



China SunSine Chemical Holdings Ltd.
Interim Financial Statements
For the six months ended 30 June 2023

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A. Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Group 6 months ended		Change %
		30/06/2023 RMB' million	30/06/2022 RMB' million	
Revenue	4	1,729.1	2,022.5	(15%)
Cost of sales		<u>(1,317.1)</u>	<u>(1,328.5)</u>	(1%)
Gross profit		412.0	694.0	(41%)
Other income		30.4	36.2	(16%)
Other gains, net		21.2	18.7	13%
Selling and distribution expenses		(50.6)	(51.9)	(3%)
Administrative expenses		(105.6)	(130.3)	(19%)
Research and development expenses		<u>(71.3)</u>	<u>(96.6)</u>	(26%)
Profit before income tax	5	236.1	470.1	(50%)
Income tax expense	6	<u>(41.5)</u>	<u>(42.6)</u>	(3%)
Net profit		194.6	427.5	(54%)
Other comprehensive income:				
Currency translation differences arising from consolidation, net of tax		<u>2.2</u>	3.1	(29%)
Total comprehensive income for the financial period		<u>196.8</u>	<u>430.6</u>	(54%)
Net profit attributable to:				
Equity holders of the Company		<u>194.6</u>	<u>427.5</u>	(54%)
Total comprehensive income attributable to:				
Equity holders of the Company		<u>196.8</u>	<u>430.6</u>	(54%)
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)				
Basic and diluted earnings per share	7	<u>20.17</u>	<u>44.06</u>	(54%)

B. Condensed Interim Statements of Financial Position

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/6/2023 RMB' million	31/12/2022 RMB' million	30/6/2023 RMB' million	31/12/2022 RMB' million
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiary corporations	10	-	-	350.0	350.0
Property, plant and equipment	11	812.0	861.7	0.4	-
Intangible assets	12	211.4	213.0	-	-
		<u>1,023.4</u>	<u>1,074.7</u>	<u>350.4</u>	<u>350.0</u>
CURRENT ASSETS					
Inventories	13	306.6	402.8	-	-
Trade and other receivables	14	1,386.1	1,382.1	11.4	210.7
Cash and bank balances		1,475.2	1,364.9	66.9	7.5
		<u>3,167.9</u>	<u>3,149.8</u>	<u>78.3</u>	<u>218.2</u>
TOTAL ASSETS		<u>4,191.3</u>	<u>4,224.5</u>	<u>428.7</u>	<u>568.2</u>
Share capital	15	313.5	313.5	313.5	313.5
Treasury shares	15	(45.3)	(40.8)	(45.3)	(40.8)
Other reserves		737.4	735.2	53.3	51.1
Retained earnings		2,752.2	2,683.9	56.9	200.3
TOTAL EQUITY		<u>3,757.8</u>	<u>3,691.8</u>	<u>378.4</u>	<u>524.1</u>
CURRENT LIABILITIES					
Trade and other payables	16	300.6	385.6	45.7	39.7
Current income tax payable		132.9	147.1	4.6	4.4
		<u>433.5</u>	<u>532.7</u>	<u>50.3</u>	<u>44.1</u>
TOTAL LIABILITIES		<u>433.5</u>	<u>532.7</u>	<u>50.3</u>	<u>44.1</u>
TOTAL EQUITY AND LIABILITIES		<u>4,191.3</u>	<u>4,224.5</u>	<u>428.7</u>	<u>568.2</u>

C. Condensed Consolidated Interim Statement of Changes in Equity

GROUP	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total Equity
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2023	313.5	(40.8)	735.2	2,683.9	3,691.8
<i>Total Comprehensive Income</i>					
Net profit for the financial period	-	-	-	194.6	194.6
Currency translation differences arising from consolidation, net of tax	-	-	2.2	-	2.2
Total comprehensive income for the financial period	-	-	2.2	194.6	196.8
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(4.5)	-	-	(4.5)
Dividend paid	-	-	-	(126.3)	(126.3)
Total distributions to owners	-	(4.5)	-	(126.3)	(130.8)
Balance as at 30 June 2023	313.5	(45.3)	737.4	2,752.2	3,757.8
Balance as at 1 January 2022	313.5	(30.2)	646.2	2,246.6	3,176.1
<i>Total Comprehensive Income</i>					
Net profit for the financial period	-	-	-	427.5	427.5
Currency translation differences arising from consolidation, net of tax	-	-	3.1	-	3.1
Total comprehensive income for the financial period	-	-	3.1	427.5	430.6
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(1.0)	-	-	(1.0)
Dividend paid	-	-	-	(94.7)	(94.7)
Total distributions to owners	-	(1.0)	-	(94.7)	(95.7)
Balance as at 30 June 2022	313.5	(31.2)	649.3	2,579.4	3,511.0

