ACCELERATE

CHINA SUNSINE CHEMICAL HOLDINGS LTD. | ANNUAL REPORT 2008

China Sunsine Posts Record FY2008 Net Profit of RMB 106.7m, up 40% y-o-y

>> Exclusive

Full year revenue surges 29% to RMB 797.9 million

Strong Financial Resources Revealed

Total assets stood at RMB 662.3 million and net assets at RMB 540.5 million, giving a net asset per share of RMB 111.57 cents, compared to RMB 95.36 cents as at 31 December 2007, a jump of 17.1%. The Group has strong cash position of RMB 184.2 million.

China Sunsine Chemical Holdings Ltd. is a fast growing and leading rubber accelerators manufacturer in the PRC and the world.

Intensified Upgrading Efforts Announced

The Group's capacity expansion is under implementation and it is also currently upgrading the waste-water treatment facility at Facility 2 to be completed in 2009.

About Us

China Sunsine is a fast growing leading specialty chemical producer and the largest producer of rubber accelerators by capacity in the People's Republic of China and in the world. Our annual production capacity stands at 60,000 tons, comprising 50,000 tons of rubber accelerators, 5,000 tons of anti-oxidant TMQ, and 5,000 tons of Insoluble Sulphur. It rides on the rubber and tyre industries.


Our head office in China

We serve the global top 10 tyre makers — Bridgestone Corporation, Michelin Group, Goodyear Tire, Continental, Pirelli, Sumitomo Rubber, Yokohama, Hankook, Cooper Tires and Kumho Tires. In China, the Group serves GITI Tire, Shanghai Tyre, Hangzhou Zhongce Rubber and Chengshan Corp amongst many others. Our customer base includes more than 600 customers in China and overseas.

Our products are sold under the "Sunsine" brand and includes a wide range of rubber chemicals such as accelerators and anti-oxidant agent TMQ, vulcanising agent Insoluble Sulphur and anti-scorching agent CTP. Our production facilities are situated in Shandong Province near Heze City, the home of the peony flower, in China.

As a chemical producer servicing global customers, China Sunsine continuously improves its manufacturing capabilities, and has achieved ISO9001:2000 standard for quality, ISO14001:2004 standard for environment, and GB/T28001-2001 standard for occupational health and safety.

Listed on SGX, it is a component of the FTSE-ST China Index. Its SGX and Bloomberg stock code are "ChinaSsine" and "CSSC SP Equity" respectively.

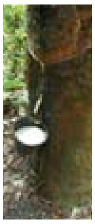
Contents

Superior Products We Offer

Essential for tyres and other rubber-related products

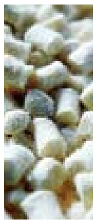
RUBBER ACCELERATOR

NATURAL/
SYNTHETIC RUBBER
- Sticky
- Soft
- Brittle
- Deteriorates quickly



VULCANISATION
Curing Process

CURED RUBBER
- Harder
- More durable
- Resistant to chemicals
- Smoother surface material

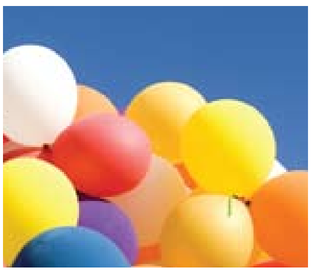


INSOLUBLE SULPHUR

ANTI-OXIDANT

OTHER
VULCANISING AGENTS

RUBBER PRODUCTS



ACCELERATE

Financial Year 2008 is all about ACCELERATION: the upsurge of sales, the aggressive performance by the Group, and its strong resolve to provide high-quality products and excellent service to its customers. FY2008 has been a fruitful year, indeed. Read on and find out more about the Group's performance and significant results.

Geared for the Future

Markets We Serve

EXPANDING OUR MARKETS THROUGH VALUE CREATION FOR CUSTOMERS

Current Customers, New Market Acquisition

- Bridgestone: India, Thailand (new plant),Turkey, Australia, Italy
- Goodyear: Brazil, Poland, Colombia, India, Philippines, Australia, Japan
- Yokohama: Japan
- Continental: Malaysia, South Africa, America
- Kumho: Vietnam
- Pirelli: Brazil, Turkey
- Hankook: Hungary

New Customers Won

Over 120 new customers including...

- Amtrade (Australia)
- PT Gajah Tunggal
- Chemcon (Brazil)
- Basil Quimica (Brazil)
- Samotech (Korea)
- AMIK (Italy)

Financial Highlights

GROUP BALANCE SHEET	2008	2007	2006	2005	2004
As At 31 December (RMB'000)	Actual	Actual	Actual	Pro forma	Pro forma
Property,plant and equipment	152,450	108,897	50,996	37,537	27,923
Other non-current assets	32,671	25,057	5,311	3,240	2,583
Current assets	477,223	450,259	222,066	180,502	101,699
Current liabilities	121,844	115,312	198,782	113,458	65,927
Net current assets	355,379	334,947	23,284	67,044	35,772
Non-current liabilities	-	-	248	1,488	5,000
	540,500	468,901	79,343	106,333	61,278
Share capital	313,471	313,471	5	17,488	17,488
Treasury shares	(6,719)	-	-	-	-
Reserves	233,748	155,430	79,338	88,845	43,790
Total equity	540,500	468,901	79,343	106,333	61,278

GROUP PROFIT & LOSS	2008	2007	2006	2005	2004
Year Ended (RMB'000)	Actual	Actual	Actual	Pro forma	Pro forma
Revenue	797,876	619,539	474,706	434,135	238,348
Gross Profit	226,789	125,171	118,240	109,404	51,363
Other operating income	12,371	5,035	3,035	364	469
Earnings before interest, tax, depreciation & amortisation (EBITDA)	148,075	90,262	87,508	69,234	32,191
Depreciation & amortisation	19,540	14,584	11,554	8,577	7,812
Interest expense	404	445	2,152	2,070	1,504
Profit from operations	128,131	82,986	73,802	58,587	22,875
Share issue costs	-	7,753	-	-	-
Profit before income tax	128,131	75,233	73,802	58,587	22,875
Income tax expense	21,421	(825)	10,548	10,079	5,380
Net profit attributable to shareholders	106,710	76,058	63,254	48,508	17,495

ANALYSIS(%)					
Year	2008	2007	2006	2005	2004
Gross profit margin	28.4%	20.2%	24.9%	25.2%	21.5%
PBT margin	16.1%	12.1%	15.5%	13.5%	9.6%
Revenue growth	28.8%	30.5%	9.3%	82.1%	120.7%
Operating profit growth	54.4%	12.4%	26.0%	156.1%	191.0%
Net profit growth	40.3%	20.2%	30.4%	177.3%	232.2%

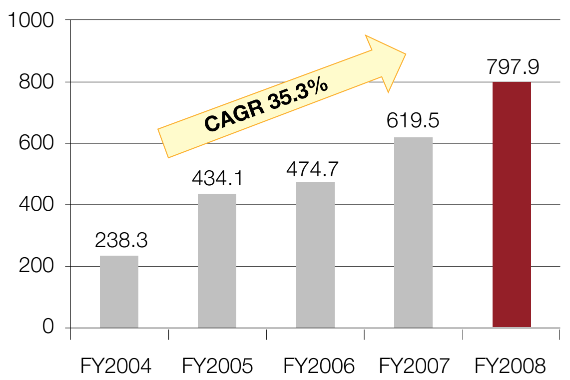
PER SHARE DATA					
(RMB Cents, unless otherwise stated)	2008	2007	2006	2005	2004
Net earnings (basic)[1]	21.77	19.04	18.07	13.86	5.00
Net earnings (fully diluted)[2]	21.77	18.19	18.07	13.86	5.00
Net assets value[3]	111.57	95.36	22.67	30.38	17.51
Dividend paid (SGD cents)	1.00	-	-	-	-
[1]Number of shares used in the above computation ('000)	490,273	399,411	350,000	350,000	350,000
[2]Number of shares used in the above computation ('000)	490,273	418,093	350,000	350,000	350,000
[3]Number of shares used in the above computation ('000)	484,441	491,694	350,000	350,000	350,000

Note: 2004 2005 2006 per share data were computed based on the pre-invitation number of shares.

FINANCIAL RATIOS	2008	2007	2006	2005	2004
Current ratio (times)	3.92	3.90	1.12	1.59	1.54
Acid-test ratio	3.37	3.64	0.98	1.46	1.32
Average receivables turnover (days)	52	68	73	65	76
Average payables turnover (days)	10	12	12	12	29
Average inventory turnover (days)	31	21	22	17	19
Return on equity (%)	21.1%	27.7%	68.1%	57.9%	36.6%
Return on assets employed (%)	17.1%	17.6%	25.3%	27.4%	16.4%
Debt/equity ratio	0	0	0.15	0.20	0.44
Interest cover	318.2	170.1	35.3	29.3	16.2

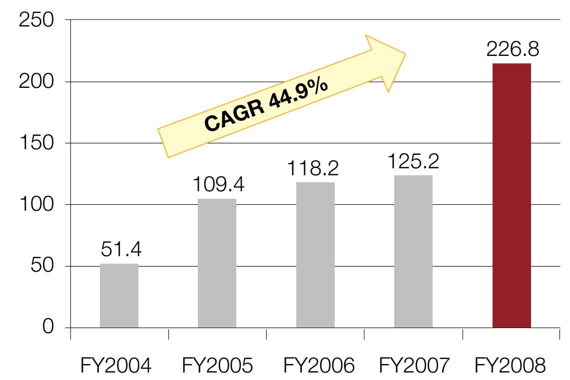
Financial Highlights (Cont'd)

STRONG REVENUE GROWTH



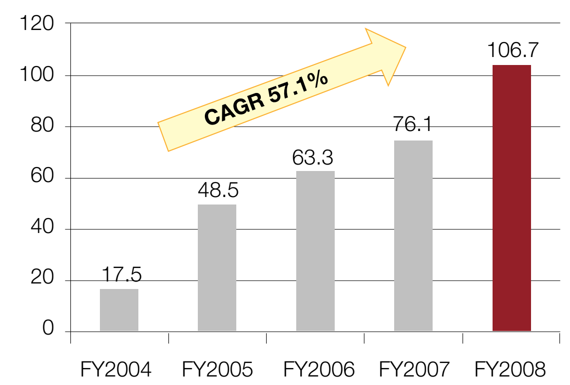
Revenue is up by 28.8%. The average selling price rose about 31.7% to RMB 26,076 in FY2008, and a sharp spike in 3Q due to the impact of the 2008 Beijing Olympics.

GROSS PROFIT



Gross profit rose by 81.0% to RMB 226.8 million in FY2008. Gross profit margin improved from 20.2% to 28.4% in FY2008.

NET PROFIT



The Group's net profit rose 40.2% to RMB 106.7 million on the back of strong revenue.

Investor Relations

We believe in being transparent and having proactive engagement with shareholders, investing community and media via …

- Providing timely, adequate information on Group's progress, business plans and prospects on SGXnet, corporate website
- Conducting quarterly public Analyst Briefing to analysts, investors, shareholders and media to explain performance and take questions
- Working with securities houses to explain our business model with in-house dealers, remisiers and their clients
- Inviting interested analysts, investors to our Shandong plant to better understand our business
- Participating in SGX-MAS Research scheme to allow wider circulation of independent research reports of China Sunsine

Chairman's Message

"The rubber chemicals market is huge, we see a great potential to increase our market share. We are poised to tap opportunities as they arise. We welcome the challenge."

Dear Shareholders,

On behalf of the Board of Directors of China Sunsine Chemical Holdings Ltd. ("China Sunsine" or the "Group"), I am pleased to present you another year of excellent performance for the year ended 31 December 2008 ("FY2008").

During the year under review, the Group's net profit rose 40% to RMB 107 million on the back of strong revenue of RMB 798 million.

For this sterling performance, we thank our customers for their continued strong support. As we strive to deliver our best services and high quality products to our customers, we have noted their increasing confidence in us.

We are happy to note our sales have secured orders from new plants from some current customers, for example Yokohama for its Japan plants, Bridgestone for its India plant, Kumho for its Vietnam plant, Goodyear for its plants in Brazil and Poland. New customer Continental has regularised its orders from Malaysia and South Africa. Likewise for Pirelli Brazil and Turkey. In addition, we obtained new orders from over 120 new customers worldwide such as PT Gajah Tunggal (Indonesia), Amtrade (Australia), Chemcon (Brazil) and others.

Our product development has gained momentum.

During the year, we successfully went into commercial production of our Insoluble Sulphur (IS) and Antioxidant TMQ. These two new products are presently undergoing various stages of testing for accreditation by some key customers. We are confident we could leverage on our existing customers to try these two products.

In addition, we have also developed accelerator MBTS (medical grade) to meet specific requirements from a pharmaceutical customer that is producing antibiotics in China. To provide value-added services to our customers, we built up a 3,000-ton workshop to produce master batches of our rubber chemicals, which are predispersed chemical compounds, non-pollutive and user-friendly, based on customers' required specifications.

At year-end FY2008, our accelerators annual production capacity stands at 50,000 tons, probably the largest in the world. The production capacity of Insoluble Sulphur and Antioxidant TMQ stand at 5,000 tons each. With such capacity, we are confident of meeting customers' demands for our products.

