



China SunSine Chemical Holdings Ltd.
Unaudited Condensed Interim Financial Statements
For the second half and full year ended 31 December 2022

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A. Condensed Interim Consolidated Statement of Comprehensive Income

	Note	6 months ended		GROUP		Change %	
		31/12/2022	31/12/2021	Change %	31/12/2022		31/12/2021
		RMB' million			RMB' million		
Revenue	4	1,802.5	1,967.7	(8%)	3,825.0	3,725.2	3%
Cost of sales		(1,332.6)	(1,473.5)	(10%)	(2,661.1)	(2,678.7)	(1%)
Gross profit		469.9	494.2	(5%)	1,163.9	1,046.5	11%
Other income		20.1	70.6	(72%)	56.3	104.1	(46%)
Other gains/(losses), net		6.0	(4.9)	222%	24.7	(11.5)	315%
Distribution and marketing expenses		(52.4)	(48.4)	8%	(104.3)	(96.0)	9%
Administrative expenses		(134.2)	(119.3)	12%	(264.5)	(233.2)	13%
Research and development expenses		(45.8)	(53.8)	(15%)	(142.4)	(110.8)	29%
Finance expenses		-	-	n.m.	-	-	n.m.
Profit before income tax	5	263.6	338.4	(22%)	733.7	699.1	5%
Income tax expense	6	(48.7)	(97.3)	(50%)	(91.3)	(192.8)	(53%)
Net profit		214.9	241.1	(11%)	642.4	506.3	27%
Other comprehensive income:							
Currency translation differences arising from consolidation, net of tax		(0.6)	(2.0)	(70%)	2.5	(3.2)	178%
Total comprehensive income for the period/year		214.3	239.1	(10%)	644.9	503.1	28%
Net profit attributable to:							
Equity holders of the Company		214.9	241.1	(11%)	642.4	506.3	27%
Total comprehensive income attributable to:							
Equity holders of the Company		214.3	239.1	(10%)	644.9	503.1	28%
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)							
Basic and diluted earnings per share	7	22.21	24.85	(11%)	66.29	52.17	27%
n.m. – not meaningful							

B. Condensed Interim Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		31/12/2022 RMB' million	31/12/2021 RMB' million	31/12/2022 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	861.7	939.1	-	-
Intangible assets	12	213.0	144.7	-	-
		<u>1,074.7</u>	<u>1,083.8</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	13	402.8	357.3	-	-
Trade and other receivables	14	1,382.1	1,104.9	210.7	149.0
Cash and bank balances		1,364.9	1,377.3	7.5	5.2
		<u>3,149.8</u>	<u>2,839.5</u>	<u>218.2</u>	<u>154.2</u>
TOTAL ASSETS		<u>4,224.5</u>	<u>3,923.3</u>	<u>568.2</u>	<u>504.2</u>
Share capital	15	313.5	313.5	313.5	313.5
Treasury shares	15	(40.8)	(30.2)	(40.8)	(30.2)
Other reserves		735.2	646.2	51.1	48.6
Retained earnings		2,683.9	2,246.6	200.3	125.0
TOTAL EQUITY		<u>3,691.8</u>	<u>3,176.1</u>	<u>524.1</u>	<u>456.9</u>
CURRENT LIABILITIES					
Trade and other payables	16	385.6	637.8	39.7	36.3
Current tax payable		147.1	109.4	4.4	11.0
		<u>532.7</u>	<u>747.2</u>	<u>44.1</u>	<u>47.3</u>
TOTAL LIABILITIES		<u>532.7</u>	<u>747.2</u>	<u>44.1</u>	<u>47.3</u>
TOTAL EQUITY AND LIABILITIES		<u>4,224.5</u>	<u>3,923.3</u>	<u>568.2</u>	<u>504.2</u>