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

<u>COMPANY</u>	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total Equity
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2023	313.5	(40.8)	51.1	200.3	524.1
<i>Total Comprehensive Income</i>					
Net loss for the financial period	-	-	-	(17.1)	(17.1)
Exchange differences on translation, net of tax	-	-	2.2	-	2.2
Total comprehensive income, net of tax, for the financial period	-	-	2.2	(17.1)	(14.9)
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(4.5)	-	-	(4.5)
Dividend paid	-	-	-	(126.3)	(126.3)
Total distributions to owners	-	(4.5)	-	(126.3)	(130.8)
Balance as at 30 June 2023	313.5	(45.3)	53.3	56.9	378.4
Balance as at 1 January 2022	313.5	(30.2)	48.6	125.0	456.9
<i>Total Comprehensive Income</i>					
Net loss for the financial period	-	-	-	(21.6)	(21.6)
Exchange differences on translation, net of tax	-	-	3.1	-	3.1
Total comprehensive income, net of tax, for the financial period	-	-	3.1	(21.6)	(18.5)
<i>Transactions with owners, recorded directly in equity</i>					
Purchase of treasury shares	-	(1.0)	-	-	(1.0)
Dividend paid	-	-	-	(94.7)	(94.7)
Total distributions to owners	-	(1.0)	-	(94.7)	(95.7)
Balance as at 30 June 2022	313.5	(31.2)	51.7	8.7	342.7

D. Condensed Consolidated Interim Statement of Cash Flows

	Note	<u>Group</u>	
		6 months ended	
		30/06/2023	30/06/2022
		RMB' million	
Cash flows from operating activities			
Net profit		194.6	427.5
Adjustments for:			
Income tax expense	6	41.5	42.6
Depreciation of property, plant and equipment ("PPE")	5.1	75.2	79.7
Amortisation of intangible assets	5.1	2.7	1.7
Gain on disposal of PPE	5.1	-	(0.1)
Write-off of PPE	5.1	3.1	0.4
Interest income	5.1	(19.8)	(11.2)
Translation difference		(12.6)	(24.6)
Operating profit before working capital changes		284.7	516.0
Changes in working capital:			
Inventories		96.2	(3.3)
Trade and other receivables		(4.1)	(412.9)
Trade and other payables		(85.0)	(162.1)
Cash generated from/(used in) operations		291.8	(62.3)
Income taxes paid		(55.9)	(25.2)
Net cash generated from/(used in) operating activities		235.9	(87.5)
Cash flows from investing activities			
Additions to PPE	11	(28.8)	(26.7)
Additions to intangible assets		(1.1)	-
Proceeds from disposal of PPE		0.2	0.1
Interest received		19.8	11.2
Net cash used in investing activities		(9.9)	(15.4)
Cash flows from financing activities			
Dividend paid		(126.3)	(94.7)
Cash deposit pledged with bank		(7.7)	(0.2)
Purchase of treasury shares		(4.5)	(1.0)
Net cash used in financing activities		(138.5)	(95.9)
Net increase/(decrease) in cash and cash equivalents		87.5	(198.8)
Effect of currency translation on cash and cash equivalents		15.1	27.8
Cash and cash equivalents at beginning of financial period		1,364.3	1,369.0
Cash and cash equivalents at end of financial period		1,466.9	1,198.0
Cash and cash equivalents at end of financial period include the following			
Cash and cash equivalents		1,475.2	1,206.4
Cash deposit pledged with bank		(8.3)	(8.4)
Cash and cash equivalents at end of financial period		1,466.9	1,198.0

E. Selected Notes to the Condensed Interim Financial Statements

1. General information

China Sunshin Chemical Holdings Ltd. (the “**Company**”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 16 Raffles Quay, #15-08 Hong Leong Building, Singapore 048581.

