



China SunSine Chemical Holdings Ltd.
Interim Financial Statements
For the six months ended 30 June 2021

Table of contents

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

A. Consolidated Interim Statement of Comprehensive Income

	Note	Group 6 months ended		Change %
		30/06/2021 RMB' million	30/06/2020	
Revenue	4	1,757.5	1,042.6	69%
Cost of sales		(1,205.2)	(800.7)	51%
Gross profit		552.3	241.9	128%
Other income		33.5	12.7	163%
Other (losses)/gains, net		(6.6)	10.0	(166%)
Selling and distribution expenses		(47.6)	(34.1)	40%
Administrative expenses		(113.9)	(83.9)	36%
Research and development expenses		(57.0)	(31.5)	81%
Finance expenses		-	(0.2)	(100%)
Profit before tax	5	360.7	114.9	214%
Income tax expenses	6	(95.5)	(32.5)	194%
Profit after tax		265.2	82.4	222%
Other comprehensive income:				
Exchange differences on translation, net of tax		(1.2)	(2.2)	45%
Total comprehensive income for the period		264.0	80.2	229%
Net profit attributable to:				
Equity holders of the Company		265.2	82.4	222%
Total comprehensive income attributable to:				
Equity holders of the Company		264.0	80.2	229%
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)				
Basic and diluted earnings per share		27.32	8.46	223%

B. Interim Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/6/2021 RMB' million	31/12/2020 RMB' million	30/6/2021 RMB' million	31/12/2020 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiary corporations	10	-	-	350.0	350.0
Property, plant and equipment	11	954.5	864.6	-	-
Intangible assets	12	70.7	68.3	-	-
		<u>1,025.2</u>	<u>932.9</u>	<u>350.0</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	13	269.3	197.5	-	-
Trade and other receivables	14	874.7	715.5	9.0	68.8
Cash and bank balances		1,335.7	1,326.2	7.8	6.5
		<u>2,479.7</u>	<u>2,239.2</u>	<u>16.8</u>	<u>75.3</u>
TOTAL ASSETS		<u>3,504.9</u>	<u>3,172.1</u>	<u>366.8</u>	<u>425.3</u>
Share capital	15	313.5	313.5	313.5	313.5
Treasury shares	15	(29.9)	(29.3)	(29.9)	(29.3)
Other reserves		564.9	566.1	50.6	51.8
Retained earnings		2,088.8	1,870.4	8.6	74.6
TOTAL EQUITY		<u>2,937.3</u>	<u>2,720.7</u>	<u>342.8</u>	<u>410.6</u>
CURRENT LIABILITIES					
Trade and other payables	16	483.8	409.6	19.9	7.6
Current tax payable		83.8	41.8	4.1	7.1
		<u>567.6</u>	<u>451.4</u>	<u>24.0</u>	<u>14.7</u>
TOTAL LIABILITIES		<u>567.6</u>	<u>451.4</u>	<u>24.0</u>	<u>14.7</u>
TOTAL EQUITY AND LIABILITIES		<u>3,504.9</u>	<u>3,172.1</u>	<u>366.8</u>	<u>425.3</u>

C. 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 2021	313.5	(29.3)	566.1	1,870.4	2,720.7
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	265.2	265.2
Exchange differences on translation, net of tax	-	-	(1.2)	-	(1.2)
Total comprehensive income, net of tax, for the 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
Balance as at 1 January 2020	313.5	(21.7)	526.5	1,743.3	2,561.6
<i><u>Total Comprehensive Income</u></i>					
Profit for the period	-	-	-	82.4	82.4
Exchange differences on translation, net of tax	-	-	(2.2)	-	(2.2)
Total comprehensive income, net of tax, for the period	-	-	(2.2)	82.4	80.2
<i><u>Transactions with owners, recorded directly in equity</u></i>					
Purchase of treasury shares	-	(4.9)	-	-	(4.9)
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(4.9)	-	(48.8)	(53.7)
Balance as at 30 June 2020	313.5	(26.6)	524.3	1,776.9	2,588.1

