



# ANNUAL REPORT 2020



尚舜化工  
SUN SINE

CHINA SUNSINE CHEMICAL  
HOLDINGS LTD.



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# COMPANY PROFILE

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

Our production facilities are located at Shanxian, Weifang and Dingtao in Shandong Province, the PRC. Our total production capacity is currently 192,000 tonnes per annum, comprising 117,000 tonnes of rubber accelerators, 30,000 tonnes of insoluble sulphur and 45,000 tonnes of anti-oxidant. We also have a centralised heating plant at Shanxian which generates steams and electricity.

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

As a chemical producer serving its global customers, China Sunsine continuously improves its manufacturing and environmental protection capabilities. We have achieved GB/T19001-2016/ ISO9001:2015 standard for quality, GB/T24001-2016/ ISO14001:2015 standard for environment, and GB/T28001-2011 /OHSAS18001:2007 standard for occupational health and safety management system.

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

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



# FINANCIAL HIGHLIGHTS

## Revenue (RMB' million)



**+7.9%**  
CAGR (FY11-FY20)

## Net Profit (RMB' million)



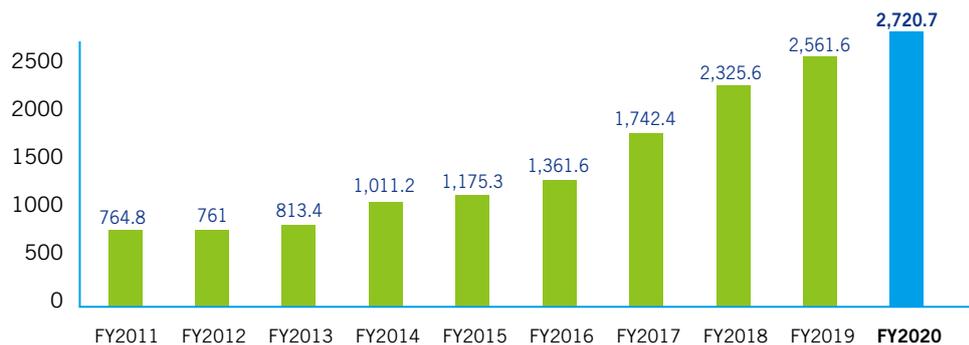
**+9.2%**  
CAGR (FY11-FY20)

## Sales Volume (Tonnes)



**+12.1%**  
CAGR (FY11-FY20)

## Net Assets (RMB' million)



**+15.1%**  
CAGR (FY11-FY20)

# FINANCIAL HIGHLIGHTS

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

# CHAIRMAN'S STATEMENT



# CHAIRMAN'S STATEMENT

*In response to the pandemic, the Group reinforced its flexible pricing strategy to improve sales. Leveraging its competitive advantages in scale, capital, brand, product quality, environmental protection and technology, the Group achieved a new record high in sales volume in 2020, and expanded its market share further. At the same time, the Group executed the expansion projects in an orderly manner as scheduled.*

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China Sun sine Chemical Holdings Ltd. (“**China Sun sine**” or “**the Company**”, together with its subsidiaries, collectively the “**Group**”), I am pleased to present the annual report for the financial year ended 31 December 2020 (“**FY2020**”).

The global economy was ravaged by the unprecedented crisis brought about by the COVID-19 pandemic in 2020. According to the forecast made in January 2021 by the *International Monetary Fund (IMF)*, the global economy contracted 3.5% in 2020. However, China's economy rebounded strongly in the second half of the year after practically stalling in the first half. Thanks to its success in largely containing the pandemic, China's economy grew by 2.3% for the whole year, making it the first and only major economy in the world to achieve economic growth in 2020.

In the first half of 2020, a massive lockdown to control the spread of the COVID-19 virus led to sharp declines in factory operating rates of tire companies, which dragged down the demand for rubber chemicals correspondingly. Coupled with lower raw material prices, the average selling price (“**ASP**”) of our rubber chemical products came under pressure and hovered at low levels. ASP began to rise after September 2020 as raw material prices rebounded, and on account of rising demand from tire companies, the market finally saw a wave of upward trajectory after a long period of depression.



# CHAIRMAN'S STATEMENT

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## THE YEAR UNDER REVIEW

The Group's revenue in FY2020 declined 13% from the year before to RMB 2,333.7 million. This was mainly due to the lower ASP, which decreased by 15% as compared to that in FY2019. Sales volume increased marginally by 1.4% from the preceding year, marking the 13th consecutive year of growth since our initial public offering. Net profit dropped 44% to RMB 218.8 million from FY2019.

Achieving the results amid the COVID-19 pandemic and various unfavourable external factors was no easy task. The results exceeded our projections in early 2020. Guided by the strategy of "Higher sales volume leading to higher production, which in turn stimulates even higher sales", and coupled with flexible pricing, our objective was clear -- maximising output from production capacity to increase sales volume and market share. We are pleased to see a high overall capacity utilisation rate of above 90 percent in 2020; in particular, the insoluble sulfur ("IS") and antioxidant facilities operated above their designed capacities.

As at 31 December 2020, the Group's earnings per share for FY2020 was RMB 22.50 cents; net assets per share as at end-2020 was RMB 280.28 cents. The Group's financial position strengthened further with cash and bank deposits amounting to RMB 1,326.2 million, and no borrowings.

In 2020, the Group continued to be the world's largest rubber accelerator producer and China's largest rubber chemicals enterprise.

In July 2020, the Group's major subsidiary - Shandong Sunsine, acquired Heze Yongshun Environmental Protection Technology Co., Ltd ("Yongshun") for a total consideration of RMB 43 million. With a land area of 215 mu, Yongshun treats dangerous waste generated from the production of

rubber chemicals. This not only reduces environmental risks and waste treatment cost as the Group embarks on long-term growth, but also helps the Group to achieve sustainable growth. Moreover, Yongshun can treat third parties' wastes which will bring additional income to the Group.

## CAPACITY EXPANSION PLAN

To meet the increasing demand for our products, we have established a range of expansion plans in recent years. Here is an update on the progress of the expansion projects carried out in 2020:

- Phase II 20,000-tonne high-end accelerator TBBS started commercial production in May 2020. We firmly believe that our scale advantage in TBBS will be enhanced with the new capacity.
- The construction and machinery installation of Phase I 30,000-tonne IS project had been completed in 2020. Trial-run is in progress. Commercial production is expected to commence in the second half of this year.
- 30,000-tonne Anti-oxidant TMQ project is expected to be completed by the first half of 2021 and commercial production will begin in the second half year.
- Phase I 50,000-tonne capacity Controlled Landfill Project

To complement Yongshun's wastes treatment and to cope with the increasingly dangerous wastes generated in the Heze area, the Group decided to carry out a controlled landfill project in Shanxian with a total capacity of 700,000-tonne at a total cost of RMB 600 million, to be carried out in several phases.

The Phase 1 50,000-tonne controlled landfill project occupies a land area of 50 mu, and will be completed in 2021. The budget for this Phase 1 project is approximately RMB 80 million. Implementation of subsequent phases will be carried out progressively over time, depending on the market conditions and our scale of production in the next few years.

## OUTLOOK AND PROSPECTS

The outlook for our business is mixed. The world economy is still fraught with great uncertainty as the pandemic is still not effectively under control in many parts of the world. It

is unlikely that things will return to its pre-COVID-19 level anytime soon.

On the plus side, the global economy is recovering, with the implementation of mass COVID-19 vaccination across various countries, as well as economic revitalization initiatives by the world's major economies. China's economy, in particular, has shown strong vitality and resilience.

The overall trend in the tire industry remains positive. The global tires market is projected to grow at a compound annual growth rate (CAGR) of around 4% from 2021 to 2026, according to a new report by *IMARC Group*. Rising incomes and living standards around the world (especially in emerging economies) will lead to an increase in the number of vehicles in use, thus spurring the growth of the tire industry. Segment-wise, the replacement tire market accounts for about 70% of the tire market, whilst the OEM (original equipment manufacturer) tires for new cars accounts for about 30%. New car sales are picking up as the global economy continues to recover. After falling in 2018 and 2019, China's new car sales began to ramp up from April 2020, registering nine consecutive months of growth.

Rubber chemical prices are supported by improving demand from the downstream industry and the expectation of rising raw material prices. We are witnessing the rise of an industry consolidation. Leading manufacturers' advantages in brand and scale are becoming more prominent. Two of the three production capacity expansions that we planned for during the economic downturn last year are nearly completed, and the output from the increased capacities in the second half of this year will be in time to meet market demand. The expansion projects have also laid a solid foundation for further growth in market share and long-term sustainable development.

## PROPOSED DIVIDEND

To reward shareholders' support and considering the Group's medium and long term expansion plans, the Board of Directors is recommending that a final one tier tax-exempt dividend of 1 Singapore cent per share is maintained for FY2020, despite the net profit for FY2020 being 44% lower than that for FY2019. This proposal will be discussed and approved at the upcoming Annual General Meeting.

## ACKNOWLEDGEMENTS

The satisfactory results achieved under the severe conditions last year are mainly attributed to the collective efforts of all our staff. Their dedication and strive for excellence are commendable.

At the same time, I would like to thank our customers, business associates, suppliers and the community for their long-standing and unwavering support to the Group. On behalf of the Board of Directors, I would also like to express my sincere gratitude to our shareholders for their trust, understanding and support over the years.

Our goal is, by establishing shared values, to create the maximum value for customers, employees, shareholders and society through the long-term and sustainable growth of the Group. Let's work together and forge ahead to achieve our goal !

## XU CHENGQIU

*Executive Chairman*

*March 2021*

<sup>1</sup> Source: "Tire Market: Global Industry Trends, Shares, Size, Growth, Opportunity and Forecast 2020-2025" on [www.imarcgroup.com](http://www.imarcgroup.com)

# 主席致辞



面对疫情的影响，集团对外采取灵活价格策略，积极扩大销售；对内向管理要效益，节流增效。凭借着规模、资金、品牌、质量、环保及市场等优势，销量再创新高！市场份额进一步扩大！同时，扩产项目也紧张有序地进行。

## 尊敬的股东们：

我代表中国尚舜化工控股有限公司（“中国尚舜”，连同其子公司合称“集团”）董事会，很高兴向大家呈上集团截至2020年12月31日的财政年度（“2020财年”）的年度报告。

2020年，百年一遇的新冠肺炎疫情重创了全球经济。据国际货币基金组织（IMF）2021年1月发出的预测，2020年全球经济萎缩3.5%。然而，由于中国疫情得到控制，在上半年经济几乎停滞的情况下，中国经济下半年强劲复苏反弹，全年经济取得了2.3%的增长，是全球首个和唯一的取得经济增长的主要经济体。

2020年上半年，由于疫情各地实施封锁，导致轮胎企业开工率严重下滑，对橡胶助剂的市场需求急剧下降；原材料价格也一直处在低位，橡胶助剂的销售价格面临巨大压力。9月份以后，由于原材料价格出现反弹，助剂市场在下游需求提升的带动下终于迎来了压抑许久之后的——一波上升态势。

面对疫情的影响，集团对外采取灵活价格策略，积极扩大销售；对内向管理要效益，节流增效。凭借着规模、资金、品牌、质量、环保及市场等优势，销量再创新高！市场份额进一步扩大！同时，扩产项目也紧张有序地进行。

## 年度业绩回顾

集团2020财年的营业收入同比减少了13%，至23.337亿元人民币。主要是由于平均销售价格与前一年相比降低了15%。然而，销量同比微增了1.4%，达到169,876

吨，是上市后连续十三年取得增长。集团2020财年净利润同比下跌44%，报2.188亿元人民币。

在疫情肆虐和各种不利的外部环境下，集团仍能取得这样的成绩实属不易。这比我们去年年初预想的结果要好。在集团“以销促产，以产促销”的产销平衡策略的指导下，配合灵活的价格策略，集团的目标非常明确，在尽可能最大限度地利用我们产能的情况下扩大销售，进一步提高市场份额。我们欣喜地看到，去年集团的整体产能利用率已经达到了百分之九十以上，其中不溶性硫磺和防老剂的产能已经满负荷运作。

截至2020年12月31日，集团的每股盈利为22.50分人民币，每股净资产为280.28分人民币。集团的财务状况更加稳健，净现金及银行存款达13.262亿元人民币，无任何贷款。

2020年，集团仍然是全球最大的促进剂生产商和中国最大的助剂生产企业。

2020年7月，集团主要子公司——山东尚舜以4300万元人民币收购了菏泽永舜环保科技有限公司。该公司占地215亩，主要用以处理集团在助剂生产过程中所产生的危废，这不仅可以使集团降低面临的环保风险和危废处理成本，同时，也促进了集团的长期可持续发展。另外，危废项目也可以为第三方提供服务，为集团带来一部分额外的效益。

## 产能扩张计划

为了满足市场对集团产品的需求，集团制定了一系列的扩产计划，本年度扩产项目进展如下：

- 二期2万吨的高端促进剂TBBS项目已于2020年5月正式投产，我们坚信新增产能进一步提高集团TBBS产品的竞争优势。
- 一期三万吨不溶性硫磺项目的建设和设备安装已完成，目前正在试生产。预计2021年下半年正式投产。
- 三万吨的防老剂TMQ项目目前仍在建设，计划于2021年上半年建成，下半年投产。
- 一期5万吨处理能力的刚性填埋场。

为了配合永舜环保的危废处置，同时妥善处置菏泽市日益增长的固体废弃物，集团决定在单县投资建设危废刚性填埋场。项目总投资计划约为6亿元，填埋总量70万吨，分几期建设。

2021年建设一期工程，用地约50亩，填埋总量约为5万吨，投资预算为8000万元人民币。后面几期工程的开展将视情况而定。

### 今后展望

对未来的预期喜忧参半。忧的是，由于新冠疫情仍未完全得到有效控制，世界经济仍然充满着极大的不确定性，可能没有这么快回到疫情前的状态。

欣慰的是，随着疫苗的广泛使用和各国经济的重振计划，全球经济正在积极复苏。特别是中国的经济显示出了强劲的活力和韧性。

而轮胎行业的总体趋势仍然向好。根据IMARC Group的报告，全球轮胎市场在2021至2026年的复合年平均增长率为4%。随着人们生活水平的提高，全球（特别是新兴市场）汽车保有量也在稳步增长，带动了轮胎产业的发展。从市场细分来看，替代轮胎市场约占轮胎市场的70%，新车配套轮胎则占约30%。新车市场随着经济复苏也开始回暖。中国的新车销量继2018、2019的下跌

之后，于2020年四月开始回升，已经连续9个月取得增长。

下游需求的好转以及原材料价格的上涨预期，给了橡胶助剂价格一定的支撑。我们也清楚地看到，助剂行业的集中度正在进一步提升，龙头企业的品牌和规模优势越来越明显。正如我们规划的，集团在去年经济低迷的时候兴建的产能已接近建成，下半年产能可以释放，正好满足了市场对我们产品的增加的需求；同时，为集团进一步扩大市场份额、实现长期可持续发展打下了坚实的基础。

### 股息建议

为了回馈股东长期以来的支持，结合考虑公司的中长期扩产规划，尽管2020财年的净利润比2019财年低44%，董事会仍建议在2020财年维持派发每股1新分的免税终期股息。此建议将在来临的股东大会上讨论通过。

### 衷心感谢

集团在去年严峻的形势下取得满意的成绩，主要归功于全体员工的共同努力。他们坚守岗位、精益求精的精神值得称赞。

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

我们的目标是通过集团长期稳定的发展，树立共同价值观，为客户、为员工、为股东、为社会创造最大化的价值。让我们一起携手，奋力前行！

### 徐承秋

执行主席  
2021年3月



# OPERATIONS & FINANCIAL REVIEW

## OUR FINANCIAL PERFORMANCE IN FY2020

FY2020 was a challenging year. Both the Chinese and global economies were severely affected by the unexpected COVID-19 pandemic. China Sunsine Chemical Holdings Ltd (the “**Company**”, collectively with its subsidiaries, the “**Group**”) has overcome this difficult period, achieved a set of satisfactory results and reached another record sales volume.