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

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

2. Basis of preparation

2.1 Statement of Compliance

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Committee. The interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the financial year ended 31 December 2022.

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

2.2 Basis of measurement

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

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

2.3 New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation in the interim financial statements for the current financial period compared with those used in the audited financial statements for the financial year ended 31 December 2022. A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.4 Use of judgements and estimates

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

Credit loss allowance for trade receivables

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

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

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

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

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

3. Seasonal operations

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

4. Revenue

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

	<u>Group</u>	
	6 months ended	
	30/06/2023	30/06/2022
	RMB'million	RMB'million
Sale of rubber chemicals		
- People's Republic of China	1,043.8	1,183.9
- Rest of Asia	476.2	592.2
- America	36.7	54.2
- Europe	103.9	138.9
- Others	44.4	24.0
	1,705.0	1,993.2
Provision of heating power		
- People's Republic of China	8.3	11.9
Waste treatment		
- People's Republic of China	15.8	16.6
Hospitality income		
- People's Republic of China	-	0.8
Total	1,729.1	2,022.5

(b) Segment information

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

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

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

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

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

4. Revenue (Cont'd)

(b) Segment information (Cont'd)

	Rubber Chemicals RMB'million	Heating Power RMB'million	Waste Treatment RMB'million	Others RMB'million	Total RMB'million
6 months ended					
30 June 2023					
Sales					
Total segment sales	2,161.0	117.4	15.8	0.3	2,294.5
Inter-segment sales	(456.0)	(109.1)	-	(0.3)	(565.4)
Sales to external parties	1,705.0	8.3	15.8	-	1,729.1
Adjusted EBITDA	264.5	33.3	4.1	(7.7)	294.2
Depreciation	(62.3)	(9.8)	(2.6)	(0.5)	(75.2)
Amortisation	(2.1)	(0.1)	(0.3)	(0.2)	(2.7)
Segment assets	3,849.2	167.8	95.4	78.9	4,191.3
Segment assets include:					
Additions to property, plant and equipment	25.9	1.9	0.6	0.4	28.8
Additions to intangible assets	1.1	-	-	-	1.1
Segment liabilities	271.5	19.1	68.0	74.9	433.5
6 months ended					
30 June 2022					
Sales					
Total segment sales	2,500.4	109.6	17.1	1.1	2,628.2
Inter-segment sales	(507.2)	(97.7)	(0.5)	(0.3)	(605.7)
Sales to external parties	1,993.2	11.9	16.6	0.8	2,022.5
Adjusted EBITDA	537.9	19.2	4.4	(21.3)	540.2
Depreciation	(66.9)	(9.7)	(2.6)	(0.5)	(79.7)
Amortisation	(1.1)	(0.1)	(0.3)	(0.2)	(1.7)
Segment assets	3,784.8	182.9	92.4	53.6	4,113.7
Segment assets include:					
Additions to property, plant and equipment	25.6	0.5	0.6	-	26.7
Additions to intangible assets	-	-	-	-	-
Segment liabilities	410.9	38.6	71.0	82.2	602.7

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

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

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

5. Profit before income tax

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

	<u>Group</u>	
	6 months ended	
	30/06/2023	30/06/2022
	RMB'million	RMB'million
Interest income	(19.8)	(11.2)
Depreciation of PPE	75.2	79.7
Amortisation of intangible assets	2.7	1.7
Loss allowance on trade receivables	0.6	0.3
Foreign exchange (gain), net	(24.4)	(19.0)
(Gain) on disposal of PPE	-	(0.1)
Write-off of PPE	3.1	0.4

5.2. Related party transaction

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

	<u>Group</u>	
	6 months ended	
	30/06/2023	30/06/2022
	RMB'million	RMB'million
Wages and salaries	8.3	20.0
Employer's contribution to defined contribution plans including Central Provident Fund	0.1	0.1
	<u>8.4</u>	<u>20.1</u>

Included in the above is total compensation to directors of the Company amounting to RMB6.8 million (1H2022: RMB18.7 million).