C. Condensed Interim Consolidated Statement of Changes in Equity

GROUP	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total Equity
	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>					
Net profit for the year	-	-	-	642.4	642.4
Currency translation differences arising from consolidation, net of tax	-	-	2.5	-	2.5
Total comprehensive income, net of tax, for the year	-	-	2.5	642.4	644.9
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(10.6)	-	-	(10.6)
Transfer to statutory reserve	-	-	86.5	(86.5)	-
Dividend paid (Note 9)	-	-	-	(118.6)	(118.6)
Total distributions to owners	-	(10.6)	86.5	(205.1)	(129.2)
Balance as at 31 December 2022	313.5	(40.8)	735.2	2,683.9	3,691.8
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>					
Net profit for the year	-	-	-	506.3	506.3
Currency translation differences arising from consolidation, net of tax	-	-	(3.2)	-	(3.2)
Total comprehensive income, net of tax, for the year	-	-	(3.2)	506.3	503.1
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Transfer to statutory reserve	-	-	83.3	(83.3)	-
Dividend paid (Note 9)	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.9)	83.3	(130.1)	(47.7)
Balance as at 31 December 2021	313.5	(30.2)	646.2	2,246.6	3,176.1

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

<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total Equity
	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>					
Net profit for the year	-	-	-	193.9	193.9
Currency translation differences arising from consolidation, net of tax	-	-	2.5	-	2.5
Total comprehensive income, net of tax, for the year	-	-	2.5	193.9	196.4
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(10.6)	-	-	(10.6)
Dividend paid	-	-	-	(118.6)	(118.6)
Total distributions to owners	-	(10.6)	-	(118.6)	(129.2)
Balance as at 31 December 2022	313.5	(40.8)	51.1	200.3	524.1
Balance as at 1 January 2021	313.5	(29.3)	51.8	74.6	410.6
<i>Total Comprehensive Income</i>					
Net Profit for the year	-	-	-	97.2	97.2
Currency translation differences arising from consolidation, net of tax	-	-	(3.2)	-	(3.2)
Total comprehensive income, net of tax, for the year	-	-	(3.2)	97.2	94.0
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(0.9)	-	-	(0.9)
Dividend paid	-	-	-	(46.8)	(46.8)
Total distributions to owners	-	(0.9)	-	(46.8)	(47.7)
Balance as at 31 December 2021	313.5	(30.2)	48.6	125.0	456.9

D. Condensed Interim Consolidated Statement of Cash Flows

Note	Group			
	6 months ended		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RMB' million		RMB' million	
Cash flows from operating activities				
Net profit	214.9	241.1	642.4	506.3
Adjustments for:				
Income tax expense	6	48.7	97.3	91.3
Depreciation of property, plant and equipment ("PPE")	4(b)	79.9	67.5	159.6
Amortisation of intangible assets	4(b)	2.1	1.3	3.8
Loss/(Gain) on disposal of PPE	5.1	-	0.5	(0.1)
PPE written off	5.1	2.7	2.5	3.1
Interest income	5.1	(5.0)	(10.8)	(16.2)
Translation difference		(22.6)	3.5	(47.2)
Operating profit before working capital changes		320.7	402.9	836.7
Changes in working capital:				
Inventories		(42.2)	(88.1)	(45.5)
Trade and other receivables		135.7	(230.2)	(277.2)
Trade and other payables		(90.1)	154.2	(252.2)
Cash generated from operations		324.1	238.8	261.8
Income taxes paid		(29.1)	(71.5)	(54.3)
Net cash generated from operating activities		295.0	167.3	207.5
Cash flows from investing activities				
Additions to PPE	11	(58.5)	(58.3)	(85.2)
Additions to intangible assets	12	(72.1)	(75.3)	(72.1)
Proceeds from disposal of PPE		-	3.0	0.1
Interest received		5.0	10.7	16.2
Net cash used in investing activities		(125.6)	(119.9)	(141.0)
Cash flows from financing activities				
Dividend paid	9	(23.9)	-	(118.6)
Cash deposit released from/(pledged with) bank		7.9	4.4	7.7
Purchase of treasury shares		(9.6)	(0.3)	(10.6)
Net cash (used in)/generated from financing activities		(25.6)	4.1	(121.5)
Net increase/(decrease) in cash and cash equivalents		143.8	51.5	(55.0)
Effect of currency translation on cash and cash equivalents		22.5	(5.4)	50.3
Cash and cash equivalents at beginning of period/year		1,198.0	1,322.9	1,369.0
Cash and cash equivalents at end of period/year		1,364.3	1,369.0	1,364.3
Cash and cash equivalents at end of period/year include the following				
Cash and cash equivalents		1,364.9	1,377.3	1,364.9
Cash deposit pledged with bank		(0.6)	(8.3)	(0.6)
Cash and cash equivalents at end of period/year		1,364.3	1,369.0	1,364.3

E. Selected Notes to the Condensed Interim Financial Statements

1. General information

China Sunshine Chemical Holdings Ltd. (the “**Company**”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 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 second half and full year ended 31 December 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 condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last interim financial statements for the financial year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, as the adoption of new and amended standards does not result in the material effect on the current financial period.