The Group's revenue in FY2020 decreased by 13% to RMB 2,333.7 million from RMB 2,691.7 million in FY2019, mainly due to the decrease in the overall average selling price (“**ASP**”). Due to the decrease in the price of raw materials, as well as intensifying competition, ASP for rubber chemicals decreased by 15% to RMB 13,571 per tonne in FY2020 as compared to RMB 15,970 per tonne in FY2019. However, sales volume of rubber chemicals for FY2020 achieved a new record high of 169,876 tonnes, as compared to 167,455 tonnes in FY2019 mainly due to (i) increase in our production to meet demand, and (ii) the



## ANALYSIS OF SALES AND VOLUME

	Sales Volume (Tonnes)			Sales (RMB' million)		
	FY2020	FY2019	Change	FY2020	FY2019	Change
Accelerators	90,950	88,262	3%	1,435.3	1,751.7	(18%)
Insoluble Sulphur	30,655	29,916	2%	229.0	267.6	(14%)
Anti-oxidant	46,035	47,283	(3%)	610.8	622.4	(2%)
Others	2,236	1,994	12%	30.3	32.6	(7%)
<b>Rubber Chemicals</b>	<b>169,876</b>	<b>167,455</b>	<b>1%</b>	<b>2,305.4</b>	<b>2,674.3</b>	<b>(14%)</b>
Domestic Sales	120,437	110,732	9%	1,572.4	1,630.1	(4%)
International Sales	49,439	56,723	(13%)	733.0	1,044.2	(30%)
Heating Power	83,177	88,309	(6%)	15.8	16.7	(5%)
Waste Treatment	4,116	-	n.m.	12.1	-	n.m.
Hotel & Restaurant	-	-	n.m.	0.4	0.7	(43%)
<b>Total Sales</b>				<b>2,333.7</b>	<b>2,691.7</b>	<b>(13%)</b>

Group's flexible pricing strategy as the Group concentrated more on increasing its sales volume.

The Group's **Sales volume** for Accelerator and Insoluble Sulphur ("IS") increased by 3% and 2%, respectively, mainly due to the reasons mentioned above. Whilst the sales volume for Anti-oxidant products decreased by 3% mainly due to lower volume caused by COVID-19, overall the capacities for all these three categories achieved a high utilisation rate.

Domestic sales volume increased by 9%, but international sales volume decreased by 13%, mainly due to the international markets still suffering from the damage caused by COVID-19, while the Chinese economy shows a steady recovery.

**Gross profit** decreased by 23% from RMB 780.8 million in FY2019 to RMB 600.3 million in FY2020, while the Average Gross Profit Margin ("GPM") also decreased by 3.3 percentage points from 29.0% to 25.7%, mainly due to the lower ASP.

**Other income** increased by RMB 0.7 million from a total of RMB 24.3 million in FY2019 to a total of RMB 25.0 million in FY2020 mainly due to higher interest income on bank deposits.

**Other losses** amounted to RMB 17.8 million, mainly consisting of foreign exchange losses of RMB 18.1 million arising from depreciation of USD against RMB, offset by gain on bargain purchase of a subsidiary of RMB 0.3 million.

**Distribution and marketing expenses** decreased by 24% or RMB 22.9 million from RMB 96.7 million in FY2019 to RMB 73.8 million in FY2020 mainly due to decrease in the Group's expenses relating to freight as a result of the Group's efforts on cost control, as well as lower port charges as international sales volume decreased.

**Administrative expenses** decreased by 16% or RMB 29.3 million from RMB 185.9 million in FY2019 to RMB 156.6 million in FY2020, mainly due to the decrease in staff cost (including bonuses of employees and the Chairman) as a result of poorer financial performance.

**Research and development ("R&D") expenses** decreased by 17% or RMB 15.5 million from RMB 90.8 million in FY2019 to RMB 75.3 million in FY2020, mainly due to the R&D projects being started in 2Q2020.

**Finance expense** of RMB 1.3 million mainly consists of interest on bank borrowings paid by Heze Yongshun Environmental Protection Technology Co., Ltd ("Yongshun") which the Group acquired during FY2020. The bank borrowings were then fully repaid by Yongshun at year end.

**Profit before tax ("PBT")** decreased by 34% or RMB 152.1 million from RMB 452.6 million in FY2019 to RMB 300.5 million in FY2020, mainly due to the decrease in revenue.

**Income tax expenses** increased by 28% or RMB 18.0 million from RMB 63.7 million in FY2019 to RMB 81.7 million in FY2020. The effective income tax rate was approximately 27%. The increase was mainly due to the expiry on 27 December 2019 of the "High-Tech Enterprise" status of our main subsidiary, Shandong Sunsine, which enjoyed a concession rate for income tax of 15%. After a self-assessment, the management is of the view that the possibility of renewing the "High-Tech Enterprise" status this year is low, hence no renewal application was submitted in 2020. As such, the income tax expenses were accrued based on the statutory rate of 25%.

**Net profit attributable to shareholders** decreased by 44% or RMB 170.1 million from RMB 388.9 million in FY2019 to RMB 218.8 million in FY2020, mainly due to lower revenue arising from lower ASP as a result of lower raw material prices, higher income tax expenses and the impact of COVID-19.

## FINANCIAL POSITION REVIEW

**Property, plant and equipment ("PPE")** increased by RMB 214.9 million from RMB 649.7 million in FY2019 to RMB 864.6 million in FY2020, mainly due to additions to PPE and Construction in progress ("CIP") of RMB 275.3 million, as well as the acquisition of Yongshun of RMB 61.7 million, offset by the depreciation charge of RMB 120.5 million and written off of PPE of RMB 1.6 million.

**Land use rights** increased by RMB 29.3 million from RMB 39.0 million to RMB 68.3 million mainly due to the acquisition of Yongshun, which owns a piece of land of approximately 215mu (approximately 143,334m<sup>2</sup>), offset by the amortisation charge.

**Right-of-use asset ("ROU")** and **lease liability** refer to the piece of land leased from Yongshun for the production of TBBS by the Company's main subsidiary, Shandong Sunsine, prior to the acquisition of Yongshun. It was accounted for

# OPERATIONS & FINANCIAL REVIEW

in accordance with SFRS(I) 16 Leases. During FY2020, Yongshun was acquired by the Group, and as such, the ROU and lease liability are being de-recognised.

**Trade receivables** increased by RMB 19.4 million from RMB 525.2 million to RMB 544.6 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. As at 31 December 2020 and 31 December 2019, the notes receivables were RMB 148.5 million and RMB 167.1 million, respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have increased by RMB 38.0 million from RMB 358.1 million to

RMB 396.1 million, mainly due to higher sales during the year end period.

**Inventory** decreased by RMB 49.6 million from RMB 247.1 million to RMB 197.5 million, mainly due to more finished goods sold at year end.

**Trade payables** decreased by RMB 9.5 million from RMB 63.9 million to RMB 54.4 million, mainly due to lower raw material prices.

**Other payables** increased by RMB 96.0 million from RMB 259.1 million to RMB 355.1 million, mainly due to increase in the payables to contractors.

## CASH FLOW REVIEW

	FY2020 RMB' million	FY2019 RMB' million	Change RMB' million
Cash generated from operating activities	426.9	448.0	(21.1)
Cash used in investing activities	(239.5)	(59.2)	(180.3)
Cash used in financing activities	(99.6)	(154.1)	54.5
Net increase/(decrease) in cash and cash equivalents	87.8	234.7	(146.9)
Cash and bank balances at end of year per consolidated statement of cash flows	1,322.9	1,278.6	44.3

Despite the COVID-19 pandemic, the Company continued to be very financially prudent and kept a vigilant watch over its cashflows. **While net cash generated from operating activities** decreased by RMB 21.1 million from RMB 448.0 million in FY2019 to RMB 426.9 million in FY2020 mainly due to lower operating profit generated during the year, it demonstrated the strength of its business model.

With strong cashflows generated during the year, the Company continued to invest in its future growth. **Net cash used in investing activities** increased by RMB 180.3 million from RMB 59.2 million in FY2019 to RMB 239.5 million in FY2020 mainly due to the increase in additions to PPE and CIP, as well as acquisition of Yongshun in FY2020. Please refer to the section on "Expansion Projects" for more details.

**Net cash used in financing activities** decreased by RMB 54.5 million from RMB 154.1 million in FY2019 to RMB 99.6 million in FY2019 mainly due to lower dividends paid to shareholders.

## EXPANSION PROJECTS

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

The construction of the infrastructure and installation of machinery had been completed, and the testing of machinery is almost completed. We have started the trial run in March 2021. Commercial production will commence in 2H2021 subject to the prevailing market situation.

### 2. Phase 2 20,000-tonne per annum TBBS project

With the commencement of this project in May 2020, there is potential to ramp up its production and utilisation rate. We strongly believe that this newly added capacity will give the Group's scale in TBBS a clear and distinct advantage over our competitors.

### 3. 30,000-tonne per annum TMQ project

Currently at the construction of infrastructure stage, the project is expected to be completed by 1H2021, and commercial production will begin in 2H2021.

#### 4.Phase 1 50,000-tonne capacity Controlled Landfill Project

During the production of rubber chemicals, the Group generates dangerous wastes. In order to properly treat the wastes, the Group acquired Yongshun in FY2020 to reduce the environmental risks faced by the Group and, at same time, save the cost of such waste treatment in the long run (please refer to the Company's announcement dated 21 July 2020 on the acquisition of Yongshun for more details).

Yongshun is able to treat all organic wastes by burning them, but not inorganic wastes. Furthermore, there will be some ashes generated after the organic wastes are treated by Yongshun. In order to dispose of such inorganic wastes and ashes properly, and to cope with the increasing dangerous wastes generated in Heze area, the Company has decided to carry out a Controlled Landfill project in Shanxian after conducting a detailed feasibility study, to provide a comprehensive solution to the treatment of all wastes generated during our production process and to mitigate such environmental risks.

The whole project will cost approximately RMB 600 million (to be funded by internal resources) with an estimated total capacity of 700,000-tonne, and will be carried out in numerous phases. The phase 1, 50,000-tonne capacity Controlled Landfill project will be carried out and completed in 2021, and occupies a land area of 50 mu (approximately 33,334m<sup>2</sup>). The rest of the entire project will be carried out progressively over time depending on market conditions and our own scale of production in the next few years. When the Controlled Landfill project is finally completed, and together with Yongshun's waste treatment capabilities, the Group will be able to treat our production waste materials completely. In doing so, the Group will not only be able to reduce its environmental risks, but will also generate additional income from it. The budget for this Phase 1 project is approximately RMB 80 million. The Group will monitor carefully the demand for such Controlled Landfill usage, and only carry out the next phase when the economics justify further investment.

Below is a summary of our estimated Annual Capacity<sup>1</sup> at the end of each financial year:

Tonnes	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021e
Accelerators	87,000	87,000	87,000	87,000	87,000	97,000	117,000	117,000
Insoluble Sulphur	20,000	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	75,000
<b>Total</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>162,000</b>	<b>172,000</b>	<b>192,000</b>	<b>252,000</b>

<sup>1</sup> Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT.



# BOARD OF DIRECTORS



## XU CHENG QIU

*Executive Chairman*

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



## LIU JING FU

*Executive Director*

*Group Chief Executive Officer*

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LIU JING FU is our Executive Director and was appointed as the Group Chief Executive Officer in November 2013 to oversee the whole Group’s operations and be responsible for the overall strategic planning of the Group. Prior to this appointment, Mr Liu was the General Manager of the Group’s key subsidiary, Shandong Sunsine Chemical Co., Ltd. Prior to joining our Group in 2006, he was the deputy chairman of Heze Petroleum Chemical Association and the Deputy Chairman of Heze Electrical, Mechanical and Petrochemical Association. He was honoured the “Shandong Province 8th 5-Year Plan Technological Advancement Outstanding Worker” Award in 1995. Mr Liu obtained his degree in Chemical Engineering from Shandong Chemical College in 1980, and became a qualified senior engineer in 1993.



### **XU JUN**

*Executive Director*

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



### **LIM HENG CHONG BENNY**

*Lead Independent Director*

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

# BOARD OF DIRECTORS



## XU CHUN HUA

*Independent Director*

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



## KOH CHOON KONG

*Independent Director*

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



**YAN TANG FENG**

*Independent Director*

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

# KEY EXECUTIVES



## TONG YIPING

*Chief Financial Officer*

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



## LIU DE MING

*General Manager*

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LIU DE MING was appointed as Director cum General Manager ("GM") of Shandong SunSine in Oct 2020. He is in charge of the overall management and production of our China subsidiaries. Prior to that, he was the GM of the Group's another subsidiary Weifang SunSine. Mr Liu joined the Group in 1995 since his graduation from Beijing Chemical University. Mr Liu has more than 30 years of working experiences in production, technology and management.



## MA YUE BIN

*First Deputy General Manager*

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



### ZHANG SONG

*Chief Engineer*

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



### WANG BAOLI

*Deputy General Manager*

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



### XU CHI

*General Manager Assistant*

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

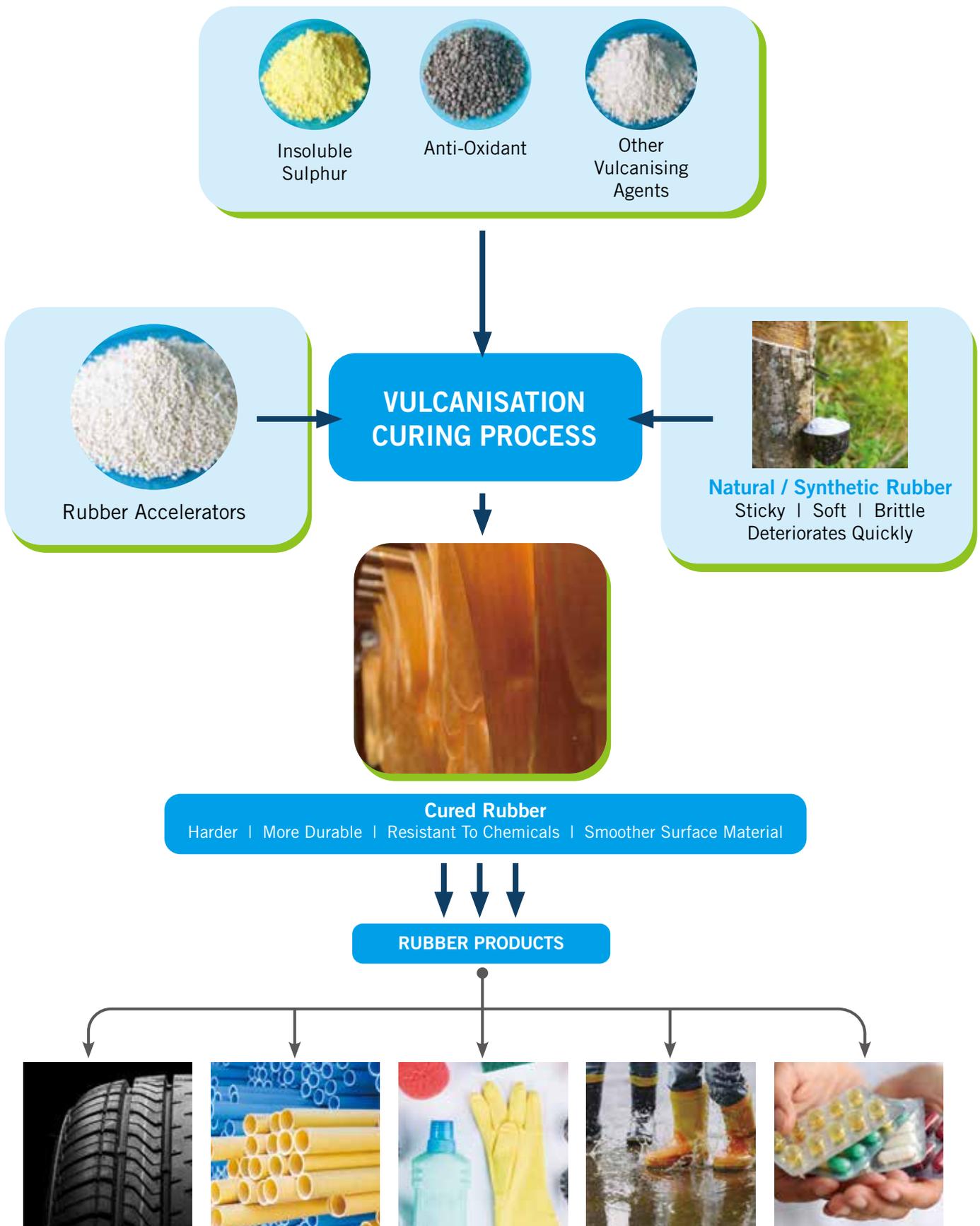
# GLOBAL MARKETS





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

# SUPERIOR PRODUCTS WE OFFER



# GROUP STRUCTURE



CHINA SUNSINE CHEMICAL  
HOLDINGS LTD.  
(Singapore)