6. Income tax expense

	<u>Group</u>	
	6 months ended	
	30/06/2023	30/06/2022
	RMB'million	RMB'million
Tax expense attributable to profit is made up of:		
Profit for the financial period:		
- Current income tax	31.5	78.7
Under/(Over) provision in prior financial years:		
- Current income tax	10.0	(36.1)
	<u>41.5</u>	<u>42.6</u>

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

7. Earnings per share

	<u>Group</u>	
	6 months ended	
	30/06/2023	30/06/2022
Net profit attributable to equity holders of the Company (RMB'mil)	<u>194.6</u>	<u>427.5</u>
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	<u>964,947</u>	<u>970,309</u>
Basic and diluted earnings per share (RMB cents)	<u>20.17</u>	<u>44.06</u>

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

8. Net assets per share

	<u>Group</u>		<u>Company</u>	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Net asset attributable to shareholders (RMB' million)	3,757.8	3,691.8	378.4	524.1
Number of issued shares excluding treasury shares ('000)	<u>963,595</u>	965,640	<u>963,595</u>	965,640
Net asset value per ordinary share (RMB cents)	<u>389.98*</u>	382.32	<u>39.27</u>	54.27

* equivalent to SGD 72.97 cents at exchange rate of 5.3442 as at 30 June 2023

9. Dividends

Please refer to Section F, Dividend Information paragraph.

10. Investments in subsidiary corporations

	<u>Company</u>	
	30/06/2023	31/12/2022
	RMB'million	RMB'million
<i>Equity investments at cost</i>		
Beginning and end of financial period/year	<u>350.0</u>	<u>350.0</u>

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

10. Investments in subsidiary corporations (Cont'd)

The Group had the following subsidiary corporations as at 30 June 2023 and 31 December 2022:

<u>Name</u>	<u>Principal Activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent and the Group</u>	
			<u>30/06/2023</u>	<u>31/12/2022</u>
			%	%
<i>Held by Company</i>				
Shandong Sunsine Chemical Co.,Ltd	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, and insoluble sulphur	People's Republic of China	100	100
<i>Held by Shandong Sunsine Chemical Co.,Ltd</i>				
Weifang Sunsine Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including rubber accelerators	People's Republic of China	100	100
Shandong Sheng Tao Chemical Co., Ltd	Manufacturing and sale of rubber chemicals, including insoluble sulphur	People's Republic of China	100	100
Shanxian Sunsine Hotel Management Co., Ltd	Hotel investment and management (dormant)	People's Republic of China	100	100
Shanxian Guangshun Heating Co., Ltd	Production and supply of heating power, including preparation and implementation of the project	People's Republic of China	100	100
Shandong Hengshun New Material Co., Ltd	Manufacturing of chemical agent and rubber chemicals	People's Republic of China	100	100
Heze Yongshun Environmental Protection Technology Co., Ltd	Waste treatment	People's Republic of China	100	100
<i>Held by Shanxian Sunsine Hotel Management Co., Ltd</i>				
Shandong Fulong Villa Co., Ltd	Hotel and restaurant	People's Republic of China	100	100

Significant restrictions

Cash and short-term deposits of RMB1,408.3 million (31/12/2022: RMB1,357.4 million) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

11. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with an aggregate cost of RMB28.8 million (30/6/2022: RMB26.7 million), and disposed of assets with an aggregate carrying amount of RMB0.1 million (30/06/2022: RMB0.1 million).