C. 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 2021	313.5	(29.3)	51.8	74.6	410.6
<i>Total Comprehensive Income</i>					
Loss for the period	-	-	-	(19.2)	(19.2)
Exchange differences on translation, net of tax	-	-	(1.2)	-	(1.2)
Total comprehensive income, net of tax, for the 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
Balance as at 1 January 2020	313.5	(21.7)	55.0	78.6	425.4
<i>Total Comprehensive Income</i>					
Profit for the period	-	-	-	(7.0)	(7.0)
Exchange differences on translation, net of tax	-	-	(2.2)	-	(2.2)
Total comprehensive income, net of tax, for the period	-	-	(2.2)	(7.0)	(9.2)
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(4.9)	-	-	(4.9)
Dividend paid	-	-	-	(48.8)	(48.8)
Total distributions to owners	-	(4.9)	-	(48.8)	(53.7)
Balance as at 30 June 2020	313.5	(26.6)	52.8	22.8	362.5

D. Consolidated Interim Statement of Cash Flows

	Note	<u>Group</u>	
		30/06/2021	30/06/2020
6 months ended			
RMB' million			
Cash flows from operating activities			
Profit after tax		265.2	82.4
Adjustments for:			
Income tax expenses	6	95.5	32.5
Depreciation of property, plant and equipment ("PPE")	4(b)	60.7	58.8
Depreciation of right-of-use asset	4(b)	-	0.6
Amortisation of intangible assets	4(b)	0.7	0.6
Loss on disposal of PPE	5.1	0.2	-
PPE written off	5.1	2.4	4.1
Interest income	5.1	(13.5)	(9.0)
Grants recognised in profit or loss accounts		(0.6)	-
Deemed interest expenses on lease liability		-	0.2
Translation difference		3.1	(11.3)
Operating profit before working capital changes		413.7	158.9
Changes in working capital:			
Inventories		(71.7)	72.2
Trade and other receivables		(159.2)	26.4
Trade and other payables and accruals		54.8	(22.5)
Cash generated from operations		237.6	235.0
Income taxes paid		(53.4)	(26.2)
Net cash generated from operating activities		184.2	208.8
Cash flows from investing activities			
Additions to PPE	11	(154.9)	(117.8)
Additions to intangible asset	12	(3.1)	-
Proceeds from disposal of PPE		1.7	-
Interest income received		13.5	9.0
Net cash used in investing activities		(142.8)	(108.8)
Cash flows from financing activities			
Dividend paid		(46.8)	(48.8)
Cash deposit pledged with bank		(9.4)	(0.2)
Government grants received		20.0	-
Repayment of lease liability		-	(0.6)
Purchase of treasury shares		(0.6)	(4.9)
Net cash used in financing activities		(36.8)	(54.5)
Net increase in cash and cash equivalents		4.6	45.5
Effect of currency translation on cash and cash equivalents		(4.5)	8.9
Cash and cash equivalents at beginning of period		1,322.9	1,278.6
Cash and cash equivalents at end of period		1,323.0	1,333.0
Cash and cash equivalents at end of period include the followings			
Cash and cash equivalents		1,335.7	1,334.5
Cash deposit pledged with bank		(12.7)	(1.5)
Cash and cash equivalents at end of period		1,323.0	1,333.0

E. Selected Notes to the 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 112 Robinson Road, #11-01, Singapore 068902.

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

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

2. Basis of preparation

2.1 Statement of Compliance

The interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The 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 year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, 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 2020. A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.4 Use of judgements and estimates

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

Credit loss allowance for trade receivables

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

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

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

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

E. Selected Notes to the 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	
	30/06/2021	30/06/2020
	RMB'million	RMB'million
Sale of rubber chemicals		
-People's Republic of China	1,055.0	675.6
-Rest of Asia	469.4	223.8
-America	49.0	24.5
-Europe	88.7	82.8
-Others	74.6	28.2
	<u>1,736.7</u>	<u>1,034.9</u>
Provision of heating power		
- People's Republic of China	7.4	7.6
	<u>7.4</u>	<u>7.6</u>
Waste treatment		
- People's Republic of China	12.9	-
	<u>12.9</u>	<u>-</u>
Hospitality income		
- People's Republic of China	0.5	0.1
	<u>0.5</u>	<u>0.1</u>
Total	<u><u>1,757.5</u></u>	<u><u>1,042.6</u></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.