100%

Shandong  
Sunsine Chemical  
Co., Ltd.  
(Shanxian,  
Shandong, PRC)

100%

Shanxian  
Guangshun  
Heating Co., Ltd.  
(Shanxian,  
Shandong, PRC)

100%

Weifang  
Sunsine Chemical  
Co., Ltd.  
(Weifang,  
Shandong, PRC)

100%

Shandong  
Sheng Tao  
Chemical Co., Ltd.  
(Dingtao,  
Shandong, PRC)

100%

Shanxian  
Sunsine Hotel  
Management  
Co., Ltd. (Shanxian,  
Shandong, PRC)

100%

Shandong  
Hengshun New  
Material Co., Ltd.  
(Shanxian,  
Shandong, PRC)

100%

Heze Yongshun  
Environmental Protection  
Technology  
Co., Ltd.  
(Shanxian Shandong,  
PRC)

100%

Shandong Fulong  
Villa Co., Ltd  
(Shanxian,  
Shandong, PRC)

# CORPORATE INFORMATION

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

### Singapore Office

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

### China Main Offices

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

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

## BOARD OF DIRECTORS

**Xu Cheng Qiu** *Executive Chairman*  
**Liu Jing Fu** *Executive Director and CEO*  
**Xu Jun** *Executive Director*  
**Lim Heng Chong Benny** *Lead Independent Director*  
**Xu Chun Hua** *Independent Director*  
**Koh Choon Kong** *Independent Director*  
**Yan Tang Feng** *Independent Director*

## AUDIT COMMITTEE

**Koh Choon Kong** *Chairman*  
**Xu Chun Hua**  
**Yan Tang Feng**

## NOMINATING COMMITTEE

**Lim Heng Chong Benny** *Chairman*  
**Xu Cheng Qiu**  
**Xu Chun Hua**

## REMUNERATION COMMITTEE

**Xu Chun Hua** *Chairman*  
**Koh Choon Kong**  
**Yan Tang Feng**

## JOINT COMPANY SECRETARIES

**Dai Lingna**  
**Tong Yiping** FCCA CA (Singapore)

## BANKERS

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

## SHARE REGISTRAR

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

## INDEPENDENT AUDITORS

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

Director-in-charge:

**Titus Kuan Tjian**  
(Appointed since financial year ended 31 December 2019)

# CORPORATE GOVERNANCE REPORT

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

This report sets out the Company’s corporate governance processes, practices and structures that were in place throughout the financial year ended 31 December 2020 (“**FY2020**”), with specific reference to the principles and provisions of the Code. The Board and the management of the Company (the “**Management**”) will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

## (A) BOARD MATTERS

### The Board’s Conduct of Affairs

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

#### *Role of the Board*

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

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

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

- (a) ensure that necessary financial and human resources are in place for the Group to meet its objectives;
- (b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;
- (c) establish, together with Management, the strategies and financial objectives to be implemented by Management;
- (d) review the performance of Management, approve the nominations of the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee;
- (e) review and endorse the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee;
- (f) assume responsibility for corporate governance; and
- (g) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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

# CORPORATE GOVERNANCE REPORT

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

## Board and Board Committees

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

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

The number of the Board and Board committee meetings held for the period from 1 January 2020 to 31 December 2020, as well as the attendance of each member of the Board and Board committees at the respective meetings, are set out below:-

NAME OF DIRECTORS	Board	AC	NC	RC
	Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 1	Number of Meetings Held: 1
	Meetings Attended As Member			
Xu Cheng Qiu	4 out of 4	N.A.	1 out of 1	N.A.
Liu Jing Fu	4 out of 4	N.A.	N.A.	N.A.
Xu Jun	4 out of 4	N.A.	N.A.	N.A.
Xu Xian Lei <sup>(1)</sup>	3 out of 4	N.A.	N.A.	N.A.
Lim Heng Chong Benny	4 out of 4	N.A.	1 out of 1	N.A.
Xu Chun Hua <sup>(2)</sup>	4 out of 4	1 out of 4	1 out of 1	1 out of 1
Koh Choon Kong	4 out of 4	4 out of 4	N.A.	1 out of 1
Tan Lye Heng Paul <sup>(3)</sup>	2 out of 4	2 out of 4	N.A.	N.A.
Yan Tang Feng	4 out of 4	4 out of 4	1 out of 1	1 out of 1

Notes:

- (1) Mr Xu Xian Lei resigned as Executive Director on 15 October 2020.
- (2) Mdm Xu Chun Hua was appointed as a member of the AC on 15 October 2020.
- (3) Mr Tan Lye Heng Paul retired and did not seek re-election at the annual general meeting ("AGM") held on 27 May 2020. Accordingly, Mr Tan Lye Heng Paul ceased to be an Independent Director and a member of the AC immediately following the conclusion of the AGM.

# CORPORATE GOVERNANCE REPORT

## *Directors' Orientation and Development*

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

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

The Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Singapore Companies Act (Chapter 50) ("**Companies Act**") and listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. They are also informed of and are encouraged to attend relevant seminars such as those organised by the SGX-ST, SID and other external professional organisations to keep abreast of developments relevant to their roles.

## *Access to Information*

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

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

## *Access to Management and Company Secretary*

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

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

### *Board Composition*

The Board, through the NC, examines and reviews its structure, size and composition annually, taking into account the scope and nature of the Company's operations. The nature of the directors' appointments and membership on the Board committees for FY2020 are as follows:-

Name of Directors	Position held on the Board	Board Committee Membership		
		AC	NC	RC
Xu Cheng Qiu	Executive Chairman	–	Member	–
Liu Jing Fu	Executive Director and Chief Executive Officer	–	–	–
Xu Jun	Executive Director	–	–	–
Xu Xian Lei <sup>(1)</sup>	Executive Director	–	–	–
Lim Heng Chong Benny	Lead Independent Director	–	Chairman	–
Xu Chun Hua <sup>(2)</sup>	Independent Director	Member	Member	Chairman
Koh Choon Kong	Independent Director	Chairman	–	Member
Tan Lye Heng Paul <sup>(3)</sup>	Independent Director	Member	–	–
Yan Tang Feng	Independent Director	Member	–	Member

Notes:

- (1) Mr Xu Xian Lei resigned as Executive Director on 15 October 2020.
- (2) Mdm Xu Chun Hua was appointed as a member of the AC on 15 October 2020. Please see Principle 12 of this report under the section headed "Composition and Role of AC" for the current composition of the AC.
- (3) Mr Tan Lye Heng Paul retired and did not seek re-election at the AGM held on 27 May 2020. Accordingly, Mr Tan Lye Heng Paul ceased to be an Independent Director and a member of the AC immediately following the conclusion of the AGM.

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

### *Board Diversity*

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

# CORPORATE GOVERNANCE REPORT

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

## *Board Independence*

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

In assessing the independence of each Independent Director for FY2020, the NC noted that Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua, who are the Independent Directors of the Company, has each served on the Board for an aggregate period of more than 9 years from the respective dates of their first appointment. As such, the Board has subjected their independence to a particularly rigorous review.

The NC carried out the aforesaid review on the independence of each Independent Director in February 2021 (with Mr Lim Heng Chong Benny and Mdm Xu Chun Hua as members of the NC abstaining from deliberation in respect of the review of his/her independence) based on the respective Independent Directors' self-declaration of his/her relationship with the Company and its related corporations, its substantial shareholders or its officers, and his/her confirmation of independence and non-conflict of interest. In particular, the NC also took into account the actual performance of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua on the Board and Board committees, and their Individual Director Self-assessment of their contributions to the effectiveness of the Board, and was of the view that each of them has at all times exercised independent judgment in the best interests of the Company in the discharge of his/her director's duties and should therefore continue to be deemed an Independent Director, notwithstanding that they have served more than 9 years on the Board.

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

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

# CORPORATE GOVERNANCE REPORT

The continued appointment of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua as Independent Directors of the Company will be sought at the forthcoming AGM in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST coming into effect on 1 January 2022 pursuant to the Transitional Practice Note 3 of the Listing Manual which set out the transitional arrangements regarding the Code of Corporate Governance 2018.

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

Accordingly, the Board has recommended that the approval of the shareholders be sought in respect of the continuation of office of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua as Independent Directors of the Company at the forthcoming AGM through the Two-Tier Voting process.

Led by the Lead Independent Director, the Independent Directors meet regularly without the presence of Management to discuss matters such as the changes that they would like to see in the Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings. After such meetings, the Lead Independent Director will provide feedback to the Executive Chairman and the Board. During FY2020, the Independent Non-Executive Directors met regularly without the presence of Management.

## **Chairman and Chief Executive Officer**

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

### *Division of the Roles of Executive Chairman and CEO*

To ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and a clear division of the roles and responsibilities between the Chairman and the CEO, the position of the Chairman and CEO are held by separate individuals.

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

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

Mr Liu Jing Fu is the CEO and Executive Director of the Company. He is not an immediate family member of the Executive Chairman, Mr Xu Cheng Qiu. Mr Liu has a wealth of experience in the rubber chemicals industry. As CEO, Mr Liu is responsible for the overall management and day-to-day operations of the Group.

### *Role of Lead Independent Director*

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

# CORPORATE GOVERNANCE REPORT

## **Board Membership**

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

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

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

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

The principal functions of the NC include the following:

- (a) to make recommendations to the Board on all Board appointments, and re-appointment of directors or alternate directors (if any), having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour) where applicable;
- (b) to review the independence of the directors annually;
- (c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;
- (d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;
- (e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- (f) to review succession plans for directors, in particular, the appointment and/or replacement of the Executive Chairman, the CEO and key management personnel;
- (g) to make recommendations to the Board relating to the review of training and professional development programs for the Board and its directors;
- (h) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- (i) to assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board.

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

# CORPORATE GOVERNANCE REPORT

## *Other Principal Commitments and Board Representations*

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

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

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

- (a) pages 14 to 17 – Academic and professional qualifications;
- (b) page 48 – Key information (including each of the Director's board representations on other listed companies and other principal commitments (if any)); and
- (c) pages 49 to 50 – Shareholding in the Company and its related corporations.

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

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

### *Process for selection of new directors*

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

- (a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the SID, search consultants, advertisements) to source for potential candidates;
- (c) The NC assesses suitability of short-listed candidates, meets and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and
- (d) The NC makes recommendations to the Board for approval.

# CORPORATE GOVERNANCE REPORT

## *Criteria for appointment of new directors*

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

- (a) Integrity;
- (b) Independent mindedness;
- (c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;
- (d) Able to commit time and effort to carry out duties and responsibilities effectively;
- (e) Experience in the relevant field of business of the Company or industries in which it operates; and
- (f) Financially literate.

## *Re-appointment of directors*

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

At the forthcoming AGM, Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua (collectively, the "**Retiring Directors**") are due for retirement by rotation under Article 104 of the Constitution of the Company, and they will also be subject to the Two-Tier Voting by shareholders for their continued appointment as Independent Directors of the Company. The Retiring Directors had submitted themselves for re-nomination and re-election, as well as continued appointment as Independent Directors. The NC (save for Mr Lim Heng Chong Benny and Mdm Xu Chun Hua, who had abstained from the deliberation process in respect of their own nomination and assessment) has reviewed and recommended the re-election and continued appointment of the Retiring Directors as Independent Directors.

Each of the Retiring Directors has no relationship, whether familial, business, financial, employment or otherwise, with the Company, its related corporations, substantial shareholders, or any officers, which could interfere or be perceived to interfere with his/her independent judgment, and would therefore satisfy the Listing Manual and the Code's requirements for independence should their continued appointment as Independent Directors be approved by shareholders at the forthcoming AGM through the Two-Tier Voting process.

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

Please refer to the explanatory notes to the Notice of the AGM dated 8 April 2021 and pages 115 to 122 of this Annual Report for the additional information in respect of the Retiring Directors seeking re-election and continued appointment at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual read with Appendix 7.4.1 of the Listing Manual.

# CORPORATE GOVERNANCE REPORT

## **Board Performance**

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

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

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

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

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

### *Evaluation processes*

#### *(a) Board and Board committees*

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

#### *(b) Individual directors*

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

### *Performance criteria*

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

# CORPORATE GOVERNANCE REPORT

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

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

#### *Composition and Role of the RC*

The RC currently comprises entirely independent directors as follows:

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

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

The principal functions of the RC include the following:

- (a) to review and recommend to the Board for endorsement a framework of remuneration for the Board and key management personnel, and the specific remuneration packages for each director as well as for the key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives, benefits-in-kind, and termination terms to ensure they are fair;
- (b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;
- (c) to review and approve the annual increments and/or variable bonus to be granted to the Executive Directors and key management personnel of the Company;
- (d) in the case of directors' service agreements, to consider what compensation or commitments the directors' service agreements, if any, would entail in the event of early termination; and
- (e) to recommend to the Board, in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long-term incentive schemes.

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

# CORPORATE GOVERNANCE REPORT

The RC has access to expert advice in the field of executive remuneration outside the Company with regards to remuneration matters wherever necessary. The RC should ensure that existing relationships, if any, between any of its directors or the Company and its appointed remuneration consultants, will not affect the independence and objectivity of the remuneration consultants. In FY2020, the Company did not seek any expert advice outside the Company on remuneration of its Directors.