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 historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the default rate to reflect the current and forward looking information.

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

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

3. Seasonal operations

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

4. Revenue

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

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RMB'million	RMB'million	RMB'million	RMB'million
Sale of rubber chemicals				
- People's Republic of China	1,107.0	1,203.2	2,290.9	2,258.2
- Rest of Asia	478.4	539.9	1,070.6	1,009.3
- Europe	143.8	102.0	282.7	190.7
- America	34.0	59.7	88.2	108.7
- Others	10.9	36.2	34.9	110.8
	<u>1,774.1</u>	<u>1,941.0</u>	<u>3,767.3</u>	<u>3,677.7</u>
Provision of heating power				
- People's Republic of China	9.4	11.7	21.3	19.1
Waste treatment				
- People's Republic of China	18.6	14.2	35.2	27.1
Hospitality income				
- People's Republic of China	0.4	0.8	1.2	1.3
Total	<u>1,802.5</u>	<u>1,967.7</u>	<u>3,825.0</u>	<u>3,725.2</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 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.

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)

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

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

	Rubber Chemicals RMB'million	Heating Power RMB'million	Waste Treatment RMB'million	Others RMB'million	Total RMB'million
6 months ended					
31 December 2022					
Sales					
Total segment sales	2,297.5	120.4	18.9	0.7	2,437.5
Inter-segment sales	(523.4)	(111.0)	(0.3)	(0.3)	(635.0)
Sales to external parties	1,774.1	9.4	18.6	0.4	1,802.5
Adjusted EBITDA	330.6	24.7	6.0	(20.6)	340.7
Depreciation	(67.2)	(9.7)	(2.5)	(0.5)	(79.9)
Amortisation	(1.5)	(0.1)	(0.3)	(0.2)	(2.1)
Segment assets	3,909.1	204.7	90.6	20.1	4,224.5
Segment assets include:					
Additions to property, plant and equipment	56.9	1.4	0.1	-	58.4
Additions to intangible assets	72.1	-	-	-	72.1
Segment liabilities	385.9	13.4	64.7	68.7	532.7
6 months ended					
31 December 2021					
Sales					
Total segment sales	2,439.4	95.7	14.8	1.0	2,550.9
Inter-segment sales	(498.5)	(83.9)	(0.6)	(0.2)	(583.2)
Sales to external parties	1,940.9	11.8	14.2	0.8	1,967.7
Adjusted EBITDA	403.3	8.7	0.4	(18.5)	393.9
Depreciation	(55.0)	(9.5)	(2.5)	(0.5)	(67.5)
Amortisation	(0.4)	(0.1)	(0.6)	(0.2)	(1.3)
Segment assets	3,639.0	180.1	86.1	18.1	3,923.3
Segment assets include:					
Additions to property, plant and equipment	50.5	3.6	4.1	0.1	58.3
Additions to intangible assets	75.3	-	-	-	75.3
Segment liabilities	554.3	54.5	66.5	71.9	747.2

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

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	<u>Rubber Chemicals</u> RMB'million	<u>Heating Power</u> RMB'million	<u>Waste Treatment</u> RMB'million	<u>Others</u> RMB'million	<u>Total</u> RMB'million
12 months ended					
31 December 2022					
Sales					
Total segment sales	4,797.9	229.9	36.0	1.8	5,065.6
Inter-segment sales	(1,030.6)	(208.6)	(0.8)	(0.6)	(1,240.6)
Sales to external parties	3,767.3	21.3	35.2	1.2	3,825.0
Adjusted EBITDA	868.5	43.9	10.4	(41.9)	880.9
Depreciation	(134.1)	(19.4)	(5.1)	(1.0)	(159.6)
Amortisation	(2.6)	(0.2)	(0.6)	(0.4)	(3.8)
Segment assets	3,909.1	204.7	90.6	20.1	4,224.5
Segment assets include:					
Additions to property, plant and equipment	82.5	1.9	0.7	0.1	85.2
Additions to intangible assets	72.1	-	-	-	72.1
Segment liabilities	385.9	13.4	64.7	68.7	532.7
12 months ended					
31 December 2021					
Sales					
Total segment sales	4,551.2	171.0	29.7	1.9	4,753.8
Inter-segment sales	(873.6)	(151.9)	(2.6)	(0.5)	(1,028.6)
Sales to external parties	3,677.6	19.1	27.1	1.4	3,725.2
Adjusted EBITDA	816.1	19.6	4.5	(37.6)	802.6
Depreciation	(103.5)	(18.7)	(5.0)	(1.0)	(128.2)
Amortisation	(0.6)	(0.2)	(0.8)	(0.4)	(2.0)
Segment assets	3,639.0	180.1	86.1	18.1	3,923.3
Segment assets include:					
Additions to property, plant and equipment	200.6	5.9	6.6	0.1	213.2
Additions to intangible assets	78.4	-	-	-	78.4
Segment liabilities	554.3	54.5	66.5	71.9	747.2