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

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

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	Rubber Chemicals RMB'million	Heating Power RMB'million	Waste Treatment RMB'million	Others RMB'million	Total RMB'million
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
6 months ended					
30 June 2020					
Sales					
Total segment sales	1,340.8	53.6	-	0.4	1,394.8
Inter-segment sales	(305.9)	(46.0)	-	(0.3)	(352.2)
Sales to external parties	1,034.9	7.6	-	0.1	1,042.6
Adjusted EBITDA	160.6	8.8	-	(3.5)	165.9
Depreciation	(49.7)	(9.2)	-	(0.5)	(59.4)
Amortisation	(0.3)	(0.1)	-	(0.2)	(0.6)
Segment assets	2,723.8	173.8	-	30.3	2,927.9
Segment assets include:					
Additions to property, plant and equipment	116.9	0.9	-	-	117.8
Segment liabilities	251.6	41.2	-	37.4	330.2

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 Interim Financial Statements (Cont'd)

5. Profit before tax

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

	<u>Group</u>	
	6 months ended	
	30/06/2021	30/06/2020
	RMB'million	RMB'million
Interest income	(13.5)	(9.0)
Deemed interest expenses on lease liability	-	0.2
Depreciation of property, plant and equipment ("PPE")	60.7	58.8
Depreciation of right-of-use asset	-	0.6
Amortisation of land use rights	0.7	0.6
Impairment of trade receivables	0.3	1.7
Foreign exchange loss/(gain), net	4.1	(14.2)
Loss on disposal of PPE	0.2	-
Write-off of PPE	2.4	4.1

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	
	30/06/2021	30/06/2020
	RMB'million	RMB'million
Wages and salaries	20.5	4.0
Employer's contribution to defined contribution plans including Central Provident Fund	0.1	0.1
	<u>20.6</u>	<u>4.1</u>

Included in the above is total compensation to directors of the Company amounting to RMB18.9 million (1H2020: RMB2.8 million).

6. Income tax expenses

	<u>Group</u>	
	6 months ended	
	30/06/2021	30/06/2020
	RMB'million	RMB'million
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
- Current income tax	95.5	28.8
Under provision in prior financial years:		
- Current income tax	-	3.7
	<u>95.5</u>	<u>32.5</u>

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

7. Earnings per share

	<u>Group</u>	
	6 months ended	
	30/06/2021	30/06/2020
Net profit attributable to equity holders of the Company (RMB'mil)	<u>265.2</u>	<u>82.4</u>
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	<u>970,697</u>	<u>973,756</u>
Basic and diluted earnings per share (RMB cents)	<u>27.32</u>	<u>8.46</u>

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

8. Net assets per share

	<u>Group</u>		<u>Company</u>	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Net asset attributable to shareholders (RMB' million)	2,937.3	2,720.7	342.8	410.6
Number of issued shares excluding treasury shares ('000)	970,495	970,720	970,495	970,720
Net asset value per ordinary share (RMB cents)	<u>302.66*</u>	280.28	<u>35.32</u>	42.30

* equivalent to SGD 63.02 cents at exchange rate of 4.8027 as at 30 June 2021

9. Dividends

No interim dividend for the half year ended 30 June 2021 (30/6/2020: Nil) is recommended. It is the Group's practice to recommend dividend payment annually together with its full-year results.