On the environmental front, we continue to invest in upgrading our waste-gas recycling and waste-water treatment facilities. We believe that China will tighten regulations and enforcement activities toward manufacturing plants that may cause pollution to the environment. Firms that do not invest in this area might not be able to keep up and will be adversely affected in their production.

Moreover, we celebrated our Group's 10th anniversary this year. Since our operating subsidiary Shandong Shanxian Chemical Co., Ltd was founded in 1998, our revenue has grown significantly, from RMB 20 million to the current RMB 798 million. Our brand "Sunsine" has grown from being unknown to a brand recognised and accepted by our customers. Our Sunsine accelerators have been accepted by the top-tier global top 10 tyre makers. Our job is not done yet. We aim to be the global leader in accelerators, serving these customers in their global markets. Where are we now? Will our growth end here? We have only reached a milestone. We are ready to continue our path of growth.

Outlook and Future Plans

Going forward, we expect a very challenging year ahead due to the global financial crisis. Despite the uncertainty, we believe the stimulus package of RMB 4 trillion announced by the PRC government will spur domestic demand. With the implementation of the Chinese Automotive Industry Revitalization Plan ("中国汽车产业振兴计划") in 2009, we are hopeful that the domestic production and sales of vehicles in PRC will continue to grow steadily in the next few years.

The rubber chemicals market is huge and we see a great potential to increase our market share. We are poised to tap opportunities as they arise. We welcome the challenge.

The Group's strategy is to grow our market share by diversification in both products and markets. We will continue to meet our customers' needs and maintain long-term relationship with our valued customers. Through organic expansion and partnerships, we hope to achieve sustainable growth. In the meantime, we shall adopt prudent financial management and risk management.

With our large-scale and highly-efficient model, coupled with strong financial resources and a large customer base of more than 600 in China and overseas, the Group will be able to stay competitive and offer reliability of supplies to its global customers.

Appreciation

We would not have been able to sail through the past year without the unwavering support of all our stakeholders. May I take this opportunity to thank everybody — shareholders, customers, suppliers, bankers, partners, and all relevant governmental authorities — for their contribution and support during the past year. I would also like to record my appreciation to my fellow Board members, management and staff for their hard work and support throughout the year.

As a sign of our appreciation to our shareholders, the Group paid an interim tax-exempt dividend of 1 cent SGD in June 2008.

XU CHENG QIU
Executive Chairman

主席致辞

“橡胶化工市场是非常巨大的，我们所占的市场份额还有很大的提升空间。我们已经做好了一切准备，抓住机遇，迎接挑战。”

尊敬的股东们，

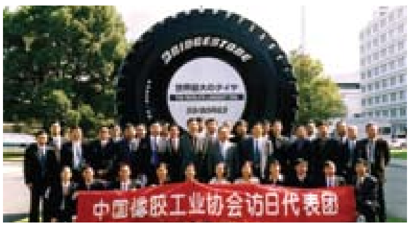
我谨代表中国尚舜化工控股有限公司（“尚舜化工”或“集团”）董事会，在此向大家呈报截至2008年12月31日的2008财年所取得的骄人业绩。

本年度，集团的净利猛增40%，达到1.07亿元人民币，集团的营业额达到7.98亿元人民币。

有如此亮眼的业绩，我们要感谢我们的客户一如既往的支持。我们坚持将最好的服务和高质量的产品奉献给客户，我们已经感受到客户对我们的信任和信心。

在市场拓展方面，我们很高兴从现有客户中争取了新的市场份额，例如，我们从横滨轮胎日本工厂、普利司通印度工厂、韩国锦湖越南工厂、固特异巴西和波兰的工厂等获得了新的订单；我们也获得了新客户大陆轮胎在马来西亚和南非工厂的定期订单以及倍耐力在巴西和土耳其工厂的定期订单。此外，我们在2008年共发展了120多家新的客户，其中包括：印尼的PT Gajah Tunggal，澳洲的Amtrade，巴西的Chemcon等等。

我们在新产品开发上也取得了突出的进展。



新建的不溶性硫磺和防老剂TMQ车间已经开始正式生产，我们的主要客户正在测试和试用这两个新产品。我们有信心这两项产品会得到客户的认可和使用。

另外，我们还特别开发了医用的促进剂MBTS，以满足生产医药抗生素客户的需求。为了给客户提供增值服务，我们还建了一个3000吨的母胶粒生产车间，我们按客户不同配方要求，生产这种具有无污染和便于使用等优点的混合化学促进剂。

2008年，我们的橡胶促进剂产能扩大到了5万吨，这可能是全世界最大的产能。不溶性硫磺和防老剂的产能分别为5000吨。产能的扩大，使我们有信心今后能够接受更多的客户订单。

在环境保护方面，公司继续投资扩建和提升废气回收和废水处理设施。我们认为中国今后将会对生产企业的环保要求更加严格。不注重环保的企业可能会被淘汰或生产会受到影响。

2008年，集团庆祝子公司--山东省单县化工有限公司（“单县化工”）成立十周年。单县化工1998年成立，营业额从最初的2000万元人民币连翻至现在的7.98亿元。我们的“Sunsine”品牌从默默无闻变成知名品牌，深受客户的认可和青睐。我们生产的促进剂已经被全球十大轮胎制造商所使用。我们的目标是成为全球领先的促进剂生产商，我们的市场在全世界。十年的发展历程是一个里程碑，我们将继续不懈努力，向前迈进。

今后的展望和发展计划

受全球金融危机的影响，2009年仍将是具有挑战的一年。尽管经济形势不确定，但是我们相信中国政府最近出台的4万亿人民币的刺激计划将会进一步扩大内需。随着2009年“中国汽车产业振兴计划”的实施，我们期待中国的汽车产销量在接下来几年会稳定增长。

橡胶化工市场是非常巨大的，我们所占的市场份额还有很大的提升空间。我们已经做好了一切准备，抓住机遇，迎接挑战。

面对严峻的经济形势，集团的策略是通过产品和市场的多元化以提升市场占有率。我们将会继续满足客户需求，保持与客户的良好的长期合作关系，通过自身发展或强强联合，我们相信集团会获得稳步持续的增长。同时，我们还将采取更加严格、谨慎的财务和风险管理。

具有规模生产和高效率的经营模式，加上有强健的财务资源和超过600家的庞大的客户群，集团将能够保持竞争优势，为全球客户提供值得信赖的优质服务。

致谢

没有股东的信任和支持，我们无法取得今天的成绩。借此，我要感谢股东、客户、供应商、银行、合作伙伴以及政府部门对集团的支持和帮助。我还要感谢全体董事会成员、管理层以及员工的共同努力和对集团发展的尽职奉献。

为了回馈股东的支持，集团在2008年6月派发了0.01新元的中期免税股息。

徐承秋
执行主席

Board of Directors

XU CHENG QIU
Executive Chairman

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 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 is also appointed a representative to the Shandong Province People's Congress, the provincial parliament that has the right to adopt local regulations. 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 / General Manager

LIU JING FU is our Executive Director and General Manager, responsible for overseeing the general duties of our Group, as well as the research and development department. 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 / Deputy General Manager

XU JUN is our Executive Director and Deputy General Manager (Management and Operations), responsible for overseeing the overall management and operations of our Second Facility located at the Shanxian Economic Development Zone. He joined the Group in 1998 as the head of the management department. In 2003, he was promoted to assistant 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 and 2005.

MA YING QUN
Executive Director / Deputy General Manager

MA YING QUN is our Executive Director and Deputy General Manager (Human Resource, Administration and Logistics) responsible for the overall management of our human resource, administration and logistics departments. He joined the production departments of Shanxian Chemical in March 1999, and became Deputy General Manager in 2003. He manages the implementation of quality control measures to ensure compliance of the ISO9000 quality management system. He obtained his diploma in International Business Management and Public Relations from Xi'an Electronic Technological University in 1997, received his certification as economist in 2006 and obtained ISO9000 Internal Auditor qualification in 2002 and 2005.

TAN LYE HENG PAUL
Lead Independent Director

TAN LYE HENG PAUL is our Lead Independent Director. He is the managing partner of Tan Teo & Partners, a Certified Public Accountants firm since 1995. Besides running a public accounting firm for more than 10 years, he is also active in the academe. He holds a Master of Business Administration degree from the University of Birmingham, United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Fellow of the Institute of Certified Public Accountants of Singapore (ICPAS) and a full member of the Singapore Institute of Directors (SID). He is an accredited Quality Assessor of Internal Audit Activity.

LIM HENG CHONG BENNY
Independent Director

LIM HENG CHONG BENNY is our Independent Director. He began his career in 1997 as an advocate and solicitor in Singapore with Messrs Yeo-Leong & Peh. In 2000, he joined Messrs Rajah & Tann, where he was a senior legal associate. In 2002, he joined Messrs Chan & Goh as a partner. In 2005, he is currently a partner of Messrs

Board of Directors (Cont'd)

ChrisChong & CT Ho Partnership. Mr Lim's principal areas of practice are in general corporate and commercial matters, specialising in corporate finance, cross-border joint ventures and investments, as well as fund management work. He holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

XU CHUN HUA
Independent Director

XU CHUN HUA is our Independent Director. She has more than 40 years of experience in the rubber and rubber chemical industry. Ms Xu is currently 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.

LING YONG WAH
Non-Executive Director

LING YONG WAH is our Non-Executive Director and is presently an investment manager with SEAVI Advent Corporation Limited, a private equity firm in Singapore. From 1994 to 1996, he was in the corporate finance department of United Overseas Bank. From 1996 to 2000, he worked in Econ International Ltd. as business development manager, where he was involved in several cross-border acquisitions. He obtained his Bachelor of Economics from Monash University in Australia and is a member of the Institute of Chartered Accountants in England and Wales.

Board of Directors: (seated) Lim Heng Chong Benny, Xu Chun Hua, Xu Cheng Qiu, Tan Lye Heng Paul and Liu Jing Fu, (standing, 3rd, 4th, 5th from L respectively) Ma Ying Qun, Ling Yong Wah, Xu Jun

Key Executives: (standing from L) Li Song, Koh Choon Kong, Fan Chang Ling (2nd from R), Geng He Ping (last)

Key Executives

KOH CHOON KONG
Chief Financial Officer

KOH CHOON KONG, our Chief Financial Officer, joined the Group in 2006, and is responsible for the financial and accounting functions of the Group. He joined Price Waterhouse (Singapore) in 1995, and the asset management division of Citicorp Investment Bank (Singapore) Limited in 1998 and became its assistant regional financial controller for Asia. He was part of ICH Limited as its financial controller in 2001 and helped set up ICH Capital Pte Ltd to execute corporate finance projects. In 2002, he founded KRN Warren Advisors. He obtained his Accountancy degree from the Nanyang Technological University and his MBA degree from the University of Manchester in 2006. He is a member of the Institute of Certified Public Accountants of Singapore, the Singapore Institute of Directors, as well as a CFA charter holder.

LI SONG
Deputy General Manager

LI SONG is our Deputy General Manager (Sales and Marketing) who is responsible for the sales and marketing activities of our Group. He joined the Group in 1995 as procurement staff. In 1996, he was assigned to the sales department. He was promoted to head the domestic sales department in 2004. In 2005, he became assistant general manager, overseeing the overseas and PRC sales. In 2006, he became our Deputy General Manager. He obtained his sales certification in 1999.

GENG HE PING
Deputy General Manager

Geng He Ping is our Deputy General Manager (Facilities and Equipment), who is responsible for the management of our facilities and equipment including purchases, installation, testing and maintenance. He joined the Group in 1997 and has over 20 years of experience in equipment technology and management. He rose through the ranks over the years from Section Chief to Assistant General Manager to his current position.

FAN CHANG LING
Deputy General Manager

FAN CHANG LING is our Deputy General Manager (Production and Quality Assurance) who is in charge of the overall supervision of our production. He oversees the quality and safety assurance in our production system. He joined the Group in July 1990 as a technician, and was subsequently promoted to chief production officer. He was promoted to assistant general manager in 2002 and became Deputy General Manager in 2005. He was honoured "Outstanding Worker" by Shanxian People's government. He obtained his diploma in Organic Chemical Engineering from Shandong Chemical College in 1990. In 2006, he obtained his qualification as engineer. He also received his certification as qualified ISO9000 Internal Auditor in 2002 and 2005.

Corporate Milestones

Shanxian Chemicals Celebrates 10th Anniversary (1998-2008)

1977
- Established Shanxian Organic Chemical Factory as a state-owned enterprise

1994
- Produced thiazoles accelerators MBT and MBTS; commencement of our rubber accelerator business
- Obtained our own import and export licence, enabling us to export products directly to overseas customers

1998
- Led by Executive Chairman, Mr Xu Cheng Qiu, successfully executed an MBO of Shanxian Organic Chemical Factory and established Shandong Shanxian Chemicals Co., Ltd.