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		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RMB'million	RMB'million	RMB'million	RMB'million
Interest income	(5.0)	(10.8)	(16.2)	(24.3)
Job support scheme	(0.1)	(0.1)	(0.1)	(0.1)
Depreciation of property, plant and equipment ("PPE")	79.9	67.5	159.6	128.2
Amortisation of land use rights	2.1	1.3	3.8	2.0
(Reversal of allowance)/Loss allowance on trade receivables	(3.8)	(0.2)	(3.5)	0.1
Foreign exchange (gain)/loss, net	(8.7)	2.0	(27.7)	6.1
Loss/(Gain) on disposal of PPE	-	0.4	(0.1)	0.6
PPE written off	2.7	2.5	3.1	4.9

5.2. Related party transaction

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

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RMB'million	RMB'million	RMB'million	RMB'million
Wages and salaries	20.9	19.9	40.9	40.4
Employer's contribution to defined contribution plans including Central Provident Fund	0.1	0.1	0.2	0.2
	21.0	20.0	41.1	40.6

Included in the above is total compensation to directors of the Company amounting to RMB 19.3 million for the second half of 2022 and RMB 38.0 million for the financial year ended 31 December 2022 (2H2021: RMB 18.9 million; FY2021: RMB 37.8 million).

6. Income tax expense

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RMB'million	RMB'million	RMB'million	RMB'million
Tax expense attributable to profit is made up of:				
Profit for the financial year:				
- Current income tax (PRC)	48.7	94.8	127.4	190.3
Under provision in prior financial years:				
- Current income tax (PRC)	-	2.5	(36.1)	2.5
	48.7	97.3	91.3	192.8

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

7. Earnings per share

	<u>Group</u>			
	6 months ended		12 months ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net profit attributable to equity holders of the Company (RMB'mil)	214.9	241.1	642.4	506.3
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	968,068	970,398	969,181	970,546
Basic and diluted earnings per share (RMB cents)	22.21	24.85	66.29	52.17

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

8. Net assets per share

	<u>Group</u>		<u>Company</u>	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net asset attributable to shareholders (RMB' million)	3,691.8	3,176.1	524.1	456.9
Number of issued shares excluding treasury shares ('000)	965,640	970,395	965,640	970,395
Net asset value per ordinary share (RMB cents)	382.32*	327.30	54.27	47.08

* equivalent to SGD 73.76 cents at exchange rate of 5.1831 as at 31 December 2022.

9. Dividends

	<u>Group</u>	
	FY2022 RMB'million	FY2021 RMB'million
<i>Ordinary dividends paid</i>		
Final dividends paid in respect of the previous financial year of SGD 0.01 (2021: SGD 0.01) per share	47.4	46.8
<i>Special dividends paid</i>		
Final dividends paid in respect of the previous financial year of SGD 0.01 (2021: nil) per share	47.3	-
Interim dividends paid in respect of the current financial year of SGD 0.005 (2021: nil) per share	23.9	-
	118.6	46.8

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

10. Investments in subsidiary corporations

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

The Group had the following subsidiary corporations as at 31 December 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>	
			31/12/2022 %	31/12/2021 %
<i>Held by Company</i>				
Shandong Sunsine Chemical Co.,Ltd	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur	People's Republic of China	100	100
<i>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 RMB1,357.4 million (FY2021: RMB1,372.1 million) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

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

11. Property, plant and equipment

During the financial year ended 31 December 2022, the Group acquired property, plant and equipment with an aggregate cost of RMB 85.2 million (FY2021: RMB 213.2 million), and disposed of assets with carrying amount of RMB 0.1 million (FY2021: RMB 5.4 million).