## **Level and Mix of Remuneration**

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## Disclosure on Remuneration

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

### *Policy in respect of independent directors' remuneration*

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

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

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

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

### *Disclosure on Remuneration*

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors or the CEO) for FY2020, are set out as follows:

Name of Directors and CEO	Salary	Bonus	Director's fees	Other benefits	Total Remuneration	
	%	%	%	%	%	S\$'000
Xu Cheng Qiu	35	65	–	–	100	1,120
Liu Jing Fu	50	50	–	–	100	109
Xu Jun	50	47	–	3	100	87
Xu Xian Lei <sup>(1)</sup>	50	47	–	3	100	97
Lim Heng Chong Benny	–	–	100	–	100	50
Xu Chun Hua	–	–	100	–	100	45
Koh Choon Kong	–	–	100	–	100	45
Tan Lye Heng Paul <sup>(2)</sup>	–	–	100	–	100	10
Yan Tang Feng	–	–	100	–	100	40

# CORPORATE GOVERNANCE REPORT

Remuneration Band & Name of Key Management Personnel	Salary	Bonus	Other benefits	Total
	%	%	%	%
<b>S\$250,000 and below S\$500,000</b>				
Nil				
<b>Below S\$250,000</b>				
Tong Yiping	72	20	8	100
Wang Bao Li	27	69	4	100
Ma Yue Bin	31	67	2	100
Liu De Ming	35	62	3	100
Zhang Song <sup>(3)</sup>	32	64	4	100
Xu Chi <sup>(4)</sup>	35	59	6	100

Notes:

- (1) Mr Xu Xian Lei's remuneration for FY2020 is a pro-rated amount as he resigned as Executive Director on 15 October 2020.
- (2) Mr Tan Lye Heng Paul's remuneration for FY2020 is a pro-rated amount as he retired and did not seek re-election at the AGM held on 27 May 2020. Accordingly, Mr Tan Lye Heng Paul ceased to be a director and a member of the AC immediately following the conclusion of the AGM.
- (3) Mr Zhang Song was appointed as Group Chief Engineer with effect from 15 October 2020.
- (4) Mr Xu Chi was appointed as Group General Manager Assistant with effect from 15 October 2020.

The Company has not disclosed the exact amount of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The aggregate remuneration paid to key management personnel (who are not Directors or the CEO) in FY2020 is S\$662,000.

There was no employee of the Company or its subsidiaries who is a substantial shareholder, or an immediate family member of any director, the CEO or a substantial shareholder of the Company and whose remuneration exceeded S\$100,000 for FY2020. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2020. Accordingly, no share option has been granted to the above directors or key management personnel. The Company may consider to have such a scheme to align the interests of key executives with that of shareholders, improving performance and achieving sustainable growth for the Company.

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

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

#### *Risk Governance Structure*

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

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

#### *Enterprise Risk Management*

The Company has set up a Risk Management Advisory Committee ("**RMAC**") to oversee the Group's risk management framework and policies, review the Group's business, financial and operational risks, and to advise the Board on strategies and measures to manage and mitigate these risks. The RMAC is headed by the Executive Chairman of the Company, together with 5 executives (including the Chief Financial Officer ("**CFO**")), whose names are set out below:

Xu Cheng Qiu	–	Chairman
Tong Yiping	–	Member
Ma Yue Bin	–	Member
Wang Bao Li	–	Member
Liu Kun	–	Member
Zheng Huai Yu	–	Member

Mr Xu Xian Lei, who was a member of the RMAC, ceased to be a member of the RMAC upon his resignation as Executive Director of the Company on 15 October 2020.

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

# CORPORATE GOVERNANCE REPORT

## *Internal Control and Risk Management Systems*

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

Based on the internal control and risk management systems established and maintained by the Group, the work conducted by the internal and external auditors as set out in their respective reports, the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, and the report of the RMAC to the Board, the Board, with the concurrence of AC, is of the opinion that the system of internal control and risk management procedures maintained by Management are adequate and effective to meet the needs of the Company in addressing the financial, operational, compliance and information technology risks to the Company and the Group as at 31 December 2020.

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

- (a) the financial records of the Company have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are adequate and effective.

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

## **Audit Committee**

***Principle 12: The Board has an Audit Committee ("AC") which discharges its duties objectively.***

### *Composition and Role of AC*

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

Koh Choon Kong – Chairman  
Yan Tang Feng – Member  
Xu Chun Hua – Member (appointed as a member on 15 October 2020)

Mr Tan Lye Heng Paul, who was due to retire by rotation under Article 104 of the Company's Constitution at the AGM held on 27 May 2020, did not seek re-election as director of the Company. As such, immediately following the conclusion of the AGM held on 27 May 2020, Mr Tan Lye Heng Paul ceased to be a director as well as a member of the AC of the Company.

# CORPORATE GOVERNANCE REPORT

Following Mr Tan Lye Heng Paul's cessation as an independent director and a member of the AC on 27 May 2020, the Company had until 27 August 2020 to appoint a replacement AC member to fill the vacant position. However, Mdm Xu Chun Hua was formally appointed to fill the vacancy only on 15 October 2020.

Once the vacancy arose during the circuit breaker period, the Company had sought to identify suitable candidates to fill the vacancy based on the NC's formal process for the selection and appointment of new directors, and on the basis of the criteria determined by the Board. After preliminary discussions with potential candidates, formal interviews were subsequently conducted with the shortlisted candidates to, among others, ensure that they were fully aware of the expectations and the level of commitment required of them. However, before the Board was able to confirm its selection and appointment of the new independent director and replacement AC member, it was informed of the resignation of Mr Xu Xian Lei, the Executive Director of the Company, with effect from 15 October 2020.

Following Mr Xu Xian Lei's resignation, the Board size of 3 Executive Directors (including the Executive Chairman) and 4 Independent Directors had satisfied the Code's requirement that independent directors make up a majority of the Board where the Chairman is not independent. Thus, the Board resolved to appoint Mdm Xu Chun Hua, the Company's Independent Director, Chairman of the RC and a member of the NC, to be a member of the AC on 15 October 2020.

Although the Company had taken longer than the prescribed period to appoint the replacement member of the AC, the Company is of the view that the functions of the AC were not compromised during the vacancy period. Mr Lim Heng Chong Benny, the Lead Independent Director and Chairman of the NC, as well as Mdm Xu Chun Hua had continued the usual practice of the Company that all directors attend all Board and Board committee (including AC) meetings, asked questions of management, discussed and reviewed any financial statements or issues of the Company, and generally carried out other functions of the AC as required during the vacancy period, even though they were then not AC members. Mr Lim and Mdm Xu were members of the AC since the initial public offering ("IPO") of the Company until 12 November 2019, when Mr Yan Tang Feng joined the Board and became a member of the AC following a re-constitution of all Board committees. Mr Lim and Mdm Xu are therefore fully aware of the role and responsibilities of an AC member, and were well placed to cover the vacancy during the relevant period.

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

The primary functions of the AC include the following:

- (a) to discuss and review at least annually any significant financial reporting issues and judgments in relation to the financial statements and how the issues are addressed so as to ensure the integrity of the financial statements;
- (b) to discuss and review at least annually the adequacy and effectiveness of the internal controls and risk management system of the Group with respect to financial, operational, compliance and information technology risks;
- (c) to review any announcements relating to the Company's financial performance before submission to the Board for approval;
- (d) review the assurance from the CEO and the CFO who are responsible for the financial records and financial statements;
- (e) to assess and review at least annually the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit functions;
- (f) to discuss and review with auditors regarding, *inter alia*, the assistance given by Management to the auditors;

# CORPORATE GOVERNANCE REPORT

- (g) to assess and review at least annually the independence and objectivity of the external auditors, taking into consideration the aggregate fees paid for audit and non-audit services provided by the external auditors;
- (h) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and the terms of engagement and remuneration payable to the external auditor taking into consideration the quality of work carried out by the external auditors and the basis of such assessment;
- (i) to review interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual);
- (j) to review the internal audit plan and findings of the internal auditor;
- (k) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (l) to undertake such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

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

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

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

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

## *External Auditor*

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

# CORPORATE GOVERNANCE REPORT

In evaluating the nomination of Nexia TS for re-appointment for the financial year ending 31 December 2021, the AC has considered the adequacy of the resources, experience and competence of Nexia TS. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. It is noted that the aggregate amount of fees paid to the external auditor for FY2020 is S\$203,000. No non-audit fees were paid to the external auditor for financial year ended 31 December 2020 which may affect their independence. None of the members of the AC were partners of Nexia TS within the last 2 years or has any financial interest in Nexia TS.

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

## *Internal Auditor*

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

The Company's internal audit functions are out-sourced to Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd. (the "**Internal Auditor**"), which is staffed with professionals with relevant qualifications and experience. The Internal Auditor has unrestricted direct access to the AC. The AC approves the hiring, removal, evaluation and compensation of the head of the Internal Auditor, who meets the professional standards set out in the Code.

The Internal Auditor's primary line of reporting is to the Chairman of the AC, although the Internal Auditor also liaise with the CEO and the CFO on administrative matters.

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

The AC also reviews annually the adequacy, effectiveness and independence of the internal audit function, and is satisfied that it is independent, effective, adequately resourced and has appropriate standing within the Company.

## *Whistle-Blower Policy*

The AC also reviewed the Company's "Whistle-Blower Policy" ("**Policy**") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

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

# CORPORATE GOVERNANCE REPORT

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meeting

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

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

#### *Conduct of General Meetings*

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

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

All directors, in particular the chairman of each Board committee, are required to be present at general meetings of shareholders to address shareholders' questions. The External Auditors are also present to address shareholders' queries (if any) about the conduct of audit and the preparation and content of the auditors' report. All the Directors had attended the AGM of the Company for FY2019 held on 27 May 2020, which was conducted by way of electronic means.

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

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

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

# CORPORATE GOVERNANCE REPORT

Due to the outbreak of COVID-19, the Company's AGM for FY2019 held on 27 May 2020 was conducted by way of electronic means. Physical copies of the Notice of AGM, proxy form, annual report, Letter to Shareholders (in relation to the proposed renewal of the share purchase mandate) and Sustainability Report were not sent to shareholders, but were published on the SGXNET and the Company's website. Shareholders participated in the AGM via electronic means, and were directed to pre-register online and submit questions related to the AGM in advance of the AGM. The Company published the responses to the substantial queries and relevant comments from shareholders on SGXNet and the Company's website one day before the AGM.

As the AGM for FY2019 was held by electronic means, voting at the AGM was conducted by proxy only. Shareholders who wished to vote on any or all of the resolutions at the AGM had appointed the Chairman of the AGM as their proxy by completing the proxy form for the AGM, and submitting the proxy form by post or by email to the Company forty-eight (48) hours before the AGM.

Although at present the COVID-19 pandemic is largely under control in Singapore, as a precautionary measure to prevent the transmission of the COVID-19 virus, the Company's AGM for FY2020 will continue to be held via electronic means. Shareholders will not be able to attend the AGM in person, but may observe the proceedings of the AGM by audio or audio-visual means. Shareholders may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM. Please refer to the notice of the FY2020 AGM and announcement dated 8 April 2021 for more information on the forthcoming AGM.

## *Dividend Policy*

The Company declared dividends every year since its IPO in 2007. However, in view of the uncertain economic conditions which are exacerbated by the COVID-19 pandemic, and the anticipated capital expenditure for the Group's expansion plans as announced in 2020 and in the full year results announcement for FY2020, it is difficult for the Company to commit to a fixed dividend policy. Nevertheless, the Board will discuss recommendations for dividend payments, whether in the form of final dividends or interim dividends, during Board meetings, taking into consideration the availability of the Company's retained earnings, the Group's profitability and financial position, capital expenditure requirements, future expansion or investment plans, and other relevant factors as may be determined by the Board.

The Board has recommended a one-tier tax exempt final dividend of S\$0.01 per ordinary share for FY2020.

## **Engagement with Shareholders**

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

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

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

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

- (a) announcements of full year and half year financial results which are published via the SGXNET;
- (b) annual reports or circulars of the Company that are prepared and sent to all shareholders;
- (c) notices of AGMs and extraordinary general meetings published in the newspapers;
- (d) press releases on major developments of the Group; and
- (e) the Company's website at [www.ChinaSunsine.com](http://www.ChinaSunsine.com) at which shareholders can access information on the Group.

# CORPORATE GOVERNANCE REPORT

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

The Board establishes and maintains regular dialogue with its shareholders through analyst briefings and at general meetings. The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. During FY2020, the Company held half-yearly briefings for shareholders via electronic means on its financial results after each release of its results announcement, and it was noted that many shareholders participated in these briefings.

## (E) MANAGING STAKEHOLDER RELATIONSHIPS

### Engagement with Stakeholders

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

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

The Group key focus areas during FY2020 are ensuring sales and production equilibrium, ensuring environment friendly and safe production, ensuring the expansion projects were carried out smoothly and within the targeted timeline, enhancing customer satisfaction and employees’ well-being, and contributing to community development.

The Group engages and manages its relationship with the key stakeholders through various means. Full details of the Group’s strategy, areas of focus, methods of engagement can be found in the Company’s Sustainability Report 2020.

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

## (F) OTHER CORPORATE GOVERNANCE MATTERS

### Dealings in Securities

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

# CORPORATE GOVERNANCE REPORT

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

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

## **Interested Person Transactions**

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

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

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

There were no IPTs of aggregate value exceeding S\$100,000 conducted during FY2020.

## **Material Contracts**

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

# CORPORATE GOVERNANCE REPORT

## PARTICULARS OF DIRECTORS

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date of First Appointment	Date of Last Re-appointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Xu Cheng Qiu	77	Executive Chairman	11 October 2006	30 April 2019	None	None
Liu Jing Fu	69	Executive Director and CEO	18 May 2007	27 May 2020	None	None
Xu Jun	51	Executive Director	18 May 2007	27 May 2020	None	None
Lim Heng Chong Benny	50	Lead Independent Director	18 May 2007	30 April 2019	<u>Directorship in other Listed Companies</u> - Alliance Healthcare Group Limited  <u>Other Principal Commitments</u> - Chris Chong & C T Ho LLP	None
Xu Chun Hua	78	Independent Director	18 May 2007	30 April 2019	<u>Other Principal Commitments</u> - China Rubber Industry Association Rubber Chemical Commission	None
Koh Choon Kong	50	Independent Director	15 November 2009	26 April 2018	<u>Other Principal Commitments</u> - Summit Power International Pte. Limited	None
Yan Tang Feng	51	Independent Director	26 September 2019	27 May 2020	<u>Other Principal Commitments</u> - Sinolion Holdings Pte. Ltd.	None

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the balance sheet of the Company as at 31 December 2020.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 57 to 104 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Xu Chengqiu  
Liu Jingfu  
Xu Jun  
Lim Heng Chong Benny  
Xu Chunhua  
Koh Choon Kong  
Yan Tangfeng

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares or debentures

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

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2020	At 1.1.2020	At 31.12.2020	At 1.1.2020
<b>China Sunsine Chemical Holdings Ltd.</b>				
(No. of ordinary shares)				
Xu Chengqiu <sup>(a),(b)</sup>	–	–	<b>593,023,100</b>	593,023,100
Liu Jingfu	<b>1,440,000</b>	1,440,000	–	–
Lim Heng Chong Benny	<b>200,000</b>	200,000	–	–
Koh Choon Kong <sup>(c)</sup>	–	1,900,000	<b>8,452,000</b>	6,552,000
Yan Tangfeng <sup>(d)</sup>	–	–	<b>1,892,000</b>	1,892,000

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

## Directors' interests in shares or debentures (continued)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2020	At 1.1.2020	At 31.12.2020	At 1.1.2020
<b>Immediate and Ultimate Holding Corporation</b>				
<b>- Success More Group Ltd</b>				
<u>(No. of ordinary shares)</u>				
Xu Chengqiu <sup>(a)</sup>	7,427	7,427	–	–
Xu Jun	812	812	–	–

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

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

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

<sup>(d)</sup> The deemed interests of Yan Tangfeng arises from shares held by the nominee, DBS Nominee (Private) Limited.

The directors' interests in the ordinary shares of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

## Share options

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

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

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

## Audit Committee

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

Koh Choon Kong (Chairman)  
Xu Chunhua  
Yan Tangfeng

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2020*

## **Audit Committee** (continued)

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 before their submission to the Board of Directors.