2000
- Accredited with the ISO9001:2000 certification by SQC for our quality management system for production of rubber chemicals

2002
- Accredited by Top 10 PRC Tyre manufacturer Hangzhou Zhongce Rubber as one of its best suppliers

2004
- Accredited by Top 10 PRC Tyre manufacturer Doublestar Group as one of its "Best Supplier for Year 2003 & 2004"

- Awarded the "Shandong Province Famous Brand," recognising our "Sunsine" brand
- Awarded the "Shandong Province Top 50 Rubber Industry Enterprise, " recognising our overall business performance achievement in a province of 92 million population and the powerhouse of rubber industry in China

2005
- Awarded the "State Excellent Private Enterprise," a national recognition of our overall business performance
- Purchased a new plot of land with an area of approximately 162,000 sqm as our new Second Facility for further capacity expansion

2006
- Incorporated China Sunsine Chemical Holdings Pte Ltd in Singapore in June 2006 and subsequently acquired Shandong Shanxian Chemical Co. Ltd as part of Restructuring Exercise for our IPO
- Accredited by Top 10 PRC Tyre manufacturer Shanghai Tyre as one of its "Trustworthy Partners" in October 2006

- Awarded the "New and Advanced Technology Enterprise," a provincial recognition of our research and development strength

2007
- Listed on SGX-ST in July 2007

- Awarded the "Shandong Province Famous Brand" in August 2007

- Completed the prestigious client list of top 10 major tyre manufacturers in the world with orders from Continental Tires in December 2007
- Expanded accelerator capacity to 39,000 tons end 2007, consolidated Sunsine Chemical's position as the leading rubber accelerator manufacturer in China and the world

Certifications recognising our globally-competitive and environment-friendly facilities and systems

Corporate Milestones (cont'd)

2008

- Started commercial production of a new 5,000-ton Insoluble Sulphur plant in February 2008
- First accreditation by Top 10 PRC Tyre maker Shuangqian Group as one of their "Trustworthy Partners"
- Expanded accelerator capacity from 39,000 tons to 50,000 tons, consolidating Sunsine Chemical's position as the largest rubber accelerator manufacturer in China and the world
- Launched new Products: vulcanizing agent Insoluble Sulphur, Anti-oxidant TMQ, and masterbatches
- Awarded FORBES Asia's The Region's Top 200 Small and Midsize Companies in 2008

Corporate Social Responsibility

We acknowledge the interplay of our business and the wider community, and endeavour to play our part in our society.

Over the years, the Group

- Donated RMB 500k to victims of Sichuan Earthquake Disaster in 2008
- Donated and supported local poverty-stricken students in Shandong Province
- Donated SGD 50k to various charities in Singapore through the SGX Bull Run in 2007
- Supported the unemployed workers for re-employment in Shanxian, Heze City, Shandong Province
- Donated RMB 30k sterilizing liquids during SARS disaster in 2003

Financial and Operations Review

Full year revenue surges 28.8% to RMB 797.9 million

MANAGEMENT DISCUSSION AND ANALYSIS

The Group posted a sterling growth of 28.8% in sales revenue to RMB 797.9 million in FY2008.

The improvement in revenue performance was due to the overall growth in average prices of our products, while sales volume was flat at 30,598 tons. The increase in prices was a combination of strong demand and weak supply due to various constraints imposed on production by the government during the run-up to the Beijing Olympics. The Group experienced a subsequent sharp decline in demand and prices as a result of the global financial crisis in the last quarter of the year.

	FY2008 RMB'million	FY2007 RMB'million	Changes %
Group Revenue	797.9	619.5	28.8%
Gross Profit	226.8	125.2	81.2%
Profit before tax	128.1	75.2	70.3%
Net profit	106.7	76.1	40.2%
EBITDA	148.1	90.3	64.0%

Local sales increased by 47.9% from RMB 358.9 million in FY2007 to RMB 447.2 million in FY2008, while international sales increased by 34.6% from RMB 260.6 million in FY2007 to RMB 350.7 million in FY2008. Strong demand from key PRC customers includes Hangzhou Zhongce, Double Coin Holdings (formerly known as "Shanghai Tyre and Rubber (Group) Co"), and GITI Tire. Key international customers include Sumitomo Rubber, Bridgestone Corporation, Goodyear Tire, Korean Kumho, and Michelin.

Gross profit increased by 81.2% to RMB 226.8 million as prices rose during the 2nd and 3rd quarters of the year, with average gross margins increasing to 28.4% from 20.2% in comparative year.

Other operating income increased to RMB 12.3 million from RMB 5.0 million in comparative year due mainly to the higher investment income recognised.

Selling and distribution expenses increased by 39.1% to RMB 28.3 million in FY2008 due to higher sales revenue and increased shipping costs. Administrative expenses increased by 160.0% to RMB 60.8 million as the Group set aside additional RMB 5.5 million for impairment of receivables, start-up costs relating to the new 10,000-ton integrated sulphenamides and 5,000-ton antioxidant TMQ plants, as well as start-up costs for the 10,000-ton MBT workshop, higher overall headcounts, wage adjustments, incentive compensation accruals, past years' water tax fees, general maintenance costs and professional fees, and

Financial and Operations Review (cont'd)

The Group's strategy to meet the global challenges in a tough year is to grow its market share while meeting the needs of customers through multiple channels.

generally higher compliance costs in its capacity as a listed entity for the full year compared to half year in comparative year. Research costs increased to RMB 16.6 million from RMB 0.6 million in the previous year as the Group decided to invest more in R&D projects due to the good earnings to support future growth. Prior year comparative was undermined due to writeback of R&D payables of RMB 3.0 million as well as restricting R&D expenditure. Other operating expenses increased to RMB 4.9 million from RMB 2.4 million in FY2007 due mainly to foreign exchange losses at subsidiary. Finance expenses remained at approximately RMB 0.4 million in current year, mainly for interest expenses relating to discounting of notes.

As a result of the strong revenue achieved especially in the first three quarters, profit before tax rose 70.3% to RMB 128.1 million in current year, helped by the lack of one-time share issue charge that occurred in prior year of RMB 7.8 million. Net profit attributable to shareholders rose by 40.3% to RMB 106.7 million in current year, after charging corporate taxation expenses of RMB 21.4 million while the Group enjoyed full exemption from corporate taxation in FY2007.

REVIEW OF CASH FLOWS

	FY2008 RMB'million	FY2007 RMB'million
Cash flows generated from operating activities	127.7	56.6
Cash flows (used in) investing activities	(10.4)	(194.9)
Cash flows (used in)/generated from financing activities	(44.4)	216.3
Net increase / (decrease) in cash and cash equivalents	72.9	77.9

As at 31 December 2008, the Group had cash and bank balances of RMB 184.2 million compared to RMB 113.2 million a year ago. The improvement was due to our strong operating performance and tight monitoring of our cash flows.

Net operating cash flows generated was RMB 127.7 million in current year compared to RMB 56.6 million generated in prior year. Average debtors collection period improved from an average of 68 days in FY2007 to 52 days in FY2008. Average creditors turnover in days remained constant at around 10 days in FY2008 compared to 12 days in FY2007. Inventory turnover in days increased from 21 days in FY2007 to 31 days in FY2008 due to the sharp decline in sales in the last quarter of the year.

Net cash used in investing activities was RMB 10.4 million in FY2008 due to capital expenditures on property, plant and equipment (PPE) of RMB 77.3 million, and net proceeds from maturity of bank deposits of RMB 60.0 million and interests RMB 6.9 million were received, compared to RMB 194.9 million invested in mainly PPE and structured deposits.

Net cash used in financing activities in FY2008 was RMB 44.4 million due mainly to the payment of dividends to shareholders of RMB 25.0 million, repayment of loan from director of RMB 13.2 million and purchase of treasury shares of RMB 6.7 million, compared to net RMB 216.3 million generated in FY2007 due mainly from issue of new shares pursuant to our IPO.

Financial and Operations Review (cont'd)

REVIEW OF BALANCE SHEET

Net asset for the Group increased by 15.3% from RMB 468.9 million to RMB 540.5 million due to the profits earned during the year, net of dividends paid to shareholders.

Inventory balance has increased to RMB 66.2 million as at 31 December 2008 compared to RMB 30.2 million as at 31 December 2007 due mainly to the higher quantity of raw materials and finished goods compared to prior year. Trade debtors decreased by RMB 26.7 million from RMB 127.9 million to RMB 101.2 million due to tighter collections during the current year and lower sales in the last quarter of FY2008 compared to the previous year. Average debtors collection in days improved to 52 days for FY2008 compared to 68 days for FY2007.

Other receivables, deposits and prepayments have increased by RMB 7.9 million from RMB 77.7 million as at 31 December 2007 to RMB 85.6 million as at 31 December 2008 due mainly to the increase in short-term notes receivables of RMB 15.6 million from RMB 53.0 million to RMB 68.6 million, offset by due collections of loans to third parties amounting to RMB 7.0 million.

At end FY2008, we have put RMB 40.0 million in short-term structured deposits (capital-protected) with a local Chinese bank after the maturity of our previous deposit of RMB 100 million during the year. Cash and bank balances as at 31 December 2008 stands at RMB 184.2 million compared to RMB 113.2 million as at 31 December 2007.

Total current liabilities increased slightly from RMB 115.3 million as at 31 December 2007 to RMB 121.8 million as at 31 December 2008 due mainly to the increased payables and accruals of approximately RMB 18.6 million from higher levels of operating costs, increased R&D payables of RMB 14.2 million from higher investment into research and development, increased provision for corporate taxation of RMB 5.8 million, offset by loans repayment to a director of RMB 13.2 million and reduction in deferred grant of RMB 4.6 million.

Investments in fixed assets increased by a net RMB 43.6 million from RMB 108.9 million to RMB 152.5 million due to capital expenditures on various projects during the year, including our 5,000-ton Insoluble Sulphur plant, 10,000-ton Integrated Sulphenamide plant, 5,000-ton antioxidant TMQ plant, waste-water treatment facility upgrade, and sulphur-recycling facility upgrade.

The Company started executing its share buyback programme in September 2008 as it is felt that its share price has fallen to a compelling level in comparison to the Company's profitability, business performance and net asset value per share due to the global financial crisis. Shares purchased during the year amounted to RMB 6.7 million and is held as treasury shares. The Company is seeking a renewal of its share buyback mandate in the forthcoming 2009 AGM.

REVIEW OF OPERATIONS

The year started well for the Company. Starting from the 2nd quarter, prices firmed up due to more demand and tight supply. With funds secured from its listing in July 2007, FY2008 is a year of building capacity and launching of our new products including Insoluble Sulphur, antioxidant TMQ and MBTS (medical grade).

Production capacity for accelerators has been expanded from 39,000 tons to 50,000 tons at the end of the year with the completion of the 10,000-ton Integrated Sulphenamide plant end 1H2008 as scheduled. Commercial production started in 3Q2008, but output from this plant and our other plants was affected by shortage of raw materials caused by restrictions on transportation due to the Beijing Olympics in August and September. As we increase our production capacity of our products, we also did the same for our intermediary product accelerator MBT, which is now standing at 30,000 tons, most of which is used to produce our end accelerators.

YEAR-END PRODUCTION CAPACITY

	FY2004 Tons	FY2005 Tons	Y2006 Tons	FY2007 Tons	FY2008 Tons	Plan FY2009 Tons
Rubber Accelerators	20,500	23,000	32,000	39,000	50,000	55,000
Insoluble Sulphur	-	-	-	5,000	5,000	10,000
Anti-oxidant	-	-	-	-	5,000	10,000

Financial and Operations Review (cont'd)

EXPANDING PRODUCTS RANGE

Insoluble Sulphur (a vulcanising agent)

Construction of the Insoluble Sulphur plant was completed in end FY2007, with trial production in 1Q2008 before normal production in 2Q2008. Output is insignificant during the year pending customers' testing and accreditation. Some PRC customers have started using this product, while we await testing results from the global top 10 tyre makers. As this is still relatively new, we continue to work on the production processes to increase quality and stability to meet customers' requirements. We intend to expand the plant's maximum capacity to 10,000 tons annually by end FY2009.

We estimate that the demand in PRC for this product is around 40,000 tons a year, with a net import of more than 20,000 tons annually. This is due to the lack of local supply to meet stringent requirements of tyre makers and the higher level of technical knowledge required in its production. We aim to be a market leader for this new product in China.

Anti-Oxidant TMQ

Construction of a 5,000-ton anti-oxidant TMQ plant was completed in end 1H2008. Anti-oxidant TMQ is a rubber chemical agent added during the vulcanisation process of rubber to prevent ageing of rubber products when they come in contact with the atmosphere. Since the successful completion of its trial production, output has been insignificant in FY2008 pending customers' testing and accreditation. We intend to expand production to a maximum capacity of 10,000 tons by end FY2009.

Anti-oxidant TMQ is widely used in the rubber industry, and we believe customers' accreditation and acceptance will be achieved in due course.

Accelerator MBTS (medical grade)

Construction of a 7,000-ton MBTS plant is underway to meet the growing demands of customers, including some annual requirement of 4,000 tons of MBTS (medical grade), requiring additional processing for the pharmaceutical industry.

Our accelerator MBTS is of a higher level of grade and purity. It can be used for producing intermediate products for manufacturing antibiotics in China.

EXPANDING MARKETS

FY2008 marks a successful year of extending our market reach globally. We have received new orders from existing key customers from their other markets, as well as new customers.

Existing Customers, New Markets

Key customers have shown their support of our products. Bridgestone has given us orders for their plants in India, Turkey, Australia, as well as a new plant in Thailand. Goodyear Tire has placed orders for their plants in Brazil, Poland, India and others. Yokohama, Korea Kumho and Pirelli have also secured orders for their plants in Japan, Vietnam, Brazil and Turkey.

New Customers

New customers Continental AG has regularised its purchases from its South African and Malaysian units for the current year since the initial trial order in end FY2007. We have received new orders from over 120 new customers in FY2008.