10. Investments in subsidiary corporations

	<u>Company</u>	
	30/06/2021	31/12/2020
	RMB'million	RMB'million
<i>Equity investments at cost</i>		
Beginning and end of financial year	<u>350.0</u>	<u>350.0</u>

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

10. Investments in subsidiary corporations (Cont'd)

The Group had the following subsidiary corporations as at 30 June 2021 and 31 December 2020:

<u>Name</u>	<u>Principal Activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent and the Group</u>	
			<u>30/06/2021</u>	<u>31/12/2020</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 RMB1,327.9 million (31/12/2020: RMB1,319.8 million) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of RMB154.9 million (30/6/2020: RMB117.8 million), and disposed of assets amounting to RMB1.9 million (30/06/2020: Nil).

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

12. Intangible assets

	<u>Group</u>	
	30/06/2021	31/12/2020
	RMB'million	RMB'million
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of financial year	83.9	53.3
Acquisition of a subsidiary corporation	-	30.6
Addition	3.1	-
End of financial year	<u>87.0</u>	<u>83.9</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	15.6	14.3
Amortisation charge (Note 5.1)	0.7	1.3
End of financial year	<u>16.3</u>	<u>15.6</u>
Net book value	<u><u>70.7</u></u>	<u><u>68.3</u></u>

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

13. Inventories

	<u>Group</u>	
	30/06/2021	31/12/2020
	RMB'million	RMB'million
Raw materials	146.3	109.4
Finished/Trading goods	123.0	88.1
	<u>269.3</u>	<u>197.5</u>

14. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
	RMB'million	RMB'million	RMB'million	RMB'million
Notes receivables	81.6	148.5	-	-
Trade receivables				
- Non-related parties	633.3	406.6	-	-
Less: Loss allowance	(10.6)	(10.4)	-	-
Trade receivables - net	622.7	396.2	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	8.9	68.8
- Non-related parties	52.9	49.2	0.1	-
	52.9	49.2	9.0	68.8
Advances to suppliers	94.6	98.8	-	-
Deposits	13.2	16.0	-	-
Prepayments	9.7	6.8	-	-
	<u>874.7</u>	<u>715.5</u>	<u>9.0</u>	<u>68.8</u>

E. Selected Notes to the 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 2021 and 30 Jun 2021	<u>983,388,000</u>	<u>62.6</u>	<u>313.5</u>

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

There is no outstanding convertibles issued by the Company as at 30 June 2021 (30 June 2020: Nil).

(b) Treasury shares

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
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>
2020			
As at 1 Jan 2020	7,745,300	(4.3)	(21.7)
Treasury shares purchased	<u>3,381,100</u>	<u>(1.0)</u>	<u>(4.9)</u>
As at 30 Jun 2020	<u>11,126,400</u>	<u>(5.3)</u>	<u>(26.6)</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
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>
2020			
As at 1 Jan 2020	975,642,700	58.3	291.8
Treasury shares purchased	<u>(3,381,100)</u>	<u>(1.0)</u>	<u>(4.9)</u>
As at 30 Jun 2020	<u>972,261,600</u>	<u>57.3</u>	<u>286.9</u>

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

16. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	30/06/2021 RMB'million	31/12/2020 RMB'million	30/06/2021 RMB'million	31/12/2020 RMB'million
Notes payable	11.8	-	-	-
Trade payables - Non-related parties	92.7	54.4	-	-
Non-trade payables - Non-related parties	187.7	189.0	-	-
Accruals for operating expenses	143.9	142.8	19.9	7.6
Deferred grants	19.4	-	-	-
Deferred revenue	28.3	23.4	-	-
	<u>483.8</u>	<u>409.6</u>	<u>19.9</u>	<u>7.6</u>

17. Borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/06/2021		As at 31/12/2020	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	-	-	-

Details of any collateral

No collateral.

F. Other information

Audit or review

The consolidated interim statements of financial position as at 30 June 2021 and the related consolidated interim statement of comprehensive income, statements of changes in equity and consolidated interim statement of cash flows for the six months period and the selected explanatory notes (the “**Interim Financial Statements**”) have not been audited or reviewed by the Company’s auditors.