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

## **Independent auditor**

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

On behalf of the directors

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Xu Chengqiu  
Director

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Xu Jun  
Director

30 March 2021

# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

## Report on the Audit of the Financial Statements

### *Our opinion*

We have audited the accompanying consolidated financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### *Basis for Opinion*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of property, plant and equipment and intangible assets**

Refer to Note 2.8, 3, 16 and 17 to the financial statements

As at 31 December 2020, the carrying amount of property, plant and equipment and intangible assets were RMB864,612,000 and RMB68,264,000 which accounted for 27% and 2% of the Group's total assets respectively.

Management assessed that there is objective evidence or indication that certain assets may be impaired and carried out an impairment exercise on those assets during the financial year. A valuation was performed by an independent valuer. The valuation process involved significant judgement in determining the appropriate valuation methodologies to be used, and in estimating the underlying inputs and assumptions to be applied.

# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

*Key Audit Matters (continued)*

## **Credit loss allowance for trade receivables**

Refer to Note 2.9 (b), 3 and 27(b) to the financial statements.

The allowance for credit losses on trade receivables is considered to be a key audit matter because of the significant judgements applied, subjective assumptions used by management and the related estimation uncertainty involved in determining the adequacy of impairment loss for individual debtors.

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

The carrying amount of trade receivables at the end of the financial year was RMB396,173,000. This represents 12% of the Group's total assets.

## **Business combinations**

Refer to Note 2.4 (b) and 30 to the financial statements.

During the financial year ended 31 December 2020, the Group through its wholly-owned subsidiary corporation, Shandong Sunsine Chemical Co., Ltd acquired 100% of Heze Yongshun Environmental Protection Technology Co., Ltd.

SFRS(I) 3 Business Combinations requires the Group to recognise the acquirees' identifiable assets acquired and liabilities and contingent liabilities assumed at their fair values at the date of acquisition. Any difference between the cost of the business combination and the Group's interest in the net fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed at the acquisition date is recorded either as goodwill or a gain from bargain purchase.

Significant judgement is applied in the identification of any intangible assets acquired and contingent liabilities assumed in the acquisitions. Significant assumptions and estimates are also used in the determination of the fair values of the identified assets acquired and liabilities assumed in the acquisitions. Thus, we considered this area to be a key audit matter.

As a result of the acquisition accounting, the Group has recognised a gain from bargain purchase of RMB279,000.

*How our audit addressed the Key Audit Matters:*

In obtaining sufficient audit evidence, the following procedures were carried out:

## **Impairment of property, plant and equipment and intangible assets**

- Evaluated the competence, capabilities and objectivity of the independent valuer.
- Critically evaluated whether the valuation methodology used to determine the recoverable amount of non-financial assets complies with the requirements of SFRS(I) 1-36 *Impairment of Assets*.
- Evaluated the appropriateness of the inputs and assumptions used, taking into consideration the auditor's overall knowledge of the business and the results of other audit procedures.

# INDEPENDENT AUDITOR'S REPORT

To the Members of China Sunsine Chemical Holdings Ltd.

*Key Audit Matters (continued)*

## **Credit loss allowance for trade receivables**

- Reviewed the aging analysis of trade receivables and tested the aging report.
- Discussed with management on the recoverability of long outstanding receivables and impairment of these receivables, if any, in accordance with SFRS(I) 9.
- Assessed the appropriateness of the estimates and judgments used by management in the estimation of credit losses and consequently the allowances required.

## **Business combinations**

We have discussed with management on the purchase price allocation (“PPA”) exercise and engaged our valuation specialists to assist in the review of the PPA, including the following:

- Reviewed management’s assessment on the acquisition to ensure its compliance with SFRS(I) 3 requirements.
- Evaluated the competence, capabilities and objectivity of the independent valuer.
- Critically evaluated reasonableness of the key assumptions in arriving the fair value adjustments and the valuation method used by management and management’s expert.

## *Other Information*

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

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

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

## *Responsibilities of Management and Directors for the Financial Statements*

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

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

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

# INDEPENDENT AUDITOR'S REPORT

*To the Members of China Sunsine Chemical Holdings Ltd.*

## *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# INDEPENDENT AUDITOR'S REPORT

*To the Members of China Sunsine Chemical Holdings Ltd.*

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

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

## **Report on Other Legal and Regulatory Requirements**

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

The engagement director on the audit resulting in this independent auditor's report is Titus Kuan Tjian.

**Nexia TS Public Accounting Corporation  
Public Accountants and Chartered Accountants**

**Singapore  
30 March 2021**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the financial year ended 31 December 2020*

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	2,333,664	2,691,656
Cost of sales		<u>(1,733,367)</u>	<u>(1,910,829)</u>
Gross profit		600,297	780,827
Other income	7	25,040	24,256
Other (losses)/gains - net	8	(17,778)	21,356
Expenses			
- Distribution and marketing		(73,832)	(96,655)
- Administrative		(156,623)	(185,943)
- Research and development		(75,320)	(90,758)
- Finance	9	(1,324)	(477)
Profit before income tax		<u>300,460</u>	452,606
Income tax expense	10(a)	(81,681)	(63,707)
<b>Net profit</b>		<u><u>218,779</u></u>	<u><u>388,899</u></u>
<b>Other comprehensive (loss)/income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation (losses)/gains arising from consolidation		(3,284)	2,262
Other comprehensive (loss)/income, net of tax		<u>(3,284)</u>	<u>2,262</u>
<b>Total comprehensive income</b>		<u><u>215,495</u></u>	<u><u>391,161</u></u>
<b>Net profit attributable to:</b>			
Equity holders of the Company		<u><u>218,779</u></u>	<u><u>388,899</u></u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<u><u>215,495</u></u>	<u><u>391,161</u></u>
<b>Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)</b>			
Basic and diluted earnings per share	11	<u><u>22.50</u></u>	<u><u>39.72</u></u>

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

# BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	12	1,326,238	1,279,908	6,430	41,609
Trade and other receivables	13	715,432	692,625	68,831	75,555
Inventories	14	197,522	247,092	–	–
		<b>2,239,192</b>	2,219,625	<b>75,261</b>	117,164
<b>Non-current assets</b>					
Investments in subsidiary corporations	15	–	–	350,010	350,010
Property, plant and equipment	16	864,612	649,743	–	–
Intangible assets	17	68,264	38,948	–	–
Right-of-use asset	18	–	9,873	–	–
		<b>932,876</b>	698,564	<b>350,010</b>	350,010
<b>Total assets</b>		<b>3,172,068</b>	2,918,189	<b>425,271</b>	467,174
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	409,522	323,074	7,556	37,542
Lease liability	20	–	899	–	–
Deferred grants	21	–	–	–	–
Current income tax liabilities	10(b)	41,847	23,449	7,159	4,333
		<b>451,369</b>	347,422	<b>14,715</b>	41,875
<b>Non-current liability</b>					
Lease liability	20	–	9,172	–	–
<b>Total liabilities</b>		<b>451,369</b>	356,594	<b>14,715</b>	41,875
<b>NET ASSETS</b>		<b>2,720,699</b>	2,561,595	<b>410,556</b>	425,299
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	22(a)	313,471	313,471	313,471	313,471
Treasury shares	22(b)	(29,347)	(21,712)	(29,347)	(21,712)
Other reserves	23	566,132	526,501	51,805	55,088
Retained profits	24	1,870,443	1,743,335	74,627	78,452
<b>Total equity</b>		<b>2,720,699</b>	2,561,595	<b>410,556</b>	425,299

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Note	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
<b>2020</b>									
<b>Beginning of financial year</b>	313,471	(21,712)	147	305	54,627	235,711	235,711	1,743,335	2,561,595
Total comprehensive (loss)/ income for the financial year	-	-	(3,284)	-	-	-	-	218,779	215,495
Transfer to statutory and voluntary reserves	-	-	-	-	-	21,458	21,457	(42,915)	-
Purchase of treasury shares 22(b)	-	(7,635)	-	-	-	-	-	-	(7,635)
Dividend relating to 2019 paid 25	-	-	-	-	-	-	-	(48,756)	(48,756)
<b>End of financial year</b>	<b>313,471</b>	<b>(29,347)</b>	<b>(3,137)</b>	<b>305</b>	<b>54,627</b>	<b>257,169</b>	<b>257,168</b>	<b>1,870,443</b>	<b>2,720,699</b>
<b>2019</b>									
<b>Beginning of financial year</b>	313,471	(2,078)	(2,115)	305	54,627	200,515	200,515	1,560,336	2,325,576
Total comprehensive income for the financial year	-	-	2,262	-	-	-	-	388,899	391,161
Transfer to statutory and voluntary reserves	-	-	-	-	-	35,196	35,196	(70,392)	-
Purchase of treasury shares 22(b)	-	(19,634)	-	-	-	-	-	-	(19,634)
Dividend relating to 2018 paid 25	-	-	-	-	-	-	-	(135,508)	(135,508)
<b>End of financial year</b>	<b>313,471</b>	<b>(21,712)</b>	<b>147</b>	<b>305</b>	<b>54,627</b>	<b>235,711</b>	<b>235,711</b>	<b>1,743,335</b>	<b>2,561,595</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Net profit		218,779	388,899
Adjustments for:			
- Income tax expense	10(a)	81,681	63,707
- Amortisation and depreciation	5	122,375	114,162
- Write-off of property, plant and equipment	5	1,604	1,512
- Gain from bargain purchase	8, 30	(279)	-
- Gain from de-recognition of right-of-use asset	7	(291)	-
- Interest income	7	(22,108)	(13,151)
- Interest expense	9	1,324	477
- Unrealised currency exchange losses/(gains)		39,857	(6,610)
		442,942	548,996
<b>Changes in working capital, net of effects from acquisition of subsidiary corporation</b>			
- Inventories		50,901	(29,760)
- Trade and other receivables		46,426	67,878
- Trade and other payables		(50,354)	(18,049)
Cash generated from operations		489,915	569,065
Income tax paid	10(b)	(63,039)	(121,058)
<b>Net cash generated from operating activities</b>		426,876	448,007
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	16	(275,299)	(72,375)
Acquisition of a subsidiary corporation, net of cash acquired	30	(42,395)	-
Disposal of financial asset, fair value through profit or loss	30	60,000	-
Disposal of property, plant and equipment		87	-
Interest received		22,108	13,151
<b>Net cash used in investing activities</b>		(235,499)	(59,224)
<b>Cash flows from financing activities</b>			
Cash deposits restricted in use pledged in banks		(1,952)	2,393
Purchase of treasury shares	22(b)	(7,635)	(19,634)
Repayment of bank borrowings	30	(43,400)	-
Repayment of lease liability		(803)	(1,376)
Interest paid		(1,068)	-
Dividends paid to equity holders of the Company	25	(48,756)	(135,508)
<b>Net cash used in financing activities</b>		(103,614)	(154,125)
<b>Net increase in cash and cash equivalents</b>		87,763	234,658
<b>Cash and cash equivalents</b>			
Beginning of financial year		1,278,558	1,034,850
Effects of currency translation on cash and cash equivalents		(43,385)	9,050
<b>End of financial year</b>	12	1,322,936	1,278,558

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

## 1 General information

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

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

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiary corporations are set out in Note 15 to the financial statements.

## 2 Significant accounting policies

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

#### Impact of COVID-19

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group’s significant operations are in People’s Republic of China which have been affected by the spread of COVID-19 in 2020.

Set out below is the impact of COVID-19 on the Group’s financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- (i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- (ii) In 2020, border closures, production stoppages and workplace closures have resulted in periods where the Group’s operations were temporarily suspended to adhere to the respective governments’ movement control measures. These have negatively impacted business production and volume in 2020, resulting in a negative impact on the Group’s financial performance for 2020.
- (iii) The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 December 2020.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management’s current expectations, the Group’s assets may be subject to further write downs in the subsequent financial periods.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRS(I)s (“INT SFRS(I)s”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I)s.

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

### 2.2 Revenue

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

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

#### (a) Sale of rubber chemicals

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

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

#### (b) Provision of heating power

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

#### (c) Waste treatment

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

#### (d) Hospitality income

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

#### (e) Interest income

Interest income is recognised using the effective interest rate method.

#### (f) Dividend income

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.3 Government grants

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

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

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

### 2.4 Group accounting

#### *Subsidiary corporations*

##### *(a) Consolidation*

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

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

##### *(b) Acquisitions*

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

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

Acquisition-related costs are expensed as incurred.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.4 Group accounting (continued)

#### *Subsidiary corporations* (continued)

##### (b) *Acquisitions* (continued)

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

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

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

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

##### (c) *Disposals*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.5 Property, plant and equipment

#### (a) Measurement

##### (i) Property, plant and equipment

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

##### (ii) Components of costs

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

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

#### (b) Depreciation

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

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

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

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

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

#### (c) Subsequent expenditure

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

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other (losses)/gains".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.6 Intangible assets

#### Land use rights

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

### 2.7 Investments in subsidiary corporations

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

### 2.8 Impairment of non-financial assets

#### *Property, plant and equipment*

#### *Right-of-use asset*

#### *Intangible assets*

#### *Investments in subsidiary corporations*

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

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

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

### 2.9 Financial assets

#### (a) *Classification and measurement*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (a) Classification and measurement (continued)

##### At initial recognition

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

##### At subsequent measurement

##### *Debt instruments*

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

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

#### (b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27(b) details how the Group determines whether there has been a significant increase in credit risk.

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

#### (c) Recognition and derecognition

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

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

### 2.10 Offsetting of financial instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.11 Borrowings

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

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

### 2.12 Trade and other payables

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

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

### 2.13 Leases

*When the Group is the lessee:*

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

- Right-of-use assets

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

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

- Lease liability

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.13 Leases (continued)

- Lease liability (continued)

Lease payments include the following:

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

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

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

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

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

- Short term and low value leases

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

### 2.14 Inventories

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.15 Income taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

### 2.16 Employee compensation

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

#### (a) Defined contribution plans

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.16 Employee compensation (continued)

#### (b) Defined contribution plans – retirement benefits

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

### 2.17 Currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

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

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other (losses)/gains".

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.17 Currency translation (continued)

#### (c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

### 2.18 Borrowing costs

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

### 2.19 Segment reporting

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

### 2.20 Cash and cash equivalents

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

### 2.21 Share capital and treasury shares

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 Significant accounting policies (continued)

### 2.22 Dividends to Company's shareholders

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

## 3 Critical accounting estimates, assumptions and judgements

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

### 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.

As at 31 December 2020, the Group's trade receivables amounted to RMB406,560,000 (2019: RMB370,772,000) which arose from the Group's different revenue segments - sale of rubber chemicals, provision of heating power and waste treatment. The loss allowance of trade receivables amounts to RMB10,387,000 (2019: RMB12,688,000).

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

The Group's and the Company's credit risk exposure for trade receivables are set out in Note 27(b).

### Impairment of property, plant and equipment and intangible assets

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

During the financial year, the Group carried out a valuation exercise on certain property, plant and equipment and intangible assets due to presence of impairment indicators. As a result of that exercise, there is no impairment loss recognised for the financial year ended 31 December 2020 and 2019 respectively.

The recoverable amount of the property, plant and equipment and intangible assets were determined by an independent external valuer. In performing the impairment assessment of the carrying amount of the property, plant and equipment, significant judgements were used to estimate the depreciated replacement costs of those assets, based on their physical inspection of the condition of the property, plant and equipment.