ENVIRONMENTAL INVESTMENT

We continue to invest in environmental projects in the current year because we strongly believe in caring and protecting nature as we do our business. We are good corporate citizens – we are not simply a high-quality producer but also one that cares for the environment. This is one of our competitive advantages that we have worked hard for over the years.

During FY2008, we completed the waste-gas recycling facility in our Second Facility, and the upgrading of our waste-water treatment facility in the same area is still in progress.

Poised for Growth

The Group is confident in the growth potential of its new products and is positive about penetrating new markets, particularly the non-tyre sectors. It is seeking opportunities to increase its product range, capacity, distribution channels and development of new markets through internal growth and partnerships.

With its current capacity, the Group is poised for strong growth as the market recovers. It remains confident of its prospects and performance in the coming years.

Corporate Information

Registered Office and Principal Place of Business

Singapore Office
112 Robinson Road
#12-04 Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
E-mail: info@ChinaSunsine.com
Website: www.ChinaSunsine.com

China Office
Shandong Shanxian Chemical Co., Ltd.
Four Kilometres South-East of Shanxian
Shandong Province
Post Code: 274300
The People's Republic of China

Board of DIrectors
Xu Cheng Qiu Executive Chairman
Liu Jing Fu Executive Director
Xu Jun Executive Director
Ma Ying Qun Executive Director
Tan Lye Heng Paul Lead Independent Director
Lim Heng Chong Benny Independent Director
Xu Chun Hua Independent Director
Ling Yong Wah Non-Executive Director

Audit Committee
Tan Lye Heng Paul Chairman
Lim Heng Chong Benny
Xu Chun Hua

Nominating Committee
Lim Heng Chong Benny Chairman
Tan Lye Heng Paul
Xu Chun Hua

Remuneration Committee
Xu Chun Hua Chairman
Tan Lye Heng Paul
Lim Heng Chong Benny

Joint Company Secretaries
Ho Chee Tong LL.B (Hons) (Singapore) /
Koh Choon Kong CPA (Singapore), CFA

Bankers
China Construction Bank Corporation Heze Branch
Agricultural Bank of China Heze Branch
Bank of China Heze Branch
Industrial and Commercial Bank of China Heze Branch
Standard Chartered Bank
Credit Suisse Singapore Branch
The Hong Kong and Shanghai Banking Corporation Limited

Share Registrar
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

Independent Auditors
Paul Wan & Co
Certified Public Accountants
A member firm of Morison International
10 Anson Road #35-07
International Plaza
Singapore 079903

Partner-in-charge:
Wan Tong Chee Paul
(appointed on 24 March 2008)

Corporate Governance Report

China Sunsine Chemical Holdings Ltd. (the "**Company**") is committed to maintaining a high standard of corporate governance 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 adhered to the principles and guidelines of the Code of Corporate Governance (the "**Code**"), save for Guideline 3.1 (the Chairman and Chief Executive Officer should in principle be separate persons), the reason for which deviation is explained below.

This report outlines the Company's corporate governance processes and structure, with specific reference to the principles and guidelines 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

Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

Role of the Board

The Board assumes responsibility for stewardship of the Company and its subsidiary (the "**Group**"). Its 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 the Management, approve the nominations of the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;

(e) review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee; and

(f) assume responsibility for corporate governance.

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 of an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"). Each of these committees functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each committee is also constantly being monitored.

Corporate Governance Report

The Board meets 4 times a year and as warranted by particular circumstances. Telephonic attendance and conference at Board meetings are allowed under the Articles of Association of the Company. The number of Board and Board committee meetings held during FY2008, as well as the attendance of each member at these meetings, are set out below:

	Board	AC	NC	RC
	Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 1	Number of Meetings Held: 1
Name of Directors	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Xu Cheng Qiu	4	N.A.	N.A.	N.A.
Liu Jing Fu	4	N.A	N.A.	N.A.
Xu Jun	4	N.A.	N.A.	N.A.
Ma Ying Qun	4	N.A.	N.A.	N.A.
Tan Lye Heng Paul	4	4	1	1
Lim Heng Chong Benny	4	4	1	1
Xu Chun Hua	4	4	1	1
Ling Yong Wah	4	N.A.	N.A.	N.A.

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision are those involving interested person transactions (including, among others, conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. Each Board member makes decisions objectively in the interests of the Group.

All newly-appointed directors are briefed on the business activities of the Group and its strategic goals, and undergo an orientation program which includes visits to the Group's operating facilities to gain a better understanding of the Group's business operations and governance practices. Directors who are first-time directors, or who have no prior experience as directors of a listed company, also undergo briefings on the roles and responsibilities as directors of a listed company.

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 Companies Act, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

Corporate Governance Report

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The NC determines annually whether or not a director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. In addition, in deciding whether or not a director is independent, the NC also takes into consideration whether a director has business relationships with the Company or any of its related companies, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment with a view to the best interests of the Company. The NC is of the view that based on the Code's definition of an "independent director" and guidance as to relationships, the 3 current independent directors are independent, and no individual or small group of individuals dominates the Board's decision-making process.

The Board presently comprises 8 directors, of whom 3 are independent directors. The present composition of the Board complies with the Code's guidelines that independent directors make up at least one-third of the Board. The nature of the current directors' appointments and membership on the Board committees are as follows:

Name of Directors	Position held on the Board	Committee Membership		
		Audit	Nominating	Remuneration
Xu Cheng Qiu	Executive Chairman	–	–	–
Liu Jing Fu	Executive Director	–	–	–
Xu Jun	Executive Director	–	–	–
Ma Ying Qun	Executive Director	–	–	–
Tan Lye Heng Paul	Lead Independent Director	Chairman	Member	Member
Lim Heng Chong Benny	Independent Director	Member	Chairman	Member
Xu Chun Hua	Independent Director	Member	Member	Chairman
Ling Yong Wah	Non-Executive Director	–	–	–

The size and composition of the Board is reviewed annually by the NC which is of the view that the current Board size of 8 directors, 3 of whom are independent non-executive directors, is appropriate and facilitates effective decision-making, taking into account the nature and scope of the Company's operations.

The NC is also satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to be effective.

Corporate Governance Report

The independent directors discuss regularly without the presence of Management matters such as the changes that they like to see in Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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 day-to-day running of the Group as well as the exercise of control of 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 agenda to enable the Board to carry out its duties effectively and responsibly, taking a leading role to ensure and maintain a high standard of compliance corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with the Management on all operational matters.

The Company has not created a separate Chief Executive Officer position as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. All major decisions made by the Executive Chairman are reviewed and approved by the Board. His performance and appointment to the Board is reviewed periodically by the NC and RC and his remuneration package is reviewed periodically by the RC. Both the NC and RC comprise independent directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual. In line with the recommendations in the Code, Mr Tan Lye Heng Paul has been appointed 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.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to 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:

Lim Heng Chong Benny	-	Chairman
Tan Lye Heng Paul	-	Member
Xu Chun Hua	-	Member

Role of the NC

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, including re-nominations having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour);

Corporate Governance Report

(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 decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

(g) to assess the effectiveness of the Board as a whole.

The basis of the NC's annual determination as to whether a director is or is not independent is set out on page 19 of this Annual Report.

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.

Process for appointment 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 Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;

(c) The NC assesses suitability of short-listed candidates 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.

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.

Corporate Governance Report

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Under the Company's existing Articles of Association, 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 annual general meeting ("**AGM**") of the Company. A newly appointed director must also submit himself for re-election at the AGM immediately following his appointment.

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

(a) Pages 8 to 9 – Academic and professional qualifications;

(b) Page 31 – Date of first appointment as director, date of last re-election, current and past directorship in other listed companies, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(c) Page 35 – Shareholding in the Company and its subsidiary.

<u>Board Performance</u>

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

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

The Board assessment exercise provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him to discharge his 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 own performance on the Board 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 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.

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

Evaluation processes

(a) Board

Each Board member is required to complete a Board 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 discharge its duties more effectively.

(b) Individual directors

In the case of the assessment of individual directors, each director is required to complete a director's assessment form by way of a self-assessment of his contribution to the effectiveness of the Board. 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 performance of each director, with a view to improving their respective performance on the Board.

Corporate Governance Report

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 executives, financial reporting, and communication with shareholders.

The individual director's performance criteria are categorized into (1) attendance at board and related activities, (2) adequacy of preparation for board meeting, (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.

<u>Access to Information</u>

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

To assist the Board in fulfilling its responsibilities, Management provides the Board with complete and adequate information in a timely manner. As a general rule, Board papers are required to be sent to 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 executives 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.

The directors are also provided with the names and contact details of the Company's senior management and the Company Secretary to facilitate direct, separate and independent access to senior management and the Company Secretary.

The Company Secretary administers, attends and prepares minutes of Board proceedings. He assists the Chairman by ensuring that Board procedures (including but not limited to assisting the Chairman by ensuring the timely and proper exchange of information between the Board and Board committees, and between senior management and the non-executive directors, and facilitating orientation and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's memorandum and articles of association and relevant rules and regulations, including requirements of the Companies Act and Listing Manual of the SGX-ST ("**Listing Manual**") are complied with. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term shareholders' value.

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

Subject to the approval of the Executive Chairman, 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

(B) REMUNERATION MATTERS

<u>Procedures for Developing Remuneration Policies</u>

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC currently comprises of entirely independent directors as follows:

Xu Chun Hua	-	Chairman
Tan Lye Heng Paul	-	Member
Lim Heng Chong Benny	-	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 individual directors and senior management. 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 Executive Chairman, directors, and key executives of the Company. The framework will cover all aspects of remuneration, including without limitation, directors fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) to review the remuneration packages of all managerial staff who are related to any of the executive directors;

(c) in the case of directors' service contracts, to consider what compensation or commitments the directors' service contract, if any, would entail in the event of early termination; and

(d) 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.

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.

The RC has access to expert advice in the field of executive remuneration outside the Company where required.

<u>Level and Mix of Remuneration</u>

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of independent directors by ensuring that the remuneration commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM.

Corporate Governance Report

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

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Policy in respect of independent directors' remuneration

The independent directors do not enter into service contracts 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 members of the AC are paid a higher fee than the members of the other Board committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board committee is also paid a higher fee 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 AGMs.

Remuneration policy in respect of executive directors and other key executives

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 shareholder 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.

Level and mix of remuneration of the directors, key executives (who are not also directors) for FY2008

The level and mix of each of the directors' remuneration, and that of each of the key executives (who are not also directors), in bands of S$250,000 for FY2008, are set out below:

Remuneration Band & Name of Directors	Salary	Bonus	Director's fees	Other benefits	Total
	%	%	%	%	%
S$1,750,000 to below S$2,000,000					
Xu Cheng Qiu	10	90	–	–	100
S$250,000 to below S$1,750,000					
Nil					
Below S$250,000					
Liu Jing Fu	40	60	–	–	100
Xu Jun	20	80	–	–	100
Ma Ying Qun	20	80	–	–	100
Tan Lye Heng Paul	–	–	100	–	100
Lim Heng Chong Benny	–	–	100	–	100
Xu Chun Hua	–	–	100	–	100
Ling Yong Wah	–	–	100	–	100

Corporate Governance Report

Remuneration Band & Name of Executive Officers	Salary	Bonus	Other benefits	Total
	%	%	%	%
Below S$250,000				
Koh Choon Kong	80	20	–	100
Chang Ke Lai (1)	100	–	–	100
Li Song	16	84	–	100
Fan Chang Lin	16	84	–	100
Geng He Ping	16	84	–	100

(1) Chang Ke Lai left during the year.

There were no employees of the Company or its subsidiaries who were immediate family members of any director of the Company and whose remuneration exceeded S$150,000 for FY2008. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2008. Accordingly, no share option has been granted to the above directors nor key executives.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNet to the SGX-ST, press releases, the Company's website, and public webcast and media and analyst briefings.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC currently comprises of the following independent directors:

Tan Lye Heng Paul - Chairman
Lim Heng Chong Benny - Member
Xu Chun Hua - Member

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

Corporate Governance Report

The primary functions of the AC include the following:

(a) to review the financial and operating results and accounting policies of the Group;

(b) to review the scope and results of the audit and its cost effectiveness;

(c) to review the financial statements before their submission to the Board and the external auditors' report on those financial statements;

(d) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;

(e) to review the quarterly, half-yearly and annual announcement of results of the Group before submission to the Board for approval;

(f) to consider and review the assistance given by Management to the auditors;

(g) to discuss with the external auditors before the audit commences the nature and scope of the audit;

(h) to review the external audit plan and the results of the external auditors' examination and evaluate the effectiveness of the Group's internal control system;

(i) to review the independence and objectivity of the external auditors;

(j) to recommend the appointment or re-appointment of external auditors, and approve the terms of engagement and audit fees payable to the external auditors;

(k) 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);

(l) to review the internal audit plan and findings of the internal auditors;

(m) 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

(n) 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 auditors and the external auditors, who report independently their findings and recommendations to the AC. The AC met with the external auditors and internal auditors, without the presence of the 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 quarterly and full-year results. The AC also reviewed and approved both the Company's internal auditor's and external auditor's 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 and compliance 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.

In addition, the AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors. No non-audit fees were paid to the external auditors for financial year ended 31 December 2008.

Corporate Governance Report

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, civil and/or criminal actions that may be initiated following completion of investigations, are appropriate, balanced, and fair.