12. Intangible assets

	<u>Group</u>	
	31/12/2022	31/12/2021
	RMB'million	RMB'million
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of the year	162.3	83.9
Addition	<u>72.1</u>	<u>78.4</u>
End of the year	<u>234.4</u>	<u>162.3</u>
 <i>Accumulated amortisation</i>		
Beginning of the year	17.6	15.6
Amortisation charge	<u>3.8</u>	<u>2.0</u>
End of the year	<u>21.4</u>	<u>17.6</u>
 Net book value	<u><u>213.0</u></u>	<u><u>144.7</u></u>

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

13. Inventories

	<u>Group</u>	
	31/12/2022	31/12/2021
	RMB'million	RMB'million
Raw materials	183.7	182.7
Finished/Trading goods	<u>219.1</u>	<u>174.6</u>
	<u><u>402.8</u></u>	<u><u>357.3</u></u>

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

14. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	31/12/2022 RMB'million	31/12/2021 RMB'million	31/12/2022 RMB'million	31/12/2021 RMB'million
Notes receivables	530.2	184.1	-	-
Trade receivables				
- Non-related parties	726.3	757.2	-	-
Less: Loss allowance	(6.9)	(10.4)	-	-
Trade receivables - net	719.4	746.8	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	210.5	149.0
- Non-related parties	47.0	38.6	0.2	-
	47.0	38.6	210.7	149.0
Advances to suppliers	80.5	105.1	-	-
Deposits	1.5	28.5	-	-
Prepayments	3.5	1.8	-	-
	<u>1,382.1</u>	<u>1,104.9</u>	<u>210.7</u>	<u>149.0</u>

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

15. Share capital and treasury shares

(a) Share capital

<u>Group and Company</u> 2022 and 2021	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
Beginning and end of the year	<u>983,388,000</u>	<u>62.6</u>	<u>313.5</u>

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

There is no outstanding convertibles issued by the Company as at 31 December 2022 and 2021.

(b) Treasury shares

<u>Group and Company</u> 2022	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
As at 1 January 2022	12,992,900	(6.0)	(30.2)
Treasury shares purchased	<u>4,755,500</u>	<u>(2.1)</u>	<u>(10.6)</u>
As at 31 December 2022	<u>17,748,400</u>	<u>(8.1)</u>	<u>(40.8)</u>
2021			
As at 1 January 2021	12,667,900	(5.8)	(29.3)
Treasury shares purchased	<u>325,000</u>	<u>(0.2)</u>	<u>(0.9)</u>
As at 31 December 2021	<u>12,992,900</u>	<u>(6.0)</u>	<u>(30.2)</u>

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

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

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

(c) Number of ordinary shares excluding treasury shares

<u>Group and Company</u>	No. of ordinary shares excluding treasury shares	Amount	
		SGD'million	RMB'million
2022			
As at 1 January 2022	970,395,100	56.6	283.3
Treasury shares purchased	<u>(4,755,500)</u>	<u>(2.1)</u>	<u>(10.6)</u>
As at 31 December 2022	<u>965,639,600</u>	<u>54.5</u>	<u>272.7</u>
2021			
As at 1 January 2021	970,720,100	56.8	284.2
Treasury shares purchased	<u>(325,000)</u>	<u>(0.2)</u>	<u>(0.9)</u>
As at 31 December 2021	<u>970,395,100</u>	<u>56.6</u>	<u>283.3</u>

16. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	31/12/2022 RMB'million	31/12/2021 RMB'million	31/12/2022 RMB'million	31/12/2021 RMB'million
Notes payable	-	225.3	-	-
Trade payables - Non-related parties	55.1	84.9	-	-
Non-trade payables - Non-related parties	112.9	134.5	1.3	0.1
Accruals for operating expenses	181.3	150.0	38.4	36.2
Deferred grants	5.7	13.4	-	-
Contract liabilities – considerations from customers	30.6	29.7	-	-
	<u>385.6</u>	<u>637.8</u>	<u>39.7</u>	<u>36.3</u>

17. Borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2022		As at 31/12/2021	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	-	-	-

Details of any collateral

No collateral.

