	162,000	172,000	192,000	192,000	254,000	254,000

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing ("CAAM")

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

Dividend information

a. Current period reported on

Any dividend recommended for the current financial period reported on?

- Yes

Name of dividend	Proposed Interim
Dividend Type	Cash
Special dividend amount per share	SGD0.005 per ordinary share
Tax Rate	One-tier tax exempt

b. Corresponding Period of the Immediately Preceding Financial Year

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

- No dividend was declared in 1H2021.

c. Date payable

To be announced at a later date

d. Books closure date

To be announced at a later date

Interested person transactions

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

Confirmation of undertakings from directors and executive officers

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

Announcement of Acquisition and Realisation pursuant to Rule 706A

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

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

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first half-year financial results for the period ended 30 June 2022 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Xu Jun
Executive Director

Dated: 11 August 2022

[End]