On a quarterly basis, Management reports to the AC the interested person transactions ("**IPTs**") reviewed by the internal auditors. Findings of IPTs, if any, were reported during AC meetings.

Internal Controls

Principle 12: The Board should ensure that Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Company's internal and external auditors conduct an annual review of the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management policies and systems established by Management (collectively "**internal control**"). 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.

During the year, the AC reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's risk management processes and internal controls are adequate to meet the needs of the Company in its current business environment.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The role of the internal auditors 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 Nexia TS Public Accounting Corporation (the "**Internal Auditor**"), which has unrestricted direct access to the AC.

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

During the year, the Internal Auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance 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 and the relevant senior management officers.

The AC also reviewed the adequacy of the internal audit function and was satisfied that it is adequately resourced and has appropriate standing within the Company.

Corporate Governance Report

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity 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.

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

(a) announcements of full year and quarterly 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 at which shareholders can access information on the Group.

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to 2 proxies to vote on his behalf at the meeting through proxy forms sent in advance. At shareholders' meetings, each distinct issue is proposed as a separate resolution. The chairman of each Board committee is required to be present to address questions at AGMs. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

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.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries, if any, from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

(E) DEALINGS IN SECURITIES

The Group has adopted and implemented policies in line with Rule 1207(18) 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 the Management who may possess unpublished material price-sensitive information of the Group.

The Group prohibits the directors and employees to trade in the Company's securities, during the period beginning 1 month and 2 weeks before the date of the announcement of the full year or quarterly results respectively 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.

Corporate Governance Report

(F) RISK MANAGEMENT

The Company does not have a Risk Management Committee during the period under review. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

(G) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions 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.

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

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

The AC reviewed the following interested person transaction for the financial year ended 31 December 2008 in accordance with its existing procedures:

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2008 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)
Xu Cheng Qiu [1]	RMB 37.1 million	Nil

[1] This is amount owing to Mr Xu Cheng Qiu as part of Company's Restructuring in 2007 for preparation of IPO. AC has approved the full repayment in FY2009.

The Board confirms that the interested person transaction is not prejudicial to the shareholders and that there is no other interested person transaction (with value more than $100,000) conducted during the year.

(H) MATERIAL CONTRACTS

Save for the Service Agreements entered into with the executive directors (as disclosed in the Company's Prospectus dated 25 June 2007), 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 any director or controlling shareholder of the Company during the period under review.

Corporate Governance Report

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date Last Appointed	Date Last Re-election	Current Directorship in other Listed Companies	Past Directorship in other Listed Companies
Xu Cheng Qiu	65	Executive Chairman	11 October 2006	18 June 2007	None	None
Liu Jing Fu	57	Executive Director	18 May 2007	18 June 2007	None	None
Xu Jun	39	Executive Director	18 May 2007	18 June 2007	None	None
Ma Ying Qun	35	Executive Director	18 May 2007	18 June 2007	None	None
Ling Yong Wah	43	Non-Executive Director	9 March 2007	29 April 2008	- ElectroTech Investments Limited - EDMI Limited	None
Tan Lye Heng Paul	44	Lead Independent Director	18 May 2007	29 April 2008	- Second Chance Properties Ltd. - Sin Ghee Huat Corporation Ltd.	None
Lim Heng Chong Benny	38	Independent Director	18 May 2007	29 April 2008	None	None
Xu Chun Hua	66	Independent Director	18 May 2007	18 June 2007	- Xingda International Holdings Limited	None

Corporate Governance Report

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the board to any board committee, to make decisions on certain board matters	17 - 28
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	18
Guideline1.5 The type of material transactions that require board approval under internal guidelines	18
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reasons considering him as independent should be disclosed	19
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	20
Guideline 4.1 Composition of nominating committee	20
Guideline 4.5 Process for the selection and appointment of new directors to the board	21 - 22
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	31
Guideline 5.1 Process for assessing the effectiveness of the board as a whole and the contribution of each individual director to the effectiveness of the board	22 - 23
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance	24 - 25
Guideline 9.1 Composition of remuneration committee	24

Corporate Governance Report

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 9.2 Names and remuneration of each director. The disclosure of remuneration should be in bands of S$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, and stock options granted and other long-term incentives	25
Guideline 9.2 Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$150,000 during the year. The disclosure should be made in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.4 Details of employee share schemes	26
Guideline 11.8 Composition of audit committee and details of the committee's activities	26 - 28
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls and risk management system	28 - 30

Financial Contents

Report of Directors

The directors have pleasure in presenting their report to the members together with the audited consolidated financial statements of the Company and of the Group for the financial year ended 31 December 2008 and balance sheet and statements of changes in equity of the Company and of the Group as at 31 December 2008.

1. DIRECTORS OF THE COMPANY

The directors in office at the date of this report are:

Xu Cheng Qiu	(Executive Chairman)
Liu Jing Fu	(Executive Director)
Xu Jun	(Executive Director)
Ma Ying Qun	(Executive Director)
Tan Lye Heng Paul	(Lead Independent Director)
Lim Heng Chong Benny	(Independent Director)
Xu Chun Hua	(Independent Director)
Ling Yong Wah	(Non-Executive Director)

2. ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisitions of shares or debentures of the Company or any other body corporate, other than as disclosed under "Share Options" on Page 36.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors of the Company who held office at the end of the financial year had, according to the register of Directors' shareholdings kept by the company, an interest in shares of the Company.

	Number of ordinary shares fully paid					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
	As at 1.1.2008	As at 31.12.2008	As at 21.01.2009	As at 1.1.2008	As at 31.12.2008	As at 21.01.2009
The Company -						
China Sunsine Chemical Holdings Ltd						
(Ordinary shares)						
Xu Cheng Qiu	468,000	2,047,000	2,047,000	293,174,550	293,642,550	293,642,550
Liu Jing Fu	720,000	720,000	720,000	–	–	–
Tan Lye Heng Paul	100,000	150,000	150,000	–	–	–
Lim Heng Chong Benny	100,000	100,000	100,000	–	–	–
Ling Yong Wah	100,000	100,000	100,000	–	–	–
Holding company -						
Success More Group Ltd						
(Ordinary shares)						
Xu Cheng Qiu *	7,427	7,427	7,427	–	–	–
Xu Jun	812	812	812	–	–	–

Report of Directors

* Mr. Xu Cheng Qiu owns 74.27% of Success More Group Ltd which owns 293,642,550 shares in the Company, and as such, by virtue of the provisions of Section 7 of the Singapore Companies Act, Cap.50, is deemed to have an interest in the Company.

4. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in Notes to the financial statements, since the end of the previous financial year, no director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. SHARES OPTIONS

(a) During the financial year, no option to take up unissued shares of the Company was granted.

(b) During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) At the end of the financial year, there were no unissued shares of the Company under option.

6. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as followings:-

Tan Lye Heng Paul – Chairman
Lim Heng Chong Benny
Xu Chun Hua

All members of the Audit Committee are independent. The Audit Committee carried out its functions in accordance with the Code of Corporate Governance. In performing those functions, the Committee reviewed:

- the audit plan of Company's independent auditor and its report on weakness of 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 2008 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board of Directors the nomination of Paul Wan & Co, a member firm of Morison International for their appointment as Independent Auditors of the Company at the forthcoming Annual General Meeting of the Company.

Report of Directors

7. INDEPENDENT AUDITORS

The independent auditors, Paul Wan & Co., a member firm of Morison International have expressed their willingness to accept re-appointment.

On behalf of the Board

Xu Cheng Qiu
Director

Liu Jing Fu
Director

Singapore
5 March 2009

Statement by Directors

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and 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.

On behalf of the Board

Xu Cheng Qiu
Director

Liu Jing Fu
Director

Singapore
5 March 2009

Independent Auditors' Report

to the Members of China Sunsine Chemical Holdings Ltd.

We have audited the accompanying financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiary (the "Group") as set out on pages 41 to 76, which comprise the balance sheet of the Company and of the Group as at 31 December 2008, the statements of changes in equity of the Company and of the Group, the consolidated income statement, and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes The financial statements of the Company for the financial year ended 31 December 2007 were audited by another firm of auditors whose report dated 28 February 2008 expressed unqualified opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguard 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 profit and loss account and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report
to the Members of China Sunsine Chemical Holdings Ltd

Opinion

In our opinion,

(a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PAUL WAN & CO
Certified Public Accountants, Singapore
A member firm of Morison International

Wan Tong Chee Paul
Partner
Appointed on 24 March 2008

Singapore
5 March 2009

Consolidated Income Statement

for the financial year ended 31 December 2008

	Note	The Group 2008 RMB'000	The Group 2007 RMB'000
Revenue	4	797,876	619,539
Cost of sales		(571,087)	(494,368)
Gross profit		226,789	125,171
Other operating income	5	12,371	5,035
Distribution costs		(28,314)	(20,350)
Administrative expenses		(60,811)	(23,383)
Research costs	6	(16,562)	(619)
Other expenses		(4,938)	(2,423)
Finance costs	7	(404)	(445)
Profit from operations		128,131	82,986
Share issue costs		–	(7,753)
Profit before tax	10	128,131	75,233
Income tax expense	11	(21,421)	825
Net profit attributable to shareholders		106,710	76,058
		RMB cents	RMB cents
Earnings per share:	12		
- basic		21.77	19.04
- diluted		21.77	18.19

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

Balance Sheet
as at 31 December 2008

	Note	The Company 2008 RMB'000	The Company 2007 RMB'000	The Group 2008 RMB'000	The Group 2007 RMB'000
ASSETS					
Non-Current					
Property, Plant and Equipment	13	–	–	152,450	108,897
Intangible assets	14	–	–	18,426	9,814
Subsidiary	15	350,010	251,408	–	–
Available-for-sale financial assets	16	14,245	15,243	14,245	15,243
		364,255	266,651	185,121	133,954
Current					
Inventories	17	–	–	66,234	30,183
Available-for-sale financial assets	16	–	–	40,000	101,291
Trade and other receivables	18	16,450	3,728	186,800	205,593
Cash and cash equivalents	19	28,293	38,019	184,189	113,192
		44,743	41,747	477,223	450,259
Total Assets		408,998	308,398	662,344	584,213
Equity Attributable to Equity Holders of the Parent					
Share capital	20	313,471	313,471	313,471	313,471
Treasury shares	20	(6,719)	–	(6,719)	–
Reserves	21	89,503	(7,824)	233,748	155,430
		396,255	305,647	540,500	468,901
LIABILITIES					
Current					
Trade and other payables	22	12,743	2,751	74,457	55,877
Deferred grant	23	–	–	320	4,936
Loans from a director	24	–	–	37,079	50,276
Current tax payable		–	–	9,988	4,223
		12,743	2,751	121,844	115,312
TOTAL EQUITY AND LIABILITIES		408,998	308,398	662,344	584,213

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

Statement of Changes in Equity

for the financial year ended 31 December 2008

The Group	Note	Share Capital RMB'000	Treasury share RMB'000	Exchange on translation RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Statutory common reserve RMB'000	Voluntary Common reserve RMB'000	Sub-total RMB'000	Total RMB'000
Opening balance at 1 January 2007		5	–	(2)	32,757	90,035	22,062	–	22,062	79,343
Exchange on translation		–	–	34	–	–	–	–	–	34
Net gain recognized directly in equity		–	–	34	–	–	–	–	–	34
Net profit for the year		–	–	–	–	76,058	–	–	–	76,058
Total recognized income and expenses for the year		–	–	34	–	76,058	–	–	–	76,092
Issue of ordinary shares		276,845	–	–	–	–	–	–	–	276,845
Share issue costs		(12,737)	–	–	–	–	–	–	–	(12,737)
Transfer to statutory reserve		–	–	–	–	(17,058)	8,529	8,529	17,058	–
Transfer to reserve		–	–	–	33,062	(25,062)	(8,000)	–	(8,000)	–
Conversion of convertible loans into share capital		49,358	–	–	–	–	–	–	–	49,358
Closing balance at 31 December 2007		313,471	–	32	305	123,973	22,591	8,529	31,120	468,901

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

Statement of Changes in Equity

for the financial year ended 31 December 2008

The Group	Note	Share Capital RMB'000	Treasury share RMB'000	Exchange on translation RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Statutory common reserve RMB'000	Voluntary Common reserve RMB'000	Sub-total RMB'000	Total RMB'000
Opening balance at 1 January 2008		313,471	–	32	305	123,973	22,591	8,529	31,120	468,901
Exchange on translation		–	–	(5,399)	–	2,034	–	–	–	(3,365)
Net gain/ (loss) recognized directly in equity		–	–	(5,399)	–	2,034	–	–	–	(3,365)
Net profit for the year		–	–		–	106,710	–	–		106,710
Total recognized income and expenses for the year		–	–	(5,399)	–	108,744	–	–	–	103,345
Deemed transfer back to retain earnings		–	–	–	–	15,000	(15,000)	–	(15,000)	–
Transfer to statutory reserve		–	–	–	–	(11,433)	5,717	5,716	11,433	–
Dividends on ordinary shares	25	–	–	–	–	(25,027)	–	–	–	(25,027)
Purchase of treasury shares	20	–	(6,719)	–	–	–	–	–	–	(6,719)
Closing balance at 31 December 2008		313,471	(6,719)	(5,367)	305	211,257	13,308	14,245	27,553	540,500