18. Subsequent event

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

F. Other information

Audit or review

The consolidated condensed interim statements of financial position as at 31 December 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 and full year then ended 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 interim consolidated statements of profit or loss

Revenue decreased by 8% to RMB 1,802.5 million in 2H2022 as compared to RMB 1,967.7 million in 2H2021, due to the decrease in both overall Average Selling Price (“**ASP**”) and sales volume.

Overall ASP decreased slightly by 2% to RMB 18,532 per tonne in 2H2022 as compared to RMB 18,983 per tonne in 2H2021. The decrease in ASP was mainly due to the Group adopting a more flexible pricing strategy in response to weaker demand and intensified competition. Compared to RMB 22,043 per tonne in 1H2022, the ASP in 2H2022 decreased by 16%.

Analysis of Sales and Volume

	Sales Volume (Tonnes)				Sales (RMB'million)			
	2H2022	2H2021	FY2022	FY2021	2H2022	2H2021	FY2022	FY2021
Rubber Chemical								
Accelerators	43,719	52,310	89,434	101,970	947.3	1,148.2	2,043.3	2,228.1
Insoluble Sulphur	20,533	20,198	37,599	37,274	153.4	161.0	297.7	307.5
Anti-oxidant	30,992	28,971	58,058	54,566	664.7	617.9	1,405.2	1,112.6
Others	487	764	1,062	1,595	8.7	13.8	21.1	29.5
Total	95,731	102,243	186,153	195,405	1,774.1	1,940.9	3,767.3	3,677.7
<i>Local Sales</i>	<i>64,352</i>	<i>65,666</i>	<i>120,062</i>	<i>125,001</i>	<i>1,107.0</i>	<i>1,203.2</i>	<i>2,290.9</i>	<i>2,258.2</i>
<i>International Sales</i>	<i>31,379</i>	<i>36,577</i>	<i>66,091</i>	<i>70,404</i>	<i>667.0</i>	<i>737.7</i>	<i>1,476.3</i>	<i>1,419.5</i>
Heating Power	33,518	48,134	75,429	86,632	9.4	11.8	21.3	19.1
Waste treatment	8,308	6,143	15,368	12,367	18.6	14.2	35.2	27.1
Hotel & Restaurant	-	-	-	-	0.4	0.8	1.2	1.3

While **2H2022 Sales volume** for Accelerators decreased by 16%, the sales volume for Anti-oxidant products increased by 7%. Sales volume for Insoluble Sulphur (“**IS**”) remained stable. The decrease in the sales volume of Accelerators was mainly due to the decrease in the domestic sales volume of one of the Accelerators - TBBS. TBBS is mainly used in the production of all-steel tyres, which are mainly utilised by trucks or heavy vehicles. Due to the control measures implemented by the Chinese government in FY2022, the logistics and infrastructure construction markets in China were not active, hence the usage of the trucks and heavy vehicles was low, which led to the lower utilisation rate in the production of all-steel tyres. The increase in the sales volume of Anti-oxidant products was mainly due to the completion of the new 30,000-tonne/annum TMQ project in 1H2022 which enabled the Group to sell more products to the market.

In 2H2022, both domestic and international sales volume decreased. The decrease in domestic sales was mainly due to weaker demand, whereas the decrease in international sales was mainly due to some of the overseas customers reducing their inventory holdings in order to control costs.

On a 12-month basis, the Group’s sales volume for Accelerators decreased due to the weak domestic demand and intensified competition, whereas the sales volume for Anti-oxidant products increased by 6% mainly due to the completion of the TMQ project mentioned above. Sales volume for IS remained stable.

The ASP increased by 8% to RMB 20,237 per tonne in FY2022 as compared to RMB 18,821 per tonne in FY2021, mainly due to the increase in the price of raw materials, and the Group’s ability to pass on such price increase to our customers. As such, the Group’s revenue increased by 3% to RMB 3,825.0 million as compared to RMB 3,725.2 million in FY2021.

As a result of lower revenue, **Gross profit** decreased by 5% from RMB 494.2 million in 2H2021 to RMB 469.9 million in 2H2022. However gross profit margin ("**GPM**") increased by 1 percentage point from 25.1% in 2H2021 to 26.1% in 2H2022. The increase in GPM was mainly due to the increase in the sales proportion of Anti-oxidant products, which contributed to higher GPM.

On a 12-month basis, as a result of higher revenue, gross profit increased by 11% from RMB 1,046.5 million in FY2021 to RMB 1,163.9 million in FY2022. GPM also increased by 2.3 percentage points from 28.1% to 30.4%.