Review of the Group performance

Consolidated interim statements of profit or loss

Revenue increased by 69% to RMB 1,757.5 million in 1H2021 as compared to RMB 1,042.6 million in 1H2020, due to the increase in both overall Average Selling Price (“**ASP**”) and sales volume.

ASP increased by 37% to RMB 18,642 per tonne in 1H2021 as compared to RMB 13,560 per tonne in 1H2020. The increase in ASP was mainly due to (i) the increase in the price of raw materials, (ii) the increase in the production utilisation rates of Chinese tyre manufacturing companies as a result of the COVID-19 situation being largely under control in China and the Chinese economy’s strong recovery, and (iii) the increasing consolidation and polarization in the Chinese rubber chemicals industry which resulted in a situation where tyre companies are more willing to buy from bigger rubber chemical players.

Analysis of Sales and Volume

	Sales Volume (Tonnes)		Sales (RMB'million)	
	1H2021	1H2020	1H2021	1H2020
Rubber Chemical				
Accelerators	49,660	40,480	1,079.9	654.7
Insoluble Sulphur	17,076	13,333	146.5	100.7
Anti-oxidant	25,595	21,564	494.7	266.5
Others	831	943	15.6	13.0
Total	93,162	76,320	1,736.7	1,034.9
<i>Local Sales</i>	<i>59,335</i>	<i>52,827</i>	<i>1,055.0</i>	<i>675.6</i>
<i>International Sales</i>	<i>33,827</i>	<i>23,493</i>	<i>681.7</i>	<i>359.3</i>
Heating Power	38,498	39,707	7.4	7.6
Waste treatment	6,224	-	12.9	-
Hotel & Restaurant	-	-	0.5	0.1

As mentioned above, more orders from tyre manufacturing companies resulted in **1H2021 Sales volume** for Accelerators, Insoluble Sulphur (“**IS**”) and Anti-oxidant products increasing by 23%, 28% and 19%, respectively.

Gross profit increased by 128% from RMB 241.9 million in 1H2020 to RMB 552.3 million in 1H2021, and GPM increased 8.2 percentage points from 23.2% to 31.4%. The increases were mainly due to the increase in ASP.

Other income was RMB 33.5 million in 1H2021, consisting of mainly interest income and sale of scrap materials.

Other losses amounted to RMB 6.6 million in 1H2021, mainly consisting of foreign exchange loss and written off of PPE.

Selling and distribution expenses increased by 40% from RMB 34.1 million in 1H2020 to RMB 47.6 million in 1H2021 mainly due to higher freight costs and port charges as a result of higher sales volume.

Administrative expenses increased by 36% from RMB 83.9 million in 1H2020 to RMB 113.9 million in 1H2021, mainly due to the increase in staff costs and bonuses payable as a result of better financial performance.

Research and development (“R&D”) expenses increased by 81% from RMB 31.5 million in 1H2021 to RMB 57.0 million in 1H2021, mainly due to no R&D activity being carried out in January and February 2020 as a result of COVID-19.

Profit before tax (“PBT”) increased by 214% from RMB 114.9 million in 1H2020 to RMB 360.7 million in 1H2021, mainly due to increase in sales revenue and gross profit.

For the reasons set out above, **Net profit after tax** increased by 222% from RMB 82.4 million in 1H2020 to RMB 265.2 million in 1H2021.

Interim statements of financial position

Property, plant and equipment increased by RMB 89.9 million from RMB 864.6 million to RMB 954.5 million, mainly due to additions to construction in progress and property, plant and equipment, offset by depreciation charged.

Inventories increased by RMB 71.8 million from RMB 197.5 million to RMB 269.3 million, mainly due to the increase in raw material prices.

Trade and other receivables increased by RMB 159.2 million from RMB 715.5 million to RMB 874.7 million, mainly due to the increase in trade receivables. Trade receivables increased by RMB 226.5 million from RMB 396.2 million to RMB 622.7 million due to higher sales during the period.