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

Statement of Changes in Equity
for the financial year ended 31 December 2008

The Company	Note	Share capital RMB'000	Treasury share RMB'000	Exchange on translation RMB'000	Retained earnings RMB'000	Total RMB'000
Opening balance at 1 January 2007		5	–	–	–	5
Exchange on translation				337		337
Net loss for the year		–	–	–	(8,161)	(8,161)
Total recognized income and expenses for the year		–	–	337	(8,161)	(7,824)
Issue of shares		276,845	–	–	–	276,845
Share issue costs		(12,736)	–	–	–	(12,736)
Conversion of convertible loans into share capital		49,357	–	–	–	49,357
Closing balance at 31 December 2007		313,471	–	337	(8,161)	305,647

The Company	Note	Share capital RMB'000	Treasury share RMB'000	Exchange on translation RMB'000	Retained earnings RMB'000	Total RMB'000
Opening balance at 1 January 2008		313,471	–	337	(8,161)	305,647
Exchange on translation				(5,664)		(5,664)
Net profit for the year		–	–	–	128,018	128,018
Total recognized income and expenses for the year		–	–	(5,664)	128,018	122,354
Dividends on ordinary shares	25	–	–	–	(25,027)	(25,027)
Purchase of treasury share	20	–	(6,719)	–	–	(6,719)
Closing balance at 31 December 2008		313,471	(6,719)	(5,327)	94,830	396,255

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		128,131	75,233
Adjustments for:			
Depreciation of property, plant and equipment	13	19,156	14,487
Amortisation of intangible assets	14	384	97
Exchange on translation		(2,450)	(854)
Loss on disposal/written off of property, plant and equipment		395	–
Impairment on trade receivables		5,495	156
Interest income		(5,500)	(2,561)
Interest expense		404	445
Written back of trade and other payables		(3,000)	(3,673)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		143,015	83,330
Cash deposits released from banks		1,874	28,836
(Increase) in inventories		(36,051)	(2,696)
Decrease/(Increase) in operating receivables		13,298	(75,271)
Increase in operating payables		21,580	24,875
CASH GENERATED FROM OPERATIONS		143,716	59,074
Interest paid		(404)	(1,057)
Income tax paid		(15,656)	(1,434)
Net cash generated from operating activities		127,656	56,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7	–
Acquisition of property, plant and equipment and intangible assets		(77,263)	(80,952)
Proceeds from sale of/(Investment in) available-for-sale financial assets	16	60,000	(115,159)
Interest received		6,875	1,186
Net cash used in investing activities		(10,381)	(194,925)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	25	(25,027)	–
Dividend paid to former shareholders of the subsidiary during restructuring		–	(31,332)
Grants received	23	540	8,900
Proceeds from issue of shares		–	276,845
Share issue costs		–	(12,736)
Repayment of bank loans		–	(12,000)
Repayment of loan from employees		–	(13,408)
Purchase of treasury share	20	(6,719)	–
Repayment of loan from a director		(13,197)	–
Net cash (used in)/ generated from financing activities		(44,403)	216,269
NET INCREASE IN CASH AND CASH EQUIVALENTS		72,872	77,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		111,288	33,361
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	184,160	111,288

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

1. CORPORATE INFORMATION

The financial statements of the Company and of the Group for the year 31 December 2008 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in the Republic of Singapore on 28 June 2006 as a limited private Company under the name of Dongming Petrochemical Holdings Pte. Ltd. On 10 October 2006, the Company changed its name to China Sunsine Chemical Holdings Pte. Ltd. On 1 June 2007, the Company was converted to public company and changed its name to China Sunsine Chemical Holdings Ltd. The Company was admitted to the Official List of the Singapore Exchange Mainboard on 5 July 2007.

The Company was incorporated as a limited liability company and domiciled in the Republic of Singapore.

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

The registered office and the principal place of business is located at 112 Robinson Road, #12-04, Singapore 068902.

The principal activity of the Company is that of an investment holding company. The principal activity of the subsidiary is stated in Note 15 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements expressed in Chinese Renminbi are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap.50 and Singapore Financial Reporting Standards (“FRS”).

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed in Note 3 to the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiary). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra group transactions, balances, income and expenses are eliminated on consolidation.

In the Company’s financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value on an individual subsidiary basis.

Notes to the Financial Statements
for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, and in the case of an investment not at fair value through income statement, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment losses recognised in income statement for equity investments classified as available-for-sale are not subsequently reversed through income statement. Impairment losses recognised in income statement for debt instruments classified as available-for-sale are subsequently reversed through income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments (Cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(v) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(vi) Trade and other payables

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

(vii) Equity Instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial asset is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the consolidated income statement for the year.

(d) Property, plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalized and expenditure for maintenance and repairs are charged to the income statement. When plant and equipment are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement:

Plant and machinery	4 - 7 years
Buildings	12 - 15 years
Motor vehicles	8 years
Office equipment	5 years

No depreciation has been provided for construction-in-progress.

Notes to the Financial Statements
for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment and depreciation (Cont'd)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/ losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively.

Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful lives and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefit embodied in the items of property, plant and equipment.

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

(e) Intangible assets

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortization and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

(f) Inventories

Inventories are stated at the lower of cost (weighted average method) and net realizable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(g) Research costs

Research costs relating to costs incurred on feasibility studies in and testing of new technologies are expensed off when incurred.

(h) Government grant

Government grant was recognised as income over the periods necessary to match the grant with the related costs which they are intended to compensate, unless they are related to the acquisition of property, plant and equipment.

Government grant was not recognised as income until there is a reasonable assurance that the Company and the Group will comply with the conditions attaching to it.

Receipt of the grant will not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Notes to the Financial Statements
for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits

Retirement benefit costs

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the consolidated income statement as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

(j) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements
for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Income taxes

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

(k) Impairment loss

(i) Non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ii) Financial assets

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the assets become uncollectible, it is written off against the allowance account. Subsequent recoveries previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured.

Notes to the Financial Statements

for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivables is recognised as an asset is it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, if any, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(m) Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of rubber chemicals is recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Management and consultation services fee is recognised when the services are rendered.

(n) Foreign currency transactions and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Renminbi ("RMB"), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements
for the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign Currency Transactions and Translation (Cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi ("RMB") using the exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and other currency instruments designated as hedges of such investment, are taken to the foreign currency translation reserve.

(o) Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) and within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

For the year presented, the Group has one operating segment, which is the manufacture and sale of rubber chemicals. The Group's manufacturing activities operate in the PRC.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Allowances for doubtful receivables

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's trade and other receivables are disclosed in Notes 18.

Notes to the Financial Statements

for the financial year ended 31 December 2008

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONT'D)

Useful Lives of plant and equipment

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased when useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold.

4. REVENUE

Revenue represents the sale of rubber chemicals mainly for use in all range of rubber tyres and rubber products, excluding applicable value-added tax.

5. OTHER OPERATING INCOME

The Group	2008 RMB'000	2007 RMB'000
Exchange gain	1,667	–
Interest income		
- available-for-sale financial assets	4,477	1,375
- advances to employees	–	51
- bank deposits	1	833
- fixed deposits	1,022	302
Profit on sale of scrap material	2,203	1,100
Written back of trade and other payables	–	673
Waiver of debt from other payable	3,000	–
Incentive on land tax	–	621
Others	1	80
	12,371	5,035

6. RESEARCH COSTS

The Group	2008 RMB'000	2007 RMB'000
M-DM 方法产业化	6,500	500
树脂深加工利用项目	5,800	–
RD生产技术	425	–
不溶性硫磺技术	369	–
1000吨TBS生产技术	–	1,000
1000吨M溶剂法生产工艺	–	1,000
Written back of research cost payable	–	(3,000)
Others	3,468	1,119
	16,562	619

Notes to the Financial Statements
for the financial year ended 31 December 2008

7. FINANCE COSTS

The Group	2008 RMB'000	2007 RMB'000
Interest on discount note	404	–
Interest on bank borrowings	–	225
Interest on loans from employees	–	220
	404	445

The effective interest rates per annum are as follows:

Discount note	5.95%	–
Bank loans	–	3.74%
Loans from employees	–	7.04%

8. EMPLOYEE BENEFIT EXPENSES

The Group	2008 RMB'000	2007 RMB'000
Directors' remuneration		
- salaries and related costs	11,168	822
- defined contributions*	4	2
Key management personnel (other than directors)		
- salaries and related costs	1,186	906
- defined contributions*	86	47
Other than directors and key management personnel		
- salaries and related costs	39,236	29,356
- defined contributions*	3,603	2,021
	55,283	33,154
As disclosed in:		
Cost of sales	26,059	20,034
Distribution costs	1,072	1,382
Administrative expenses	27,416	11,308
Research costs	736	430
	55,283	33,154

* Includes contributions under the retirement benefit plans (Note 9).

Notes to the Financial Statements
for the financial year ended 31 December 2008

9. RETIREMENT BENEFIT PLANS

The eligible employees of the Group, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statements for the financial year ended 31 December 2008 was approximately RMB 3,584,000 (2007: RMB 2,017,000), representing defined contribution national pension plan for the period.

10. PROFIT BEFORE TAXATION

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements.

The Group	2008 RMB'000	2007 RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	19,156	14,487
Amortisation of intangible assets	424	97
Loss on disposal of property, plant and equipment	395	–
Directors' fees	604	623
Impairment on trade receivables	5,495	156
Exchange loss	3,403	259

11. INCOME TAX EXPENSE

The Group	2008 RMB'000	2007 RMB'000
Current taxation	21,421	–
Overprovision in respect of prior years	–	(825)
	21,421	(825)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's profits as a result of the following:

The Group	2008 RMB'000	2007 RMB'000
Profit before taxation	128,131	75,233
Tax at statutory rate of 18% (2007 – 18%)	23,064	13,542
Deferred tax assets on temporary differences not recognized	6,488	1,516
Effect on different tax rate in China	7,466	12,429
Tax exempt income	(15,597)	(27,487)
Overprovision in respect of prior years	-	(825)
	21,421	(825)

Notes to the Financial Statements
for the financial year ended 31 December 2008

11. INCOME TAX EXPENSE (CONT'D)

The Company's subsidiary became a foreign-owned entity on 9 August 2006 and has been granted full tax exemption with effect from 1 September 2006 for FY2006 to FY2007 and 50% reduction in income tax from FY2008 to FY2010.

No provision for Singapore tax has been made as the company did not derive any significant taxable profit in Singapore.

12. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated on the Group's profit after taxation of RMB 106,710,000 (2007: RMB 76,058,000) on the weighted average number of ordinary shares in issue of 490,273,309 (2007: 399,410,585) shares during the financial year.

The diluted earnings per share is calculated on the Group's profit after taxation of RMB 106,710,000 (2007: RMB 76,058,000) on the weighted average number of ordinary shares in issue of 490,273,309 (2007: 418,093,425) shares during the financial year.

Notes to the Financial Statements

for the financial year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT

The Group	Plant machineries RMB'000	Buildings RMB'000	Motor Vehicles RMB'000	Office equipments RMB'000	Construction In-progress RMB'000	Total RMB'000
COST						
At 1 January 2007	67,419	23,767	3,755	927	3,089	98,957
Additions	18,414	6,647	623	257	50,411	76,352
Grant received	(3,000)	–	–	–	(964)	(3,964)
Reclassification	5,387	5,707	–	–	(11,094)	–
At 31 December 2007	88,220	36,121	4,378	1,184	41,442	171,345
Additions	14,230	7,932	77	242	45,786	68,267
Grant received	(5,156)	–	–	–	–	(5,156)
Reclassification	53,126	13,731	–	–	(66,857)	–
Disposals	–	–	(56)	–	–	(56)
Written off	(607)	(202)	–	(16)	–	(825)
At 31 December 2008	149,813	57,582	4,399	1,410	20,371	233,575
Accumulated Depreciation						
At 1 January 2007	39,681	7,057	887	336	–	47,961
Depreciation charge for the year	12,027	1,856	477	127	–	14,487
At 31 December 2007	51,708	8,913	1,364	463	–	62,448
Depreciation charge for the year	15,773	2,699	521	163	–	19,156
Disposals	–	–	(14)	–	–	(14)
Written off	(401)	(60)	–	(4)	–	(465)
At 31 December 2008	67,080	11,552	1,871	622	–	81,125
Net book value						
At 31 December 2008	82,733	46,030	2,528	788	20,371	152,450
At 31 December 2007	36,512	27,208	3,014	721	41,442	108,897

Construction in progress relates to the construction of production workshop at Facility 2.