The carrying amounts of the Group's property, plant and equipment and intangible assets at the balance sheet date amounted to RMB864,612,000 (2019: RMB649,743,000) and RMB68,264,000 (2019: RMB38,948,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 4 Revenue

(a) *Disaggregation of revenue from contracts with customers*

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

	Group	
	2020	2019
	RMB'000	RMB'000
Sale of rubber chemicals		
- People's Republic of China	1,572,433	1,640,111
- Rest of Asia	483,659	599,248
- America	47,771	83,200
- Europe	134,452	305,141
- Others	67,022	46,577
	<u>2,305,337</u>	<u>2,674,277</u>
Provision of heating power		
- People's Republic of China	15,826	16,708
Waste treatment		
- People's Republic of China	12,088	-
Hospitality income		
- People's Republic of China	413	671
Total	<u>2,333,664</u>	<u>2,691,656</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 5 Expenses by nature

	Group	
	2020 RMB'000	2019 RMB'000
Purchases of inventories	1,342,537	1,581,474
Amortisation of intangible assets (Note 17)	1,261	1,137
Depreciation of property, plant and equipment (Note 16)	120,474	111,928
Depreciation of right-of-use asset (Note 18(a))	640	1,097
Total amortisation and depreciation	122,375	114,162
Reversal of impairment of trade receivables, net (Note 27(b))	(838)	(3,291)
Directors' fees	950	961
Employee compensation (Note 6)	222,558	235,036
Auditor's remuneration paid/payable to		
- Auditor of the Company	1,016	1,028
- Other auditor	155	133
Total audit fees	1,171	1,161
Freight charges	45,161	56,384
Port charges	10,520	17,814
Research expense (excluding salaries and depreciation)	64,089	76,065
Utilities	113,202	132,236
Write off of property, plant and equipment	1,604	1,512
Rental expense (Note 18)	163	170
Other expenses	66,080	100,261
Changes in inventories	49,570	(29,760)
Total cost of sales, distribution and marketing costs, administrative expenses and research and development expenses	2,039,142	2,284,185

## 6 Employee compensation

	Group	
	2020 RMB'000	2019 RMB'000
Wages and salaries	199,982	201,460
Employer's contribution to defined contribution plans including Central Provident Fund	22,576	33,576
	222,558	235,036

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 7 Other income

	Group	
	2020 RMB'000	2019 RMB'000
Interest income on financial assets measured at amortised cost - bank deposits	22,108	13,151
Gain on sale of scrap materials	2,023	3,777
Government grants (Note 21)	–	6,326
Jobs Support Scheme (“JSS”) <sup>(1)</sup>	80	–
Gain from de-recognition of right-of-use asset	291	–
Others	538	1,002
	<b>25,040</b>	<b>24,256</b>

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

## 8 Other (losses)/gains - net

	Group	
	2020 RMB'000	2019 RMB'000
Currency exchange (losses)/gains – net	(18,057)	21,356
Gain from bargain purchase of a subsidiary corporation (Note 30)	279	–
	<b>(17,778)</b>	<b>21,356</b>

## 9 Finance expense

	Group	
	2020 RMB'000	2019 RMB'000
Interest expense – lease liability (Note 18(b))	256	477
Interest expense – bank loans	1,068	–
	<b>1,324</b>	<b>477</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 10 Income taxes

### (a) Income tax expense

	Group	
	2020	2019
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
- Current income tax	77,399	84,477
Under/(Over) provision in prior financial years:		
- Current income tax	4,282	(20,770)
	<b>81,681</b>	<b>63,707</b>

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

	Group	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	<b>300,460</b>	452,606
Tax calculated at tax rate of 25% (2019: 25%)	75,115	113,152
Effects of:		
- different tax rates in other country	(59)	(4,475)
- different tax rates for HNTE concessionary rate <sup>(1)</sup>	-	(38,787)
- income not subject to tax	(17,091)	-
- expenses not deductible for tax purposes	1,964	10,939
- foreign withholding tax	6,978	3,069
- deferred income tax assets not recognised	10,492	700
- under/(over) provision of tax in prior financial years	4,282	(20,770)
- others	-	(121)
Tax charge	<b>81,681</b>	<b>63,707</b>

- (1) One of the subsidiary corporation of the Group has obtained the High and New-Technology Enterprise ("HNTE") status certificate, effective for a 3 years period from 28 December 2017. Under the HNTE programme, the subsidiary corporation qualified for a preferential corporate income tax rate of 15% instead of the headline corporate income tax rate of 25%. The HNTE status expired on 27 December 2019, and no renewal was done, the income tax rate for financial year ended 31 December 2020 resumed to 25%.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of RMB170,795,000 (2019: RMB128,829,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore. The tax losses have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 10 Income taxes (continued)

### (a) Income tax expense (continued)

Deferred income tax liabilities of approximately RMB89,791,000 (2019: RMB83,244,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiary corporations (established in People's Republic of China) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future.

### (b) Movements in current income tax liabilities

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Beginning of financial year	23,449	80,622	4,333	7,759
Currency translation differences	(244)	178	(244)	178
Income tax paid	(63,039)	(121,058)	(3,908)	(6,673)
Tax expense	77,399	84,477	6,978	3,069
Under/(Over) provision in prior financial years	4,282	(20,770)	–	–
End of financial year	41,847	23,449	7,159	4,333

## 11 Earnings per share

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

	2020	2019
Net profit attributable to equity holders of the Company (RMB'000)	218,779	388,899
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	972,544	979,109
Basic and diluted earnings per share (RMB cents)	22.50	39.72

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 12 Cash and cash equivalents

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	384,565	680,393	6,430	41,609
Short-term bank deposits	941,673	599,515	-	-
	<b>1,326,238</b>	1,279,908	<b>6,430</b>	41,609

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

	Group	
	2020 RMB'000	2019 RMB'000
Cash and cash equivalents (as above)	1,326,238	1,279,908
Less: Bank deposits pledged	(3,302)	(1,350)
Cash and cash equivalents per consolidated statement of cash flows	<b>1,322,936</b>	1,278,558

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

## 13 Trade and other receivables

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Notes receivables	148,459	167,107	-	-
Trade receivables				
- Non-related parties	406,560	370,772	-	-
Less: Loss allowance (Note 27(b))	(10,387)	(12,688)	-	-
Trade receivables - net	396,173	358,084	-	-
Non-trade receivables				
- Subsidiary corporations	-	-	68,817	75,536
- Non-related parties	49,213	13,873	14	19
	49,213	13,873	68,831	75,555
Advances to suppliers	98,791	122,473	-	-
Deposits	15,968	28,668	-	-
Prepayments	6,828	2,420	-	-
	<b>715,432</b>	692,625	<b>68,831</b>	75,555

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 14 Inventories

	Group	
	2020 RMB'000	2019 RMB'000
Raw materials	109,393	126,336
Finished/Trading goods	88,129	120,756
	<b>197,522</b>	<b>247,092</b>

The cost of inventories recognised as an expense and included in “cost of sales” amounted to RMB1,392,107,000 (2019: RMB1,551,714,000).

## 15 Investments in subsidiary corporations

	Company	
	2020 RMB'000	2019 RMB'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	<b>350,010</b>	350,010

The Group had the following subsidiary corporations as at 31 December 2020 and 2019:

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2020 %	2019 %
<i>Held by Company</i>				
Shandong Sunsine Chemical Co.,Ltd <sup>(a),(b)</sup>	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 <sup>(b),(c)</sup>	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	100	100
Shandong Sheng Tao Chemical Co., Ltd <sup>(b),(c)</sup>	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	100	100
Shanxian Sunsine Hotel Management Co., Ltd <sup>(c),(d)</sup>	Hotel investment and management (dormant)	People's Republic of China	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 15 Investments in subsidiary corporations (continued)

The Group had the following subsidiary corporations as at 31 December 2020 and 2019: (continued)

Name	Principal Activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2020 %	2019 %
<i>Held by Shandong Sunsine Chemical Co., Ltd</i> (continued)				
Shanxian Guangshun Heating Co., Ltd <sup>(b),(c)</sup>	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 <sup>(b),(c)</sup>	Manufacturing of chemical agent and rubber chemicals	People's Republic of China	100	100
Heze Yongshun Environmental Protection Technology Co., Ltd <sup>(b),(c),(e)</sup>	Waste treatment	People's Republic of China	100	–
<i>Held by Shanxian Sunsine Hotel Management Co., Ltd</i>				
Shandong Fulong Villa Co., Ltd <sup>(b),(c)</sup>	Hotel and restaurant	People's Republic of China	100	100

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

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

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

(d) The company was dormant during the financial year.

(e) The company was acquired by the Group on 28 July 2020.

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

### Significant restrictions

Cash and short-term deposits of RMB1,319,808,000 (2019: RMB1,238,299,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 16 Property, plant and equipment

	Plant and machinery	Buildings	Motor vehicles	Office equipment	Greenery project	Assets under construction	Total
Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2020</b>							
<i>Cost</i>							
Beginning of financial year	876,050	475,641	13,413	29,751	-	30,448	1,425,303
Additions	5,493	2,053	1,736	251	-	269,766	279,299
Grants received (Note 21)	-	-	-	-	-	(4,000)	(4,000)
Acquisition of a subsidiary corporation (Note 30)	29,389	28,997	317	236	1,501	1,295	61,735
Disposal	(478)	-	-	-	-	-	(478)
Written off	(4,232)	-	(83)	(1,070)	-	-	(5,385)
Reclassification	60,078	(4,929)	35	1,665	-	(56,849)	-
End of financial year	966,300	501,762	15,418	30,833	1,501	240,660	1,757,474
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	562,002	186,386	6,564	18,698	-	1,910	775,560
Depreciation charge (Note 5)	85,602	29,890	1,525	3,457	-	-	120,474
Disposal	(391)	-	-	-	-	-	(391)
Written off	(2,711)	-	(78)	(992)	-	-	(3,781)
End of financial year	644,502	216,276	8,011	21,163	-	1,910	891,862
<b>Net book value</b>							
End of financial year	<b>321,798</b>	<b>285,486</b>	<b>7,407</b>	<b>9,670</b>	<b>1,501</b>	<b>238,750</b>	<b>864,612</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 16 Property, plant and equipment (continued)

Group	Plant and machinery	Buildings	Motor vehicles	Office equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2019</b>						
<i>Cost</i>						
Beginning of financial year	719,103	448,769	11,071	25,034	159,807	1,363,784
Additions	15,635	8,011	3,089	1,736	43,904	72,375
Written off	(7,536)	(191)	(1,075)	(2,054)	–	(10,856)
Reclassification	148,848	19,052	328	5,035	(173,263)	–
End of financial year	<u>876,050</u>	<u>475,641</u>	<u>13,413</u>	<u>29,751</u>	<u>30,448</u>	<u>1,425,303</u>
<i>Accumulated depreciation and impairment losses</i>						
Beginning of financial year	490,247	159,470	6,094	15,255	1,910	672,976
Depreciation charge (Note 5)	78,225	26,934	1,377	5,392	–	111,928
Written off	(6,470)	(18)	(907)	(1,949)	–	(9,344)
End of financial year	<u>562,002</u>	<u>186,386</u>	<u>6,564</u>	<u>18,698</u>	<u>1,910</u>	<u>775,560</u>
<b>Net book value</b>						
End of financial year	<u><b>314,048</b></u>	<u><b>289,255</b></u>	<u><b>6,849</b></u>	<u><b>11,053</b></u>	<u><b>28,538</b></u>	<u><b>649,743</b></u>

## 17 Intangible assets

	Group	
	2020	2019
	RMB'000	RMB'000
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of financial year	<b>53,287</b>	53,287
Acquisition of a subsidiary corporation (Note 30)	<b>30,577</b>	–
End of financial year	<u><b>83,864</b></u>	<u>53,287</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	<b>14,339</b>	13,202
Amortisation charge (Note 5)	<b>1,261</b>	1,137
End of financial year	<u><b>15,600</b></u>	<u>14,339</u>
<b>Net book value</b>		
	<u><b>68,264</b></u>	<u>38,948</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 17 Intangible assets (continued)

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 17 Intangible assets (continued)

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

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

## 18 Leases – The Group as a lessee

### *Nature of the Group's leasing activities*

#### Land and properties

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

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

	<b>Group</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<i>Cost</i>		
Beginning of financial year	<b>10,970</b>	–
Additions	–	10,970
De-recognition due to acquisition of a subsidiary corporation	<b>(10,970)</b>	–
End of financial year	<u>–</u>	<u>10,970</u>
<i>Accumulated depreciation</i>		
Beginning of financial year	<b>1,097</b>	–
Depreciation charge (Note 5)	<b>640</b>	1,097
De-recognition due to acquisition of a subsidiary corporation	<b>(1,737)</b>	–
End of financial year	<u>–</u>	<u>1,097</u>
<i>Carrying amount</i>		
End of financial year	<u>–</u>	<u>9,873</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18 Leases – The Group as a lessee (continued)

### (b) Interest expense

	Group	
	2020	2019
	RMB'000	RMB'000
Interest expense on lease liability (Note 9)	<b>256</b>	477

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

	Group	
	2020	2019
	RMB'000	RMB'000
Lease expense – short-term leases (Note 5)	<b>163</b>	170

(d) Total cash outflow for all leases was RMB966,000 (2019: RMB1,546,000).

## 19 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables - Non-related parties	<b>54,423</b>	63,934	–	–
Non-trade payables - Non-related parties	<b>188,952</b>	112,057	–	7,883
Accruals for operating expenses	<b>142,791</b>	147,083	<b>7,556</b>	29,659
Deferred revenue	<b>23,356</b>	–	–	–
	<b>409,522</b>	323,074	<b>7,556</b>	37,542

## 20 Lease liability

	Group	
	2020	2019
	RMB'000	RMB'000
Current	–	899
Non-current	–	9,172
Total	–	10,071

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 20 Lease liability (continued)

Reconciliation of lease liability arising from financing activities

	1 January RMB'000	Principal and interest repayments RMB'000	Non-cash changes		31 December RMB'000
			Addition/ De-recognition during the financial year RMB'000	Interest expense RMB'000	
2020	10,071	(803)	(9,524)	256	–
2019	–	(1,376)	10,970	477	10,071

## 21 Deferred grants

	Group	
	2020 RMB'000	2019 RMB'000
Beginning of financial year	–	–
Amount received from government agencies	4,000	6,326
Recognised directly into profit or loss (Note 7)	–	(6,326)
Deducted against the carrying amount of the assets (Note 16)	(4,000)	–
End of financial year	–	–

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

In 2019, deferred grants relate to government grants received from government agencies for the recognition of the contribution toward national building as well as the research activities undertaken by the Group's subsidiary corporation in the People's Republic of China.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 22 Share capital and treasury shares

### (a) Share capital

	No. of ordinary shares	Amount	
		SGD'000	RMB'000
<u>Group and Company</u>			
<b>2020</b>			
Beginning and end of financial year	<b>983,388,000</b>	<b>62,649</b>	<b>313,471</b>
<b>2019</b>			
Beginning of financial year	491,694,000	62,649	313,471
Share split <sup>(1)</sup>	491,694,000	–	–
End of financial year	<b>983,388,000</b>	<b>62,649</b>	<b>313,471</b>

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

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

(1) On 29 November 2019, the Company completed the proposed share split of every one existing ordinary share into two ordinary shares with no additional considerations.

All shares after the share split rank pari passu with one another.