Other income was RMB 20.1 million in 2H2022, consisting of mainly interest income and gain on sales of scrap materials. On a 12-month basis, other income amounted to RMB 56.3 million, consisting of mainly interest income of RMB 16.2 million, government grants of RMB 13.0 million and sales of scrap materials of RMB 27.0 million.

Other gains amounted to RMB 6.0 million in 2H2022 and RMB 24.7 million in FY2022, mainly due to foreign exchange gain and PPE written off.

Distribution and marketing expenses increased by 8% from RMB 48.4 million in 2H2021 to RMB 52.4 million in 2H2022. On a 12-month basis, distribution and marketing expenses increased by 9% from RMB 96.0 million in FY2021 to RMB 104.3 million in FY2022, mainly due to higher freight cost, higher port charges, and higher incentives payable to sales personnel.

Administrative expenses increased by 12% from RMB 119.3 million in 2H2021 to RMB 134.2 million in 2H2022, mainly due to the increase in bonus awarded to all employees in order to celebrate the Company's 15 years' listing on SGX. On a 12-month basis, administrative expenses increased by 13% from RMB 233.2 million in FY2021 to RMB 264.5 million in FY2022, mainly due to the increase in depreciation allocated to administrative expenses as a result of more down time during Chinese New Year 2022, instead of allocating as part of manufacturing overhead in cost of goods sold; increase in staff social insurance as a result of the increase in contribution bases; and increase in bonus and sewerage expenses.

Research and development ("R&D") expenses decreased by 15% from RMB 53.8 million in 2H2021 to RMB 45.8 million in 2H2022, but increased by 29% from RMB 110.8 million in FY2021 to RMB 142.4 million in FY2022, mainly due to the Group having invested more into R&D activities in FY2022.

Profit before tax ("PBT") decreased by 22% from RMB 338.4 million in 2H2021 to RMB 263.6 million in 2H2022, mainly due to decrease in sales revenue and gross profit. On a 12-month basis, PBT increased by 5% from RMB 699.1 million in FY2021 to RMB 733.7 million in FY2022 mainly due to higher gross profit.

Income tax expense was RMB 48.7 million in 2H2022 and RMB 91.3 million in FY2022, 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** decreased by 11% from RMB 241.1 million in 2H2021 to RMB 214.9 million in 2H2022. On a 12-month basis, net profit increased by 27% from RMB 506.3 million in FY2021 to RMB 642.4 million in FY2022.

Condensed Interim statements of financial position

Property, plant and equipment decreased by RMB 77.4 million from RMB 939.1 million to RMB 861.7 million, mainly due to depreciation charged, offset by additions to construction in progress and PPE.

Intangible assets increased by RMB 68.3 million from RMB 144.7 million to RMB 213.0 million, mainly due to new additions to the Land Use Rights ("**LUR**") for Hengshun plant.

Inventories increased by RMB 45.5 million from RMB 357.3 million to RMB 402.8 million, mainly due to the increase in the quantity of finished goods at year end.

Trade and other receivables increased by RMB 277.2 million from RMB 1,104.9 million to RMB 1,382.1 million, mainly due to the increase in notes receivables. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. Notes receivables increased by RMB 346.1 million from RMB 184.1 million to RMB 530.2 million as a result of the Group tightening collection.

The aging report of notes receivables and trade receivables as at 31 December 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	230.9	264.7	34.6	-	530.2
Trade receivables	574.9	110.5	34.0	6.9	726.3
Loss allowance	-	-	-	(6.9)	(6.9)
Trade receivables, net	574.9	110.5	34.0	-	719.4

Trade and other payables decreased by RMB 252.2 million from RMB 637.8 million to RMB 385.6 million mainly due to decrease in notes payables, as the Group had sufficient notes receivables to endorse and pay its suppliers.

Condensed Consolidated statements of cash flows

Net cash generated from operating activities amounted to RMB 207.5 million was mainly due to profit generated during the period, offset by changes in working capital.

Net cash used in investing activities amounted to RMB 141.0 million was mainly due to additions to PPE and LUR, offset by interest received.

Net cash used in financing activities amounted to RMB 121.5 million was mainly due to distribution of dividends, and share buyback held as treasury shares.

Variance from Prospect Statement

In Section F Prospects paragraph of our 1H2022 Interim Financial Statements announcement dated 11 August 2022, the Company stated that “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”. Therefore, the current results are in line with the Company’s commentary.