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

12. Intangible assets

	<u>Group</u>	
	30/06/2023	31/12/2022
	RMB'million	RMB'million
<u>Land use rights</u>		
<i>Cost</i>		
Beginning of financial period/year	234.4	162.3
Addition	1.1	72.1
End of financial period/year	<u>235.5</u>	<u>234.4</u>
<i>Accumulated amortisation</i>		
Beginning of financial period/year	21.4	17.6
Amortisation charge	2.7	3.8
End of financial period/year	<u>24.1</u>	<u>21.4</u>
Net book value	<u>211.4</u>	<u>213.0</u>

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

13. Inventories

	<u>Group</u>	
	30/06/2023	31/12/2022
	RMB'million	RMB'million
Raw materials	153.6	183.7
Finished/Trading goods	153.0	219.1
	<u>306.6</u>	<u>402.8</u>

14. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
	RMB'million	RMB'million	RMB'million	RMB'million
Notes receivables	497.6	530.2	-	-
Trade receivables				
- Non-related parties	771.5	726.3	-	-
Less: Loss allowance	(7.5)	(6.9)	-	-
Trade receivables - net	764.0	719.4	-	-
Non-trade receivables				
- Subsidiary corporations*	-	-	11.2	210.5
- Non-related parties	46.9	47.0	0.2	0.2
	46.9	47.0	11.4	210.7
Advances to suppliers	73.4	80.5	-	-
Deposits	2.1	1.5	-	-
Prepayments	2.1	3.5	-	-
	<u>1,386.1</u>	<u>1,382.1</u>	<u>11.4</u>	<u>210.7</u>

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

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

15. Share capital and treasury shares

(a) Share capital

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
As at 1 Jan 2023 and 30 Jun 2023	<u>983,388,000</u>	<u>62.6</u>	<u>313.5</u>

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

There is no movement in the share capital of the Company during the financial period.

There is no outstanding convertibles issued by the Company as at 30 June 2023 (30 June 2022: Nil).

(b) Treasury shares

<u>Group and Company</u>	No. of ordinary shares	Amount	
		← SGD'million	→ RMB'million
2023			
As at 1 Jan 2023	17,748,400	(8.1)	(40.8)
Treasury shares purchased	<u>2,044,700</u>	<u>(0.9)</u>	<u>(4.5)</u>
As at 30 Jun 2023	<u>19,793,100</u>	<u>(9.0)</u>	<u>(45.3)</u>
2022			
As at 1 Jan 2022	12,992,900	(6.0)	(30.2)
Treasury shares purchased	<u>494,000</u>	<u>(0.2)</u>	<u>(1.0)</u>
As at 30 Jun 2022	<u>13,486,900</u>	<u>(6.2)</u>	<u>(31.2)</u>

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

(c) Number of ordinary shares excluding treasury shares

<u>Group and Company</u>	No. of ordinary shares excluding treasury shares	Amount	
		← SGD'million	→ RMB'million
2023			
As at 1 Jan 2023	965,639,600	54.5	272.7
Treasury shares purchased	<u>(2,044,700)</u>	<u>(0.9)</u>	<u>(4.5)</u>
As at 30 Jun 2023	<u>963,594,900</u>	<u>53.6</u>	<u>268.2</u>
2022			
As at 1 Jan 2022	970,395,100	56.6	283.3
Treasury shares purchased	<u>(494,000)</u>	<u>(0.2)</u>	<u>(1.0)</u>
As at 30 Jun 2022	<u>969,901,100</u>	<u>56.4</u>	<u>282.3</u>

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

16. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	30/06/2023 RMB'million	31/12/2022 RMB'million	30/06/2023 RMB'million	31/12/2022 RMB'million
Trade payables - Non-related parties	35.9	55.1	-	-
Non-trade payables - Non-related parties	173.1	112.9	-	1.3
Accruals for operating expenses	134.7	181.3	45.7	38.4
Deferred grants	(77.6)	5.7	-	-
Contract liabilities	34.5	30.6	-	-
	<u>300.6</u>	<u>385.6</u>	<u>45.7</u>	39.7

Contract liabilities relate to the considerations received from customers for the unsatisfied obligation in providing treatment of waste services.

17. Borrowings and debt securities

The Group and the Company do not have any outstanding borrowings as at 30 June 2023 and 31 December 2022.

F. Other information

Audit or Review

The consolidated condensed interim statements of financial position as at 30 June 2023 and the related consolidated interim statement of comprehensive income, statements of changes in equity and statement of cash flows for the six months period and the selected explanatory notes (the “**Consolidated Interim Financial Statements**”) have not been audited or reviewed by the Company’s independent auditor.