Notes to the Financial Statements
for the financial year ended 31 December 2008

14. INTANGIBLE ASSETS

	Land use rights RMB'000	Total RMB'000
The Group		
Cost		
At 1 January 2007	5,567	5,567
Additions	4,600	4,600
At 31 December 2007	10,167	10,167
Additions	8,996	8,996
At 31 December 2008	19,163	19,163
Accumulated Amortisation		
At 1 January 2007	256	256
Amortisation charge for the year	97	97
At 31 December 2007	353	353
Amortisation charge for the year	384	384
At 31 December 2008	737	737
Net book value		
At 31 December 2008	18,426	18,426
At 31 December 2007	9,814	9,814

Land use rights relate to the following parcels of lands:

Location	Period	Land area (sq m)
Facility 1		
South Lao Ding Dang Road, Shan Cheng	50 years (expiring on 19 August 2053)	2,906.66
South Lao Ding Dang Road, Shan Cheng	50 years (expiring on 19 August 2053)	11,333.33
South East Zhang Zhi Lou. Shan Cheng	50 years (expiring on 29 March 2055)	8,243.00
South East Zhang Zhi Lou, Shan Cheng	50 years (expiring on 29 March 2055)	17,137.00
Facility 2		
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 2 June 2056)	162,087.00
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 22 April 2058)	133,855.00

Notes to the Financial Statements
for the financial year ended 31 December 2008

15. SUBSIDIARY

The Company	2008 SGD'000	2008 RMB'000	2007 SGD'000	2007 RMB'000
Unquoted equity investment, at cost	71,064	350,010	50,298	251,408

The Subsidiary is:

	Country of incorporation/ principal place of business	Percentage of Equity held 2008	Percentage of Equity held 2007	Principal activities
Held by the Company				
Shandong Shanxian Chemical Co.,Ltd * (山东单县化工有限公司)	People's Republic of China	100%	100%	Manufacture and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur

* Audited by ShanDong ZhongDa Certified Public Accounts Co., Ltd, a firm of certified public accountants in the PRC for local statutory reporting and by Paul Wan & Co for the purpose of FRS reporting and consolidation.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Company 2008 RMB'000	The Company 2007 RMB'000	The Group 2008 RMB'000	The Group 2007 RMB'000
Balance at beginning of year	15,243	–	116,534	–
Additions	–	15,159	60,000	115,159
Interest income	–	84	–	1,375
Withdrawals	–	–	(121,291)	–
Exchange difference	(998)	–	(998)	–
Balance at end of year	14,245	15,243	54,245	116,534
Less: current portion	–	–	(40,000)	(101,291)
Non-current portion	14,245	15,243	14,245	15,243

Notes to the Financial Statements

for the financial year ended 31 December 2008

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

Available-for-sale financial assets are analysed as follows:

		The Company		The Group	
		2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Unquoted securities with banks (capital-protected notes)					
Non-current					
- #1	(i)	4,748	5,137	4,748	5,137
- #2	(ii)	9,497	10,106	9,497	10,106
		14,245	15,243	14,245	15,243
Current					
- #3	(iii)	–	–	30,000	101,291
- #4		–	–	10,000	–
		14,245	15,243	54,245	116,534
Fair value:					
Unquoted securities with banks		14,245	15,243	54,245	116,534

(i) The available-for-sale financial asset #1 relates to a SGD 1,000,000 investment in Barclays 5Y 100% PP Callable Daily Range Accrual Note on Singapore Banks. The maturity date of the investment is 5 October 2012.

(ii) The available-for-sale financial asset #2 at year-end FY2008 relates to a SGD 2,000,000 investment in UBS 5Y SGD FTD Note IV (CapitaLand, SingTel, HSBS and DBS). The said financial asset bears interest at 3% per annum and matures on 20 June 2013.

(iii) The available-for-sale financial asset #3 relates to a RMB 30,000,000 investment in利德盈2008年第32期理财产品 issued by the China Construction Bank. The said financial asset bears interest at 2.70% per annum and matures on 2 January 2009.

(iv) The available-for-sale financial asset #4 relates to a RMB 10,000,000 investment in农行委托贷款to 单县东大医院. The said financial asset bears interest at 12.6% per annum and matures on 14 December 2009.

In the opinion of the directors of the Group, the book values of the available-for-sale financial assets approximate their fair values.

Notes to the Financial Statements
for the financial year ended 31 December 2008

17. INVENTORIES

The Group	2008 RMB'000	2007 RMB'000
At cost:		
Raw materials	35,935	13,966
Packing materials	1,810	1,267
Finished goods	28,489	14,950
	66,234	30,183
Inventories charged to cost of sales	501,838	403,349

The ageing of the inventory turnover approximates 31 (2007: 21) days.

18. TRADE AND OTHER RECEIVABLES

	The Company		The Group	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Trade receivables				
External parties	–	–	107,385	128,547
Impairment on trade receivables	–	–	(6,140)	(645)
	–	–	101,245	127,902
Other receivables				
Advances to suppliers	–	–	11,404	11,178
Down-payment for Construction of building	–	–	285	1,133
Note receivables	–	–	68,570	53,008
Staff advances	–	–	560	1,157
Amount owing by subsidiary	16,283	3,626	–	–
Loans to third parties				
- Loan #1	–	–	–	5,000
- Loan #2	–	–	–	2,000
- Loan #3	–	–	1,000	–
VAT receivables	–	–	2,495	–
Prepayment	133	85	295	2,849
Other deposits	–	1	623	201
Others	34	16	323	1,165
	16,450	3,728	85,555	77,691
	16,450	3,728	186,800	205,593

Notes to the Financial Statements

for the financial year ended 31 December 2008

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables are usually due within 30-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 52 (2007: 68) days. Impairment on trade receivables of RMB 6,140,000 (2007: RMB 645,000) has been made where the collectability of debts becomes uncertain.

The carrying amount of trade receivables individually determined to be impaired and the movements of the related impairment are as follows:

	The Company		The Group	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Beginning of financial year	–	–	645	489
Additions			6,092	216
Less: written back	–	–	(597)	(60)
End of financial year	–	–	6,140	645

The age analysis of trade receivables past due and impaired is as follow:

	The Company		The Group	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Past due over 6 months	–	–	2,191	–
Past due over 12 months	–	–	3,949	645
	–	–	6,140	645

The Note receivables from third parties mature as follow:

The Group	2008 RMB'000	2007 RMB'000
The earliest date	2 January 2009	11 January 2008
The latest date	24 June 2009	29 June 2008

The loan to a third party #1 relates to one-year unsecured loan granted to 单县东大医院 and is fully repaid during the financial year.

The loan to a third party #2 relates to advances given to 江阴泽舟投资有限公司 and is fully repaid during the year.

The loan to a third party #3 relates to one-year unsecured loan granted to 高传柱and is repayable on or before 3 November 2009. Interest is charged at 1.5% per month.

Notes to the Financial Statements

for the financial year ended 31 December 2008

19. CASH AND CASH EQUIVALENTS

For the purpose of cash flow statements, the cash equivalents comprise the following:

	The Company		The Group	
	2007	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	–	–	1	143
Bank balances	6,259	2,595	162,154	77,625
Fixed deposit	22,034	35,424	22,034	35,424
	28,293	38,019	184,189	113,192
Deposits pledged with banks	–	–	(29)	(1,904)
	28,293	38,019	184,160	111,288

The fixed deposit carries interest of 0.45% (2007: 2.1%) per annum and matures on 8 January 2009.

20. SHARE CAPITAL AND TREASURY SHARES

a) Share Capital	No. of shares	The Company and the Group SGD'000	RMB'000
Issued and fully paid:			
Balance as at date of incorporation and as at 1 January 2007	1,000	1	5
Sub-division of shares	300,224,550	1	5
Issue of share arising from convertible loans	49,775,450	9,930	49,357
Issue of shares	141,694,000	55,261	276,845
Share issue costs	–	(2,543)	(12,736)
Balance as at 31 December 2007 and 2008	491,694,000	62,649	313,471

b) Treasury shares	No. of shares	The Company and the Group SGD'000	RMB'000
Balance as at 1 January 2008	–	–	–
Acquired during the financial year	7,253	(1,415)	(6,719)
Balance as at 31 December 2008	7,253	(1,415)	(6,719)

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Treasury shares relate to ordinary shares of the Company that is held by the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2008

20. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

The Company acquired 7,253,000 (2007: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was RMB 6,719,000 (2007: Nil) and this was presented as a component within shareholders' equity.

21. RESERVES

	The Company		The Group	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Merger reserve	–	–	305	305
Statutory common reserve (i)	–	–	13,308	22,591
Voluntary common reserve (ii)	–	–	14,245	8,529
	–	–	27,858	31,425
Retained profits	94,830	(8,161)	211,257	123,973
Exchange on translation	(5,327)	337	(5,367)	32
	89,503	(7,824)	233,748	155,430

Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the entire interest acquired under the pooling-of-interests method of consolidation in the restructuring process carried out in year 2007

Exchange on translation

The exchange on translation relates to exchange difference arising from translation of the financial statements of the Company.

Other reserves

According to the Company Law of PRC and Articles of Association of Shandong Shanxian, the subsidiary is 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 each year to transfer 10% of the profit after tax as reported in its PRC statutory financial statements to statutory common reserve, 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 is allowed to appropriate a minimum of 10% of the net profit after taxation 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.

Notes to the Financial Statements
for the financial year ended 31 December 2008

22. TRADE AND OTHER PAYABLES

	The Company		The Group	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	–	9,505	19,066
Advances received from customers	–	–	1,986	4,418
Payable for construction of building	–	–	–	5,719
Accrual for land instalment payment	–	–	8,928	2,004
Accruals for operating costs	1,975	2,112	9,022	3,413
Other government taxes payables	–	–	1,169	4,308
Provision for directors' remunerations	10,204	624	10,484	624
Salaries and related costs payable	299	–	7,750	9,599
Loans from third parties				
- 胜利油田	–	–	–	3,000
- 单县投资公司	–	–	500	500
- 单县财政局	–	–	250	250
Other payables	265	15	9,786	2,083
Research and development costs payable	–	–	15,077	893
	12,743	2,751	74,457	55,877

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be reasonable approximation of their fair value. The ageing analysis of trade payables approximates 10 (2007 - 12) days.

The accrual of RMB 8,928,000 (2007: RMB 2,004,000) for land instalment payments are determined on the basis of the obligations to pay for the use of land over a period of fifty years, commencing at their respective dates, 10 November 2003, 31 March 2005, 23 June 2006 and 23 April 2008. The annualised rental payable is RMB 265,379 over 50 years and is interest-free.

The loans from third parties of RMB 750,000 are unsecured, interest-free and have no fixed terms of repayment.

23. DEFERRED GRANT

	Pollution Prevention		Technology Advancement	
	2008	2007	2008	2007
The Group	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	4,936	–	–	–
Amount received from governmental agencies	200	8,900	340	–
Utilised during the year	(5,136)	(3,964)	(20)	–
Balance at end of year	–	4,936	320	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

23. DEFERRED GRANT (CONT'D)

Deferred grants relate to government grants received from governmental agencies for research activities undertaken by the Group's subsidiary in People's Republic of China to promote pollution prevention and technology advancement *.

* There are no unfulfilled conditions or contingencies attached to these grants.

24. LOANS FROM A DIRECTOR

The Group

As part of the terms and conditions set out in the two convertible loan agreements dated 18 January 2007 (as supplemented by and agreement dated 26 March 2007), and 27 January 2007 (as supplemented by an agreement dated 26 March 2007), Xu Cheng Qiu (the Executive Chairman) entered into two separate loan agreements dated 18 January 2007 with the subsidiary, in which Xu Cheng Qiu granted loans of an aggregate amount of US$6.5 million (equivalent to approximately RMB 50 million) to the subsidiary which represents quasi-equity loan. The loans are interest-free. Accordingly, it is not practicable to determine the fair value of these loans. The loans granted by Xu Cheng Qiu are to be used solely for the business operations of the subsidiary, and can be repaid upon company's initial public offer, subject to approval from the Audit Committee. The Audit Committee has approved the full repayment of the loan by end of FY2009.

25. DIVIDENDS

The Company	2008 RMB'000	2007 RMB'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend at S$0.01 per share	25,027	–
	25,027	–

26. COMMITMENTS

The Group	2008 RMB'000	2007 RMB'000
Expenditure contracted for		
- construction of new factory plant	5,464	1,406
- purchase of plant and machinery	506	9,073
- installation of machinery	386	52
	6,356	10,531

Notes to the Financial Statements
for the financial year ended 31 December 2008

27. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain the Company at a net current asset position by means of funding and financial support from the shareholders, in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may acquire further funding from the Shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2008.

Management monitors capital based on the Group's gearing ratio, actual cash flows and cash requirements on a regular basis. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments carried on the balance sheet mainly consist of available-for-sale financial assets, cash and cash equivalents, receivables and payable.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

Cash flow interest rate risk is the risk that 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 value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises from available-for-sale financial assets, advances to employees, loans to third parties and loans from a director. The interest rate of available-for-sale financial assets is as disclosed in Note 16 while the interest rates and terms of repayment of the loans to third parties and loans from a director of the Company are disclosed in Note 9 and 18 to the financial statements respectively.

The Group's exposure to interest rate risk is minimal as the Group has no significant exposure to variable interest rate instruments.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, other than as disclosed in Note 16 to the financial statements.

However, the Group is exposed to the market price for its principal raw materials which relate mainly to aniline.

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Price risk (Cont'd)

To illustrate, a 10% increase in the price of aniline for the financial year ended 31 December 2008 and 2007 would have the effect of decreasing the net profit by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2008 RMB'000	31 December 2007 RMB'000
Aniline	14,534	12,101

A 10% decrease in the price of aniline for the financial year ended 31 December 2008 and 2007 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

Foreign currency risk

Foreign Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group incurs foreign currency risk in sales and capital flows that are denominated in currencies other than Renminbi ("RMB"). The currencies giving rise to this risk are primarily United States dollar and Singapore dollar.