The aging report of trade receivables as at 30 June 2021 was as follows:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Trade receivables	598.9	23.3	2.6	8.5	633.3
Loss allowance	-	-	(2.1)	(8.5)	(10.6)
	598.9	23.3	0.5	-	622.7

Trade and other payables increased by RMB 74.2 million from RMB 409.6 million to RMB 483.8 million mainly due to (i) increase in trade payables by RMB 38.3 million due to higher raw material prices; (ii) RMB 20 million government grants received by the Company’s subsidiaries, and recorded in balance sheet and recognised into income statements over the years; and (iii) the issuance of notes payable by the Company’s main subsidiary, Shandong Sunshine, amounting to RMB 11.8 million to pay its suppliers, in order to optimise its cashflow structure.

Consolidated statements of cash flows

Net cash generated from operating activities amounted to RMB 184.2 million was mainly due to profit generated during the period, offset by increase in inventory and trade receivables.

Net cash used in investing activities amounted to RMB 142.8 million was mainly due to additions to PPE offset by interest income received.

Net cash used in financing activities amounted to RMB 36.8 million was mainly due to distribution of dividends and purchase of treasury shares, offset by government grants received.

Variance from prospect statement

In paragraph 10 of our FY2020 results announcement, the Company stated that “These are testimony to the rapid recovery of China’s economy after emerging from the devastation of the COVID-19 pandemic, which also saw the auto market in China steadily recovering.... International crude oil prices have been improving, which has led to the gradual increase in our main raw material prices, and correspondingly, our ASP.” Therefore, the current results are in line with the Company’s commentary in paragraph 10 of its previous results announcement.

Prospects

China’s GDP grew 12.7%¹ in 1H2021, which shows that China’s overall economy is recovering rapidly. Automakers sold a total of 12.89 million units in China in the first half of 2021², representing an increase of 25.6% in auto sales year-on-year. It is also noted that sales of New Energy Vehicles (NEVs) rose 92.3% year-on-year to 1.2 million units in 1H2021.

With the COVID-19 pandemic largely under control in China and on the back of the country’s enormous vaccination drive, the Board believes that the Chinese economy in 2H2021 will remain healthy even if the growth rate may be slower compared to 1H2021.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

However, we note that international crude oil prices are volatile, which has led to the fluctuation in the prices of our main raw materials. Chinese tyre manufacturing companies' production utilisation rate appears to have declined since May 2021 due to the combined results of decreased production in Chinese auto market owing to the semiconductor shortage, as well as decreased exports given that overseas markets are still suffering from the pandemic.

With the world is still struggling with COVID-19 cases, the uneven rollout of vaccines across nations, the spread of "Delta" virus, as well as the elevated tension between the US and China, we are likely to see a slower recovery of the global economy, greater uncertainty and possibly lower demand from our overseas customers.

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

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 construction of the infrastructure and installation of the machinery had been completed. We are in the process of applying for trial run approval from the Government. The management expects that commercial production will commence in 4Q2021, depending on the market situation.

2. 30,000-tonne per annum TMQ project

The construction of the infrastructure and installation of the machinery had been completed. We are conducting testing for the machinery. Once the testing is completed, we will apply for trial run approval from the Government. Trial run is expected in 4Q2021 and commercial production will commence in early 2022.

3. Controlled Landfill Projects

The Phase 1, 50,000-tonne capacity Controlled Landfill Project has been completed and the Group is preparing for trial run. With the successful completion of Phase 1, the Group is planning to kick off the construction of Phase 2 of another 50,000-tonne capacity Controlled Landfill Project very soon. The Phase 2 project will occupy 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 Capacity³ at the end of each financial year:

Tonnes	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021e
Accelerators	87,000	87,000	87,000	87,000	97,000	117,000	117,000
Insoluble Sulphur	20,000	20,000	20,000	30,000	30,000	30,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total	152,000	152,000	152,000	162,000	172,000	192,000	222,000

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.

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

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 2021 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: 13 August 2021

[End]