Review of the Group Performance

Condensed Consolidated Interim Statements of Comprehensive Income

Revenue decreased by 15% to RMB 1,729.1 million in 1H2023 as compared to RMB 2,022.5 million in 1H2022, due to the decrease in overall Average Selling Price (“**ASP**”), offset by an increase in the sales volume.

ASP decreased by 22% to RMB 17,093 per tonne in 1H2023 as compared to RMB 22,043 per tonne in 1H2022. The decrease in ASP was mainly due to the decrease in the price of raw materials as well as the intensified competition.

Analysis of Sales and Volume

	Sales Volume (Tonnes)		Sales (RMB'million)	
	1H2023	1H2022	1H2023	1H2022
Rubber Chemical				
Accelerators	46,789	45,715	928.4	1,096.0
Insoluble Sulphur	19,906	17,066	132.8	144.3
Anti-oxidant	32,457	27,066	633.6	740.5
Others	596	575	10.2	12.4
Total	99,748	90,422	1,705.0	1,993.2
<i>Local Sales</i>	<i>63,788</i>	<i>55,710</i>	<i>1,043.7</i>	<i>1,183.9</i>
<i>International Sales</i>	<i>35,960</i>	<i>34,712</i>	<i>661.3</i>	<i>809.3</i>
Heating Power	29,384	41,911	8.3	11.9
Waste treatment	7,692	7,060	15.8	16.6
Hotel & Restaurant	-	-	-	0.8

The overall **Sales volume** in 1H2023 increased by 10% from 90,422 tonnes in 1H2022 to 99,748 tonnes, mainly due to (i) the increase in the Group’s total production output to meet the increased market demand; and (ii) the Group’s adoption of more flexible pricing strategy to cope with the intensified competition. Both domestic and international sales volume increased.

Gross profit decreased by 41% from RMB 694.0 million in 1H2022 to RMB 412.0 million in 1H2023, and Gross profit margin (“**GPM**”) decreased 10.5 percentage points from 34.3% to 23.8%. The decreases were mainly due to the decrease in ASP.

Other income was RMB 30.4 million in 1H2023, consisting of mainly interest income and sale of scrap materials.

Other gains, net amounted to RMB 21.2 million in 1H2023, mainly consisting of foreign exchange gains and write-off of PPE.

Selling and distribution expenses decreased by 3% from RMB 51.9 million in 1H2022 to RMB 50.6 million in 1H2023 mainly due to lower staff incentives payable to sales personnel as a result of lower revenue and GPM, partially offset by higher freight costs caused by higher sales volume.

Administrative expenses decreased by 19% from RMB 130.3 million in 1H2022 to RMB 105.6 million in 1H2023, mainly due to the lower depreciation charges allocated to administrative expenses as a result of lesser downtime during Chinese New Year 2023; decrease in staff costs as a result of lower revenue and GPM; and partially offset by the increase in safety production expenses.

Research and development (“R&D”) expenses decreased by 26% from RMB 96.6 million in 1H2022 to RMB 71.3 million in 1H2023, mainly due to the completion of some of the R&D activities.

Profit before income tax (“PBT”) decreased by 50% from RMB 470.1 million in 1H2022 to RMB 236.1 million in 1H2023, mainly due to decrease in the Group’s revenue and gross profit.

For the reasons set out above, **Net profit** decreased by 54% from RMB 427.5 million in 1H2022 to RMB 194.6 million in 1H2023.

Condensed Interim Statements of Financial Position

Property, plant and equipment decreased by RMB 49.7 million from RMB 861.7 million to RMB 812.0 million, mainly due to depreciation charged.

Inventories decreased by RMB 96.2 million from RMB 402.8 million to RMB 306.6 million, mainly due to the combined effect of decrease in the quantity of finished goods at period end and decrease in the prices of raw materials.

Trade and other receivables increased slightly by RMB 4 million from RMB 1,382.1 million to RMB 1,386.1 million, mainly due to the longer credit term extended to some of the customers.