### (b) Treasury shares

	No. of ordinary shares	Amount	
		SGD'000	RMB'000
<u>Group and Company</u>			
<b>2020</b>			
Beginning of financial year	<b>7,745,300</b>	<b>(4,310)</b>	<b>(21,712)</b>
Treasury shares purchased	<b>4,922,600</b>	<b>(1,539)</b>	<b>(7,635)</b>
End of financial year	<b>12,667,900</b>	<b>(5,849)</b>	<b>(29,347)</b>
<b>2019</b>			
Beginning of financial year	382,300	(418)	(2,078)
Treasury shares purchased before share split	3,087,000	(3,484)	(17,522)
Balance before share split	3,469,300	(3,902)	(19,600)
Effect of share split	3,469,300	–	–
Treasury shares purchased after share split	806,700	(408)	(2,112)
End of financial year	<b>7,745,300</b>	<b>(4,310)</b>	<b>(21,712)</b>

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

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

In 2019, the Company purchased 3,893,700 treasury shares in the open market. The cost of the treasury shares purchased amounted to SGD3,892,000 (equivalent to RMB19,634,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 23 Other reserves

### (a) Composition:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Merger reserve	305	305	-	-
Capital reserve	54,627	54,627	54,627	54,627
Statutory common reserve	257,169	235,711	-	-
Voluntary common reserve	257,168	235,711	-	-
Currency translation reserve	(3,137)	147	(2,822)	461
	<b>566,132</b>	<b>526,501</b>	<b>51,805</b>	<b>55,088</b>

### (b) Movements:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
(i) <i>Merger reserve</i>				
Beginning and end of financial year	<b>305</b>	305	-	-
(ii) <i>Capital reserve</i>				
Beginning and end of financial year	<b>54,627</b>	54,627	<b>54,627</b>	54,627
(iii) <i>Statutory common reserve</i>				
Beginning of financial year	<b>235,711</b>	200,515	-	-
Transfer from retained profits	<b>21,458</b>	35,196	-	-
End of financial year	<b>257,169</b>	235,711	-	-
(iv) <i>Voluntary common reserve</i>				
Beginning of financial year	<b>235,711</b>	200,515	-	-
Transfer from retained profits	<b>21,457</b>	35,196	-	-
End of financial year	<b>257,168</b>	235,711	-	-
(v) <i>Currency translation reserve</i>				
Beginning of financial year	<b>147</b>	(2,115)	<b>461</b>	(1,801)
Net currency translation differences of financial statements of holding corporation	<b>(3,284)</b>	2,262	<b>(3,284)</b>	2,262
End of financial year	<b>(3,137)</b>	147	<b>(2,823)</b>	461

Other reserves are non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 23 Other reserves (continued)

### *Currency translation reserve*

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

### *Statutory and Voluntary common reserves*

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

(i) Statutory common reserve

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

(ii) Voluntary common reserve

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

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

## 24 Retained profits

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

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

	Company	
	2020 RMB'000	2019 RMB'000
Beginning of financial year	78,452	161,092
Net profit	44,931	52,868
Dividends paid (Note 25)	(48,756)	(135,508)
End of financial year	<u>74,627</u>	<u>78,452</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 25 Dividends

	Group	
	2020	2019
	RMB'000	RMB'000
<i>Ordinary dividends (Note 24)</i>		
Final dividends paid in respect of the previous financial year of SGD 0.01 (2019: SGD 0.055) per share	<b>48,756</b>	135,508

At the forthcoming Annual General Meeting on 30 April 2021, a final dividend of SGD0.01 per share amounting to SGD9,707,000 (equivalent to approximately RMB47,869,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2021.

## 26 Commitments

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

	Group	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	<b>33,217</b>	26,052

## 27 Financial risk management

### *Financial risk factors*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (a) Market risk

#### (i) Currency risk

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

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

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

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

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

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
<u>At 31 December 2020</u>					
<b>Financial assets</b>					
Cash and cash equivalents	911,467	402,569	6,402	5,800	1,326,238
Trade and other receivables	514,215	93,804	1,780	14	609,813
Receivables from inter-company	471,925	–	–	69,031	540,956
	<u>1,897,607</u>	<u>496,373</u>	<u>8,182</u>	<u>74,845</u>	<u>2,477,007</u>
<b>Financial liabilities</b>					
Trade and other payables	(378,610)	–	–	(7,556)	(386,166)
Payables to inter-company	(471,925)	–	–	(69,031)	(540,956)
	<u>(850,535)</u>	<u>–</u>	<u>–</u>	<u>(76,587)</u>	<u>(927,122)</u>
<b>Net financial assets/ (liabilities)</b>	<u>1,047,072</u>	<u>496,373</u>	<u>8,182</u>	<u>(1,742)</u>	<u>1,549,885</u>
<b>Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies</b>	<u>(1,047,072)</u>	<u>–</u>	<u>–</u>	<u>1,742</u>	<u>(1,045,330)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>496,373</u>	<u>8,182</u>	<u>–</u>	<u>504,555</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

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

	<b>RMB</b>	<b>USD</b>	<b>EUR</b>	<b>SGD</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>At 31 December 2019</u>					
<b>Financial assets</b>					
Cash and cash equivalents	591,766	645,864	1,356	40,922	1,279,908
Trade and other receivables	456,839	110,471	403	19	567,732
Receivables from inter-company	254,051	–	–	75,536	329,587
	<u>1,302,656</u>	<u>756,335</u>	<u>1,759</u>	<u>116,477</u>	<u>2,177,227</u>
<b>Financial liabilities</b>					
Trade and other payables	(285,532)	–	–	(37,542)	(323,074)
Payables to inter-company	(254,051)	–	–	(75,536)	(329,587)
Lease liabilities	(10,071)	–	–	–	(10,071)
	<u>(549,654)</u>	<u>–</u>	<u>–</u>	<u>(113,078)</u>	<u>(662,732)</u>
<b>Net financial assets</b>	<u>753,002</u>	<u>756,335</u>	<u>1,759</u>	<u>3,399</u>	<u>1,514,495</u>
<b>Less: Net financial assets denominated in the respective entities' functional currencies</b>	<u>(753,002)</u>	<u>–</u>	<u>–</u>	<u>(3,344)</u>	<u>(756,346)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>756,335</u>	<u>1,759</u>	<u>55</u>	<u>758,149</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

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

If the USD and EUR change against the RMB by 6% (2019: 2%) and 3% (2019: 1%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follow:

	Increase/(decrease)	
	2020	2019
	Net profit	Net profit
	RMB'000	RMB'000
USD against RMB		
- Strengthened	22,337	11,345
- Weakened	(22,337)	(11,345)
EUR against RMB		
- Strengthened	184	13
- Weakened	(184)	(13)

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

#### (ii) Cash flow and fair value interest rate risks

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

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

### (b) Credit risk

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (b) Credit risk (continued)

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

	2020 RMB'000	2019 RMB'000
<u>By geographical areas</u>		
People's Republic of China	300,589	256,518
Overseas market	95,584	101,566
	<u>396,173</u>	<u>358,084</u>

The movement in the credit loss allowance is as follows:

	2020 RMB'000	2019 RMB'000
Beginning of financial year	(12,688)	(15,979)
Bad debts written off	1,463	–
Allowance made	(2,019)	(7,062)
Reversal of unutilised amount	2,857	10,353
End of financial year (Note 13)	<u>(10,387)</u>	<u>(12,688)</u>

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (b) Credit risk (continued)

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

	1 - 3 months	3 - 6 months	Aging 6 months - 1 year	More than 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2020</b>					
<i>Domestic customers</i>					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	296,459	4,130	1,839	8,548	310,976
Loss allowance (Note 13)	-	-	(1,839)	(8,548)	(10,387)
<i>Overseas customers</i>					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	92,819	2,765	-	-	95,584
Loss allowance	-	-	-	-	-
<b>2019</b>					
<i>Domestic customers</i>					
Expected loss rate	0%	0%	100%	100%	
Trade receivables	252,390	4,128	5	12,683	269,206
Loss allowance (Note 13)	-	-	(5)	(12,683)	(12,688)
<i>Overseas customers</i>					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	91,940	8,608	1,018	-	101,566
Loss allowance	-	-	-	-	-

### *Cash and cash equivalents*

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

### *Loan to subsidiary corporations*

The Company has assessed that its subsidiary corporations have strong financial capacity to meet the contractual obligation of RMB68,817,000 (2019: RMB75,536,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (c) Liquidity risk

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

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

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The Group monitors working capital projections regularly, taking into account the available banking facilities to ensure that the Group has adequate working capital to meet current requirement.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000
<u>Group</u>				
<b>At 31 December 2020</b>				
Trade and other payables	<b>386,166</b>	–	–	–
<b>At 31 December 2019</b>				
Trade and other payables	323,074	–	–	–
Lease liability	1,376	1,376	4,128	5,504
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000
<u>Company</u>				
<b>At 31 December 2020</b>				
Trade and other payables	<b>7,556</b>	–	–	–
<b>At 31 December 2019</b>				
Trade and other payables	37,542	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 27 Financial risk management (continued)

### (d) Capital risk

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

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

### (e) Fair value measurements

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

### (f) Financial instruments by category

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

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets, at amortised cost	<b>1,936,051</b>	1,847,640	<b>75,261</b>	117,164
Financial liabilities at amortised cost	<b>386,166</b>	333,145	<b>7,556</b>	37,542

## 28 Related party transactions

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

	Group	
	2020 RMB'000	2019 RMB'000
Wages and salaries	<b>11,146</b>	31,907
Employer's contribution to defined contribution plans including Central Provident Fund	<b>174</b>	135
	<b>11,320</b>	32,042

Included in the above is total compensation to directors of the Company amounting to RMB8,012,000 (2019: RMB29,351,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 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 (2019: two) 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:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 Segment information (continued)

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

	<b>Rubber Chemicals RMB'000</b>	<b>Heating Power RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>2019</b>				
<b>Sales</b>				
Total segment sales	3,379,786	131,711	1,279	3,512,776
Inter-segment sales	(705,509)	(115,003)	(608)	(821,120)
Sales to external parties	2,674,277	16,708	671	2,691,656
<b>Adjusted EBITDA</b>	542,373	16,221	(4,500)	554,094
Depreciation	(98,904)	(13,117)	(1,004)	(113,025)
Amortisation	(569)	(149)	(419)	(1,137)
<b>Segment assets</b>	2,623,382	213,925	80,882	2,918,189
Segment assets include:				
Additions to property, plant and equipment	69,011	3,364	–	72,375
Additions to right-of-use asset	10,970	–	–	10,970
<b>Segment liabilities</b>	228,684	61,436	66,474	356,594

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

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

### (a) Reconciliations

#### Segment profits

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

	<b>2020 RMB'000</b>	2019 RMB'000
Adjusted EBITDA for reportable segments	<b>402,051</b>	554,094
Depreciation	<b>(121,114)</b>	(113,025)
Amortisation	<b>(1,261)</b>	(1,137)
Interest expense	<b>(1,324)</b>	(477)
Interest income	<b>22,108</b>	13,151
Profit before income tax	<b>300,460</b>	452,606

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 Segment information (continued)

### (b) Geographical Segment

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

	Revenue		Non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	<b>1,600,760</b>	1,657,490	<b>932,876</b>	698,564
Rest of Asia	<b>483,659</b>	599,248	–	–
America	<b>47,771</b>	83,200	–	–
Europe	<b>134,452</b>	305,141	–	–
Other countries	<b>67,022</b>	46,577	–	–
	<b>2,333,664</b>	2,691,656	<b>932,876</b>	698,564

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

## 30 Business combination

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

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

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

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

### (a) Purchase consideration

	<u>RMB'000</u>
Cash paid	43,000
<b>Consideration transferred for the business</b>	<b><u>43,000</u></b>

### (b) Effect on cash flows of the Group

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 30 Business combination (continued)

### (c) Identifiable assets acquired and liabilities assumed

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

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

### (d) Acquisition-related costs

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

### (e) Revenue and profit contribution

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 31 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 and which the Group has not early adopted:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 Jan 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment—Proceeds before Intended Use	1 Jan 2022
Amendments to SFRS(I) 1-37: Onerous Contracts—Cost of Fulfilling a Contract	1 Jan 2022
Annual Improvements to SFRS(I)s 2018-2020	1 Jan 2022
SFRS (I) 17 Insurance Contracts	1 Jan 2023
Amendments to SFRS(I) 17	1 Jan 2023
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 Jan 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

- Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).

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

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

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

- Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022):

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 31 New or revised accounting standards and interpretations (continued)

- Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

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

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

## 32 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China SunSine Chemical Holdings Ltd. on **30 March 2021**.

# STATISTICS OF SHAREHOLDINGS

As at 12 March 2021

## SHARE CAPITAL

Number of Issued Shares	:	983,388,000
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings <sup>(1)</sup> )	:	970,720,100
Number and Percentage of Treasury Shares	:	12,667,900 (1.31%) <sup>(2)</sup>
Number and Percentage of Subsidiary Holdings	:	0
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	:	One vote per share

### Notes:

<sup>(1)</sup> "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

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

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
1 - 99	72	0.00	1	0.05
100 - 1,000	66,300	0.01	115	5.80
1,001 - 10,000	4,937,192	0.51	804	40.59
10,001 - 1,000,000	72,412,155	7.46	1,026	51.79
1,000,001 and above	893,304,381	92.02	35	1.77
<b>Total</b>	<b>970,720,100</b>	<b>100.00</b>	<b>1,981</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Shareholder's Name	Number of Shares Held	%
1	SUCCESS MORE GROUP LIMITED	587,285,100	60.50
2	CITIBANK NOMINEES SINGAPORE PTE LTD	72,972,973	7.52
3	DBS NOMINEES PTE LTD	47,572,567	4.90
4	UOB KAY HIAN PTE LTD	36,765,624	3.79
5	CHIA KEE KOON	30,478,100	3.14
6	MAYBANK KIM ENG SECURITIES PTE LTD	15,700,700	1.62
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,700,100	1.21
8	RAFFLES NOMINEES (PTE) LTD	11,086,900	1.14
9	OCBC SECURITIES PRIVATE LTD	8,349,400	0.86
10	LEOW EK HUA	7,100,000	0.73
11	YEO KHEE CHYE	5,795,000	0.60
12	PHILLIP SECURITIES PTE LTD	5,540,600	0.57
13	ASDEW ACQUISITIONS PTE LTD	5,285,900	0.54
14	XU XIANLEI	4,813,200	0.50
15	LEE YOW FEE	3,810,000	0.39
16	LIM SOON HWEE (LIN SHUNHUI)	3,555,000	0.37
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,422,800	0.35
18	ABN AMRO CLEARING BANK N.V.	3,110,490	0.32
19	OCBC NOMINEES SINGAPORE PTE LTD	2,922,900	0.30
20	EU OY CHU	2,700,000	0.28
	<b>TOTAL</b>	<b>869,967,354</b>	<b>89.63</b>

# STATISTICS OF SHAREHOLDINGS

As at 12 March 2021

## SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 12 March 2021, approximately 37.67% of the issued ordinary shares of the Company excluding treasury shares are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Success More Group Limited <sup>(1)</sup>	587,285,100	60.50	–	–
Xu Cheng Qiu <sup>(1)(2)</sup>	–	–	593,023,100	61.09

### Notes:

<sup>(1)</sup> By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Mr Xu Cheng Qiu is deemed to be interested in the 587,285,100 Shares held by Success More Group Limited.