Prospects

China’s GDP grew 2.9%¹ in 4Q2022, and 3.0% in 2022. Automakers sold a total of 26.864 million units in China in FY2022², representing an increase of 2.1% in auto sales year-on-year. It is also noted that sales of New Energy Vehicles (NEVs) rose 93.4% year-on-year to 6.89 million units in 2022, accounting for 25.6% of total new vehicle sales³.

Currently, the Chinese economy is facing insufficient demand, which is impeding economic growth and development. However, the recent re-opening from COVID-19 has paved the way for a faster-than-expected recovery. We expect that work and life will be back to normal, and demand for goods and services will increase eventually. Tyres manufacturing companies’ production utilisation rate will also increase, which will lead to increased demand for rubber chemicals.

According to the IMF, global growth is projected at 2.9% in 2023. The latest World Economic Outlook Update released in January 2023 has revised China’s economic growth forecast for 2023 to 5.2 percent, up from 4.4 percent in October 2022.

With many foreign governments hiking interest rates to control high inflation, the Ukraine-Russia conflict which has no end in sight, as well as the increasingly complex and worsening US-China relationship, the global economy is facing greater challenges and uncertainties.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

³ Source: China Association of Automobile Manufacturing

Another uncertainty relates to the volatility of international crude oil prices, which has led to the fluctuation in the prices of our main raw materials. In addition, some of our rivals have implemented their expansion plans, and the management expects the competition will continue to intensify in the rubber chemicals industry.

Nevertheless, the Group will continue with its strategy of "sales production equilibrium", and at the same time, seek to improve its sales volume in FY2023. We remain confident about the Group's profitability in the next 12 months.

Updates of capacity expansion plans

1. *Phase 2 30,000-tonne per annum IS project*

The Phase 2 30,000-tonne per annum IS project is on schedule, and the management expects the project to be completed by the end of 2023.

2. *Phase 1 20,000-tonne per annum Continuous Production of High Quality MBT project*

This project is on schedule, and the management expects the project to be completed by the end of 2023.

3. *Controlled Landfill Projects*

Phase 2, 50,000-tonne capacity Controlled Landfill Project has been completed at the end of 2022.

Below is a summary of our estimated Annual Capacity⁴ 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

Dividend information

a. Current period reported on

Any dividend recommended for the current financial period reported on?

- Yes

Name of dividend	Proposed Final
Dividend Type	Cash
Dividend amount per share	SGD0.01 per ordinary share
Special dividend amount per share	SGD0.015 per ordinary share
Tax Rate	One-tier Tax exempt

b. Corresponding Period of the Immediately Preceding Financial Year

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

- Yes. Ordinary dividend of SGD0.01 per ordinary share and Special dividend of SGD0.01 per ordinary share were declared in 4Q2021.

c. Date payable

To be announced at a later date

d. Books closure date

To be announced at a later date

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

Interested person transactions

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

Confirmation of Undertakings from Directors and Executive Officers

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

Announcement of Acquisition and Realisation pursuant to Rule 706A

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

Segment information

Please refer to Note 4 of this Interim Financial Statements.

Review of performance of the Group – turnover and earnings

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

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

Name	Age	Family relationship with any director, chief executive officer or substantial shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Xu Cheng Qiu	79	Father of Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd; Father of Xu Chi, General Manager Assistant of Shandong Sunsine Chemical Co., Ltd;	Executive Chairman Responsible for the overall management, formulation and implementation of business strategies for the Group (since 2006).	No Change
Xu Jun	53	Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Brother of Xu Chi, General Manager Assistant of Shandong Sunsine Chemical Co., Ltd;	Executive Director (since 2007) and Vice Chairman of Shandong Sunsine Chemical Co., Ltd, assisting Chairman in strategic planning, direction and overall management of subsidiary (since 2013).	No Change
Xu Chi	48	Son of Xu Cheng Qiu, Executive Chairman and Substantial Shareholder; Brother of Xu Jun, Executive Director and Vice Chairman of Shandong Sunsine Chemical Co., Ltd;	General Manager Assistant of Shandong Sunsine Chemical Co., Ltd, in charge of procurement and market information department (since 2019).	No Change

By order of the Board

Xu Cheng Qiu
Executive Chairman

Dated: 28 February 2023

[End]