The aging report of notes receivables and trade receivables as at 30 June 2023 are as follows:-

	1 – 3 months	3 – 6 months	6 – 12 months	> 12 months	Total
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Notes receivables	470.2	27.4			497.6
Trade receivables	587.7	113.4	65.8	4.6	771.5
Loss allowance	-	-	(2.9)	(4.6)	(7.5)
Net trade receivables	587.7	113.4	62.9	-	764.0

Trade and other payables decreased by RMB 85 million from RMB 385.6 million to RMB 300.6 million mainly due to decrease in accrued expenses and government grants, offset by increase in other payables to contractors.

Condensed Consolidated Statements of Cash Flows

Net cash generated from operating activities amounted to RMB 235.9 million, mainly due to the profit generated.

Net cash used in investing activities amounted to RMB 9.9 million, mainly due to additions to PPE offset by interest received.

Net cash used in financing activities amounted to RMB 138.5 million, mainly due to distribution of dividends.

Variance from Prospect Statement

In Section F Prospects paragraph of our FY2022 results announcement dated 28 February 2023, the Company stated that “Tyres manufacturing companies’ production utilisation rate will increase, which will lead to increased demand for rubber chemicals... Another uncertainty relates to the volatility of international crude oil prices, which has led to the fluctuation in the prices of our main raw materials. In addition, some of our rivals have implemented their expansion plans, and the management expects the competition will continue to intensify in the rubber chemicals industry.” Therefore, the current results are in line with the Company’s commentary.

Prospects

China's GDP grew 5.5%¹ in 1H2023, and 6.3% in 2Q2023, which indicates that the Chinese economy is gaining momentum and on track to normalised growth. Automakers sold a total of 13.24² million units in China in the first half of 2023, representing an increase of 9.8% in auto sales year-on-year. It is also noted that the sales volume of New Energy Vehicles ("NEVs") rose 44.1% year-on-year to 3.747 million units in 1H2023, accounting for 28.3% of total new vehicle sales. The production utilisation rate of the Chinese tire manufacturing companies in 1H2023 also improved.

We also note that the global economy is still facing challenges and uncertainties, brought about by a high interest rate environment, the Ukraine-Russia conflict, and rising geopolitical tensions between the US and China, among others. Locally, the Group continues to face strong competition in the rubber chemicals industry.

Nevertheless, the Group will continue with its strategy of "sales production equilibrium" and focus on its rubber chemicals business by adopting a more flexible pricing strategy and strengthening its market leadership position. At the same time, the Group will strengthen its management team and tighten costs control.

Given our strong balance sheet and financial stability, our market leadership position, our ability to consistently provide high-quality products reliably, economies of scale, wide variety of rubber chemical products, and compliance with national environmental protection laws and regulations, we remain confident about the Group's profitability in the next 12 months.

Updates of capacity expansion plans

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

The Group is re-scheduling its Phase 2 30,000-tonne per annum IS project to focus on the new MBT project. The management expects the IS project to be completed by 1H2024.

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

The infrastructure construction and machinery installation have been completed, and is now under machinery testing. The management expects the trial run will start in 4Q2023 and the commercial production will commence in early 2024.

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

Tonnes	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024e
Accelerators	87,000	97,000	117,000	117,000	117,000	117,000	117,000
Insoluble Sulphur	30,000	30,000	30,000	30,000	60,000	60,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	77,000	77,000	77,000
Total	162,000	172,000	192,000	192,000	254,000	254,000	254,000

¹ Source: National Bureau of Statistics

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

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

Dividend Information

a. *Current period reported on*

Any dividend recommended for the current financial period reported on?

- No. In consideration of the material decrease in 1H2023's profit, the Board of Directors will consider the recommendation of dividends only when the full year results are out.

b. *Corresponding Period of the Immediately Preceding Financial Year*

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

- Yes, a special interim dividend of SGD0.005 per ordinary share was declared in 1H2022.

c. *Date payable*

Not Applicable

d. *Books closure date*

Not Applicable

Interested Person Transactions

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

Confirmation of Undertakings from Directors and Executive Officers

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

Announcement of Acquisition and Realisation pursuant to Rule 706A

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

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

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first half-year financial results for the period ended 30 June 2023 to be false or misleading in any material respect.

On behalf of the Board of Directors

Xu Cheng Qiu
Executive Chairman

Xu Jun
Executive Director

Dated: 14 August 2023

[End]