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

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of China Sunshine Chemical Holdings Ltd. (the “**Company**”) will be convened and held by way of electronic means on Friday, 30 April 2021 at 4.00 p.m. (“**AGM**”) for the purpose of transacting the following businesses:-

## **As Ordinary Business:-**

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2020, together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final one-tier tax exempt dividend of 1 Singapore cent per ordinary share for the financial year ended 31 December 2020. **(Resolution 2)**
3. To re-elect Mr Lim Heng Chong Benny, who is retiring as a Director by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers himself for re-election. **(Resolution 3)**  
**[See Explanatory Note 1]**
4. To re-elect Mr Koh Choon Kong, who is retiring as a Director by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers himself for re-election. **(Resolution 4)**  
**[See Explanatory Note 2]**
5. To re-elect Mdm Xu Chun Hua, who is retiring as a Director by rotation under Article 104 of the Company’s Constitution, and who, being eligible, offers herself for re-election. **(Resolution 5)**  
**[See Explanatory Note 3]**
6. Contingent upon the passing of Ordinary Resolution 3 above, shareholders to approve Mr Lim Heng Chong Benny’s continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and such Resolution shall remain in force until the earlier of the following: (i) Mr Lim Heng Chong Benny’s retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 6)**  
**[See Explanatory Note 4]**
7. Contingent upon the passing of Ordinary Resolutions 3 and 6 above, shareholders (excluding the Directors and the Chief Executive Officer (“**CEO**”) of the Company, and the respective associates of such Directors and CEO) to approve Mr Lim Heng Chong Benny’s continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual, and such Resolution shall remain in force until the earlier of the following: (i) Mr Lim Heng Chong Benny’s retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 7)**  
**[See Explanatory Note 4]**
8. Contingent upon the passing of Ordinary Resolution 4 above, shareholders to approve Mr Koh Choon Kong’s continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual, and such Resolution shall remain in force until the earlier of the following: (i) Mr Koh Choon Kong’s retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 8)**  
**[See Explanatory Note 4]**

# NOTICE OF ANNUAL GENERAL MEETING

9. Contingent upon the passing of Ordinary Resolutions 4 and 8 above, shareholders (excluding the Directors and the CEO of the Company, and the respective associates of such Directors and CEO) to approve Mr Koh Choon Kong's continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual, and such Resolution shall remain in force until the earlier of the following: (i) Mr Koh Choon Kong's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 9)**  
**[See Explanatory Note 4]**
10. Contingent upon the passing of Ordinary Resolution 5 above, shareholders to approve Mdm Xu Chun Hua's continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual, and such Resolution shall remain in force until the earlier of the following: (i) Mdm Xu Chun Hua's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 10)**  
**[See Explanatory Note 4]**
11. Contingent upon the passing of Ordinary Resolutions 5 and 10 above, shareholders (excluding the Directors and the CEO of the Company, and the respective associates of such Directors and CEO) to approve Mdm Xu Chun Hua's continued appointment as an Independent Director in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual, and such Resolution shall remain in force until the earlier of the following: (i) Mdm Xu Chun Hua's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. **(Resolution 11)**  
**[See Explanatory Note 4]**
12. To approve the amount of S\$190,000 proposed as Directors' fees for the financial year ended 31 December 2020 (2019: S\$190,000). **(Resolution 12)**
13. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 13)**
14. To transact any other ordinary business that may be properly transacted at an annual general meeting.

## As Special Business:-

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

15. **SHARE ISSUE MANDATE** **(Resolution 14)**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and the listing rules of the SGX-ST, authority be and is hereby given to the Directors to:

- (a) (i) issue shares of the Company whether by way of rights issue, bonus issue or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

# NOTICE OF ANNUAL GENERAL MEETING

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

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

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, which were issued and outstanding or subsisting at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (ii) any subsequent bonus issue, consolidation or subdivision of shares,
- and, in paragraph (1) above and this paragraph (2), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company for the time being in force; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

**[See Explanatory Note 5]**

# NOTICE OF ANNUAL GENERAL MEETING

## 16. RENEWAL OF SHARE PURCHASE MANDATE

(Resolution 15)

That:

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

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

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

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

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

- (c) in this Resolution:

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

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

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
  - (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and
- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing such documents as may be required) as they and/or he may consider expedient, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

**[See Explanatory Note 6]**

BY ORDER OF THE BOARD

TONG YIPING  
DAI LINGNA  
Joint Company Secretaries

Singapore, 8 April 2021

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES:

1. **Resolution 3** – Mr Lim Heng Chong Benny will, upon re-election, remain as Lead Independent Director of the Company, and as Chairman of the Nominating Committee. Please refer to the section entitled “Additional Information on Directors seeking Re-election and Continued Appointment” appended to this Notice for detailed information on Mr Lim Heng Chong Benny as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
2. **Resolution 4** – Mr Koh Choon Kong will, upon re-election, remain as an Independent Director of the Company, and as Chairman of the Audit Committee and a member of the Remuneration Committee. Please refer to the section entitled “Additional Information on Directors seeking Re-election and Continued Appointment” appended to this Notice for detailed information on Mr Koh Choon Kong as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
3. **Resolution 5** – Mdm Xu Chun Hua will, upon re-election, remain as an Independent Director of the Company, and as Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nominating Committee. Please refer to the section entitled “Additional Information on Directors seeking Re-election and Continued Appointment” appended to this Notice for detailed information on Mdm Xu Chun Hua as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
4. **Resolutions 6 to 11** are proposed in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST taking effect on 1 January 2022 pursuant to the Transitional Practice Note 3 of the Listing Manual which set out the transitional arrangements regarding the Code of Corporate Governance 2018.

Under Rule 210(5)(d)(iii) of the Listing Manual, a Director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the chief executive officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST) (“**Two-Tier Voting**”).

Each of Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua is an Independent Director who has served for an aggregate period of more than 9 years.

As Mr Lim, Mr Koh and Mdm Xu are seeking re-election as Directors at the AGM, the Company is proposing to seek, at the same time, the requisite approval from shareholders for their continued appointment as Independent Directors via the Two-Tier Voting process. In accordance with Rule 210(5)(d)(iii) of the Listing Manual, such approval will remain valid until the earlier of the following: (i) the retirement or resignation of the Independent Director; or (ii) the conclusion of the third AGM of the Company following the passing of these resolutions.

The Board of Directors (the “**Board**”) and the Nominating Committee (with Mr Lim, Mr Koh and Mdm Xu abstaining from the decision-making process with respect to the assessment of his/her independence) have evaluated the participation of Mr Lim, Mr Koh and Mdm Xu at the Board and Board committee meetings, and determined that each of them continues to display independent thinking and the ability to exercise objective judgment during decision-making, and that his/her respective length of service did not in any way interfere with his/her exercise of independent judgment nor hinder his/her ability to act in the best interests of the Company. In addition, each of them fulfils the definition of an Independent Director in the Listing Manual and the Code of Corporate Governance 2018.

5. **Resolution 14** – Resolution 14, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50% of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 14 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, which were issued and outstanding at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (b) any subsequent bonus issue, consolidation or subdivision of shares. For the avoidance of doubt, shareholders’ approval will be required for any consolidation or subdivision of shares.
6. **Resolution 15** – Resolution 15, if passed, will renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in this Resolution.

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

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the unaudited financial statements of the Group and the Company for the financial year ended 31 December 2020, based on certain assumptions, are set out in paragraph 2.8 of the Letter to Shareholders dated 8 April 2021.

Please refer to the Letter to Shareholders dated 8 April 2021 for more details.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTES:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL <https://www.chinasunsine.com> and on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual conference), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's website at the URL <https://www.chinasunsine.com>, and will also be made available on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must submit his/her/its proxy form appointing the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying proxy form for the AGM may be accessed at the Company's website at the URL <https://www.chinasunsine.com>, and will also be made available on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

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

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 April 2021.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company at 112 Robinson Road, #11-01, Singapore 068902; or
  - (b) if submitted electronically, be submitted via email to the Company's Share Registrar at [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com),in either case, not less than 48 hours before the time appointed for the AGM.

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

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

6. The 2020 Annual Report and the Letter to Shareholders dated 8 April 2021 (in relation to the proposed renewal of the share purchase mandate) may be accessed at the Company's website at the URL <https://www.chinasunsine.com>. The above-stated documents are also available for viewing and download on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the 2020 Annual Report and Letter to Shareholders will not be sent to members. Members who wish to receive a printed copy of the 2020 Annual Report and related documents will need to download, complete and submit a Request Form to the Company by 20 April 2021. The Request Form may be accessed at the Company's website at the URL <https://www.chinasunsine.com>, and will also be made available on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

## Personal Data Privacy:

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

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 10 May 2021 (the “**Record Date**”), for the purpose of determining shareholders’ entitlements to the final (one-tier tax exempt) dividend of 1.0 Singapore cent per ordinary share for the financial year ended 31 December 2020 (the “**Proposed Final Dividend**”).

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

The Proposed Final Dividend, if approved by shareholders at the Annual General Meeting to be held on 30 April 2021, will be paid on 24 May 2021.

**Additional Information on Directors seeking Re-election and Continued Appointment pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”)**

Mr Lim Heng Chong Benny, Mr Koh Choon Kong and Mdm Xu Chun Hua (collectively, the “**Retiring Directors**”) are the Directors seeking re-election and continued appointment at the forthcoming annual general meeting of the Company to be convened on 30 April 2021 (“**AGM**”) under Ordinary Resolutions 3 to 11 as set out in the Notice of AGM dated 8 April 2021.

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

<b>DETAILS</b>	<b>Lim Heng Chong Benny</b>	<b>Koh Choon Kong</b>	<b>Xu Chun Hua</b>
<b>Country of principal residence</b>	Singapore	Singapore	People’s Republic of China
<b>The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)</b>	The Board considered the recommendation of the Nominating Committee (with Mr Lim abstaining from the decision-making process with respect to the assessment of his independence), and is satisfied that Mr Lim is able to exercise independent judgment and provide valuable contributions to the Board	The Board considered the recommendation of the Nominating Committee (with Mr Koh abstaining from the decision-making process with respect to the assessment of his independence), and is satisfied that Mr Koh is able to exercise independent judgment and provide valuable contributions to the Board	The Board considered the recommendation of the Nominating Committee (with Mdm Xu abstaining from the decision-making process with respect to the assessment of her independence), and is satisfied that Mdm Xu is able to exercise independent judgment and provide valuable contributions to the Board
<b>Whether appointment is executive, and if so, the area of responsibility</b>	Non-Executive	Non-Executive	Non-Executive
<b>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)</b>	Lead Independent Director  Chairman of Nominating Committee	Independent Director  Chairman of Audit Committee and Member of Remuneration Committee	Independent Director  Chairman of Remuneration Committee and Member of Audit Committee and Nominating Committee
<b>Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</b>	None	None	None

DETAILS	Lim Heng Chong Benny	Koh Choon Kong	Xu Chun Hua
<b>Conflict of interests (including any competing business)</b>	No	No	No
<b>Working experience and occupation(s) during the past 10 years</b>	Advocate and Solicitor, Chris Chong & C T Ho LLP	Group CFO, EMS Energy Limited  Group Finance Director, EtonHouse International Holdings  Group Financial Controller, Summit Power International Limited	Vice President, China Rubber Industry Association Rubber Chemical Commission
<b>Shareholding interest in the listed issuer and its subsidiaries</b>	Please refer to the Directors' Statement on page 49 of this Annual Report	Please refer to the Directors' Statement on pages 49 to 50 of this Annual Report	No
<b>Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer</b>	Yes	Yes	Yes
<b>Other Principal Commitments Including Directorships</b>	- Chris Chong & C T Ho LLP - Alliance Healthcare Group Limited	- Summit Power International Limited	- China Rubber Industry Association Rubber Chemical Commission
<b>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</b>	No	No	No

DETAILS	Lim Heng Chong Benny	Koh Choon Kong	Xu Chun Hua
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

DETAILS	Lim Heng Chong Benny	Koh Choon Kong	Xu Chun Hua
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

<b>DETAILS</b>	<b>Lim Heng Chong Benny</b>	<b>Koh Choon Kong</b>	<b>Xu Chun Hua</b>
<b>(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part</b>	No	No	No
<b>(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?</b>	No	No	No

<b>DETAILS</b>	<b>Lim Heng Chong Benny</b>	<b>Koh Choon Kong</b>	<b>Xu Chun Hua</b>
<b>(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?</b>	No	No	No
<b>(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?</b>	No	No	No
<b>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-</b>			
<b>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</b>	No	No	No

<b>DETAILS</b>	<b>Lim Heng Chong Benny</b>	<b>Koh Choon Kong</b>	<b>Xu Chun Hua</b>
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

DETAILS	Lim Heng Chong Benny	Koh Choon Kong	Xu Chun Hua
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	He was an Independent Director of Oriental Group Ltd, for which the company and its former and present directors and its former group financial controller were the subject of a reprimand from the SGX on 29 June 2018, as SGX said the company's board and audit committee failed to take the necessary steps to ensure adequacy of the group's internal controls.	No

# CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

## Proxy Form Annual General Meeting

### IMPORTANT:

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

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of the AGM and proxy form will not be sent to members. Instead, the Notice of the AGM and proxy form will be sent to members by electronic means via publication on the Company's website at <https://www.chinasunsine.com>, and on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual conference), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM, and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's website at <https://www.chinasunsine.com>, and will also be made available on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend and vote on his/her/its behalf at the AGM.**

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

5. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on 20 April 2021.

#### Personal Data

6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of the AGM dated 8 April 2021.

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC No. /Passport No. /Company Registration No.)

of \_\_\_\_\_ (Address)

being a member/members of CHINA SUNSINE CHEMICAL HOLDINGS LTD. (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be convened and held by way of electronic means on Friday, 30 April 2021 at 4.00 p.m., and at any adjournment thereof. I/We direct the Chairman of the Meeting as my/our proxy to vote for or against, or abstain from voting on, the Resolutions to be proposed at the AGM as indicated hereunder:

No.	Resolutions relating to:	*For	*Against	*Abstain
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020, together with the Independent Auditor's Report thereon			
2	Declaration of a final one-tier tax exempt dividend of 1 Singapore cent per ordinary share for the financial year ended 31 December 2020			
3	Re-election of Mr Lim Heng Chong Benny as a Director			
4	Re-election of Mr Koh Choon Kong as a Director			
5	Re-election of Mr Mdm Xu Chun Hua as a Director			
6	Approval for the continued appointment of Mr Lim Heng Chong Benny as an independent Director by shareholders for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual			
7	Approval for the continued appointment of Mr Lim Heng Chong Benny as an independent Director by shareholders (excluding Directors and CEO, and their respective associates) for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual			
8	Approval for the continued appointment of Mr Koh Choon Kong as an independent Director by shareholders for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual			
9	Approval for the continued appointment of Mr Koh Choon Kong as an independent Director by shareholders (excluding Directors and CEO, and their respective associates) for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual			
10	Approval for the continued appointment of Mdm Xu Chun Hua as an independent Director by shareholders for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual			
11	Approval for the continued appointment of Mdm Xu Chun Hua as an independent Director by shareholders (excluding Directors and CEO, and their respective associates) for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual			
12	Approval for the payment of Directors' fees of S\$190,000 for the financial year ended 31 December 2020			
13	Re-appointment of Messrs Nexia TS Public Accounting Corporation as the Company's Auditor, and to authorise the Directors to fix their remuneration			
14	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST			
15	Renewal of Share Purchase Mandate			

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

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

\_\_\_\_\_  
Signature(s) or Common Seal of member(s)



**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. This proxy form may be accessed at the Company's website at the URL <https://www.chinasunsine.com>, and will also be made available on SGX's website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on 20 April 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company at 112 Robinson Road, #11-01, Singapore 068902; or
  - (b) if submitted electronically, be submitted via email to the Company's Share Registrar at [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com),in either case, not less than 48 hours before the time appointed for the AGM.

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

5. **In view of the COVID-19 related safe distancing measures, and as a safety precaution to prevent the transmission of the COVID-19 virus, members are strongly encouraged to submit completed proxy forms electronically via email, where possible.**
6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed under its seal or the hand of its attorney or duly authorised officer. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



尚舜化工  
SUN SINE

**CHINA SUNSINE CHEMICAL HOLDINGS LTD.**

(Incorporated in the Republic of Singapore on 28 June 2006)

(Company Registration Number: 200609470N)

112 Robinson Road #11-01, Singapore 068902

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**OUR DISTINGUISHED CLIENTS**

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