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

Currently, the PRC government imposes control over foreign currencies. 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 authorized financial institutions.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

The Group

As at 31 December 2008	**RMB RMB'000**	**SGD RMB'000**	**USD RMB'000**	**Total RMB'000**
Financial assets				
Available-for-sales financial assets	40,000	14,245	–	54,245
Trade and other receivables	145,563	37	40,415	186,015
Cash and cash equivalents	148,087	28,293	7,809	184,189
	333,650	42,575	48,224	424,449
Financial liabilities				
Trade and other payables	62,036	12,745	435	75,216
Loans from a director	37,079	–	–	37,079
Current tax payable	9,988	–	–	9,988
	109,103	12,745	435	122,283
Net financial assets	224,547	29,830	47,789	302,166
Less: Financial assets denominated in functional currencies	(224,547)	–	–	
Currency exposure	–	29,830	47,789	

As at 31 December 2007	**RMB RMB'000**	**SGD RMB'000**	**USD RMB'000**	**Total RMB'000**
Financial assets				
Available-for-sales financial assets	101,291	15,243	–	116,534
Trade and other receivables	146,801	7,398	48,546	202,745
Cash and cash equivalents	70,732	38,024	4,436	113,192
	318,824	60,665	52,982	432,471
Financial liabilities				
Trade and other payables	53,748	2,751	3,019	59,518
Loans from a director	50,276	–	–	50,276
Current tax payable	4,223	–	–	4,223
	108247	2,751	3,019	114,017
Net financial assets	210,577	57,914	49,963	318,454
Less: Financial assets denominated in functional currencies	(210,577)	–	–	
Currency exposure	–	57,914	49,963	

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

The Company

As at 31 December 2008	**RMB RMB'000**	**SGD RMB'000**	**Total RMB'000**
Financial assets			
Available-for-sales financial assets	–	14,245	14,245
Trade and other receivables	–	37	37
Amount due from subsidiary	5,984	10,299	16,283
Cash and cash equivalents	–	28,293	28,293
	5,984	52,874	58,858
Financial liabilities			
Trade and other payables	–	12,745	12,745
	–	12,745	12,745
Net financial assets	5,984	40,129	46,113
Less: Financial assets denominated in functional currencies	(5,984)	–	
Currency exposure	–	40,129	
As at 31 December 2007			
Financial assets			
Available-for-sales financial assets	–	15,243	15,243
Trade and other receivables	–	16	16
Amount due from subsidiary	594	3,032	3,626
Cash and cash equivalents	–	38,019	38,019
	594	56,310	56,904
Financial liabilities			
Trade and other payables	–	2,751	2,751
	–	2,751	2,751
Net financial assets (liabilities)	594	53,559	54,153
Less: Financial assests denominated in functional currencies	(594)	–	
Currency exposure	–	53,559	

The following table details the sensitivity to a 6% (2007: 6%) increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 6% (2007: 6%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period and for a 6% (2007: 6%) change in foreign currency rates. The sensitivity analysis includes external loans as well as to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

The Group	2008 Profit after tax RMB'000	2008 Equity RMB'000	2007 Profit after tax RMB'000	2007 Equity RMB'000
	Increase/ (Decrease)			
USD against RMB				
- strengthened	3,022	3,022	3,160	3,160
- weakened	(3,022)	(3,022)	(3,160)	(3,160)
SGD against RMB				
- strengthened	1,886	1,886	3,662	3,662
- weakened	(1,886)	(1,886)	(3,662)	(3,662)

The Company	2008 Profit after tax RMB'000	2008 Equity RMB'000	2007 Profit after tax RMB'000	2007 Equity RMB'000
	Increase/ (Decrease)			
SGD against RMB				
- strengthened	2,538	2,538	3,735	3,735
- weakened	(2,538)	(2,538)	(3,735)	(3,735)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Cash and cash equivalents are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowance for impairment of receivables, estimated by management based on prior experience and the current economic environment.

The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other concentration of credit risk other than as at 31 December 2008, the five largest trade receivables which represent approximately 24% (2007: 17%) of the total trade receivables at the balance sheet date. No other financial assets carrying a significant exposure to credit risk.

The Group trades only with recognized and credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (Cont'd)

The credit terms granted to customers are recommended by the Group's sales department and approved by the Group's Executive Chairman, Xu Cheng Qiu, and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that we have with our customers.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligation as they fall due. The Group's approach to 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.

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.

At the balance sheet, all the liabilities of the Group are due within one year. There are sufficient cash and cash equivalents available to meet the liabilities when they fall due.

Fair values

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

Notes to the Financial Statements
for the financial year ended 31 December 2008

29. SEGMENT INFORMATION

The Group is substantially in one business segment, namely the sale and the manufacture of rubber chemicals relating rubber accelerators, anti-oxidant agents and anti-scorching agents. Accordingly, no business segment information is presented. For geographical segment information, the revenue is based on where the customers are located.

The Group	2008 RMB'000	2007 RMB'000
Revenue		
PRC	447,199	358,941
Rest of Asia	254,425	162,198
Europe	49,381	23,453
America	18,661	40,410
Other countries	28,210	34,537
	797,876	619,539

30. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended on the face of the balance sheet and cash flow statements, and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	After reclassification 2007 RMB'000	Before reclassification 2007 RMB'000
Property, plant and equipment	108,897	118,711
Intangible assets	9,814	–
Trade and other payables	55,877	54,984
Research and development costs payable	–	893

Notes to the Financial Statements

for the financial year ended 31 December 2008

31. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

- FRS 1 (revised 2008) Presentation of Financial Statements
- FRS 23 (revised 2007) Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and obligations Arising on Liquidation
- Amendments to FRS 39 Financial Instrument : Recognition and Measurement – Eligible Hedged Items
- Amendments to FRS 101 First-time Adoption of Finanical Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- FRS 108 Operating Segments
- Improvements to FRSs 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all non-owner changes in equity (i.e.comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 Non-current Assets Held for Sale and Discontinued Operations which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

The initial application of these standards (including their consequential amendments) and interpretations are not have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Statistics of Shareholdings
as at 10 March 2009

SHARE CAPITAL

Number of Issued Shares	:	491,694,000
Number of Issued Shares (excluding Treasury Shares)	:	482,315,000
Number/Percentage of Treasury Shares	:	9,379,000 / 1.94%
Class of Shares	:	Ordinary Shares
Voting Rights (excluding of Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
No. of ordinary shares held				
1 – 999	0	0.00	0	0.00
1,000 - 10,000	879	48.78	5,367,000	1.11
10,001 – 1,000,000	898	49.83	56,192,000	11.65
More than 1,000,000	25	1.39	420,756,000	87.24
Grand Total	1,802	100.00	482,315,000	100.00

TWENTY LARGEST ORDINARY SHAREHOLDERS

(As shown in the Register of Members and Depository Register)

No.	Name of Shareholders	No. of Ordinary Shares Held	%
1.	SUCCESS MORE GROUP LIMITED	293,642,550	60.88
2.	CIMB-GK SECURITIES PTE. LTD.	26,786,340	5.55
3.	PHILLIP SECURITIES PTE LTD	19,965,000	4.14
4.	ASTRONOMIC CAPITAL GROUP INC	11,257,762	2.33
5.	2G CAPITAL PTE LTD	7,000,000	1.45
6.	DBS VICKERS SECURITIES (S) PTE LTD	6,863,700	1.42
7.	RAFFLES NOMINEES PTE LTD	6,850,000	1.42
8.	HSBC (SINGAPORE) NOMINEES PTE LTD	6,814,648	1.41
9.	XU XIANLEI	5,899,000	1.22
10.	REN YUANLIN	5,800,000	1.20
11.	WU WING YEU MICHAEL	3,610,000	0.75
12.	XU CHENGQIU	2,789,000	0.58
13.	DBS NOMINEES PTE LTD	2,622,650	0.54
14.	CHIA KEE KOON	2,444,000	0.51
15.	WARREN CAPITAL PTE LTD	2,425,000	0.50
16.	MAYBAN NOMINEES (S) PTE LTD	2,276,000	0.47
17.	KIM ENG SECURITIES PTE. LTD.	2,273,350	0.47
18.	LIM & TAN SECURITIES PTE LTD	1,853,000	0.38
19.	OCBC SECURITIES PRIVATE LTD	1,799,000	0.37
20.	YAN TANGFENG	1,756,000	0.36
	Total	**414,727,000**	**85.95**

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 10 March 2009, approximately 38.33% of the issued ordinary shares of the Company 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.

Statistics of Shareholdings
as at 10 March 2009

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
Success More Group Ltd [1]	293,642,550	60.88	–	–
Xu Cheng Qiu [1]	2,789,000	0.58	293,642,550	60.88

Notes:

(1) By virtue of Section 7 of Companies Act, Mr Xu Cheng Qiu is deemed to be interested in the 293,642,550 Shares held by Success More Group Ltd.

Notice of Annual General Meeting

to the Members of China Sunsine Chemical Holdings Ltd.
(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**AGM**") of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be held at 2 Stamford Road, Raffles City Convention Centre, Level 4, Orchard Room, Singapore 178882 on Wednesday, 22 April 2009 at 3.00 p.m. for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2008 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following directors retiring under Article 104 of the Company's Articles of Association:-

   (i) Mr Liu Jing Fu; **(Resolution 2)**

   (ii) Mr Ma Ying Qun; and **(Resolution 3)**

   (iii) Ms Xu Chun Hua **[See Explanatory Note 1]** **(Resolution 4)**

3. To approve the amount of S$123,000 proposed as Directors' Fees for the financial year ended 31 December 2008 (2007: S$123,000). **(Resolution 5)**

4. To re-appoint Messrs Paul Wan & Co. as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

5. 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 resolution:

6. **Authority to allot and issue shares up to 50 per cent. (50%) of the total number of issued shares** **(Resolution 7)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus 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, 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 authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

Notice of Annual General Meeting

to the Members of China Sunsine Chemical Holdings Ltd.
(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

provided that:

(1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50 per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital 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 the existing shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20 per cent. (20%) of the total number of issued shares (excluding treasury shares) in the capital 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 the issued share capital shall be based on the total number of issued shares of the Company (excluding treasury shares) at the time this authority is given, 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 are outstanding or subsisting at the time this authority is passed; and

(ii) any subsequent consolidation or sub-division of shares; and

(3) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority 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 earlier."
[See Explanatory Note 2]

7. **Authority to allot and issue shares up to 100 per cent. (100%) of the total number of issued shares via a pro-rata renounceable rights issue** **(Resolution 8)**

"That pursuant to Section 161 of the Companies Act, Cap. 50, and listing rules of the SGX-ST, authority be and is hereby given to the Directors to issue shares in the capital of the Company by way of a pro-rata renounceable rights issue at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

(1) the aggregate number of shares to be issued pursuant to such authority does not exceed 100 per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital 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 the issued share capital shall be based on the total number of issued shares of the Company (excluding treasury shares) at the time this authority is given, after adjusting for:

Notice of Annual General Meeting

to the Members of China Sunsine Chemical Holdings Ltd.
(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and

(ii) any subsequent consolidation or sub-division of shares; and

(3) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority 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 earlier." **[See Explanatory Note 3]**

8. **Authority to issue shares other than on a pro-rata basis at a discount not exceeding 20 per cent. (20%) of the total number of issued shares** **(Resolution 9)**

"That subject to and pursuant to the share issue mandate in Resolution 7 above being obtained, authority be and is hereby given to the Directors of the Company to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not be more than a 20 per cent. (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST." **[See Explanatory Note 4]**

9. **Renewal of Share Purchase Mandate** **(Resolution 10)**

"That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases of shares from time to time, whether by way of market purchases or off-market purchases (in accordance with any equal access scheme) of up to 10 per cent. (10%) of the issued ordinary share capital of the Company as at the date of this Resolution ("**Prescribed Limit**"), excluding any shares held as treasury shares, at the price to be determined by the Directors of up to but not exceeding the Maximum Price as set out on page 8 of the Circular to shareholders of the Company dated 7 April 2009 (the "**Circular**"), and unless revoked or varied by the Company in general meeting, this mandate shall continue and be in force until the date on which the next annual general meeting of the Company is held or required by law to be held, or the date on which the share purchases are carried out in full to the Prescribed Limit mandated, or the time when the authority conferred by this mandate is revoked or varied by the shareholders of the Company in general meeting, whichever is earlier." **[See Explanatory Note 5]**

By Order Of The Board

KOH CHOON KONG
HO CHEE TONG
Joint Company Secretaries

Singapore, 7 April 2009

Notice of Annual General Meeting

to the Members of China Sunsine Chemical Holdings Ltd.
(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

EXPLANATORY NOTES:

1. Ms Xu Chun Hua will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and as a member of the Audit and Nominating Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2. The Ordinary Resolution 7 proposed in item 6 above, if passed, will authorise the Directors of the Company to allot and issue shares not exceeding 50 per cent. (50%) of the Company's issued share capital (excluding treasury shares), with an aggregate sub-limit of 20 per cent. (20%) of the Company's share capital (excluding treasury shares) for any issue of shares not made on a pro-rata basis to shareholders of the Company.

3. The Ordinary Resolution 8 proposed in item 7 above, if passed, will authorise the Directors of the Company to allot and issue shares not exceeding 100 per cent. (100%) of the Company's issued share capital (excluding treasury shares) by way of a pro-rata renounceable rights issue. This mandate is conditional upon the Company:

   (a) making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

   (b) providing a status report on the use of proceeds in its annual report.

   This is one of the new measures introduced by the SGX-ST, in consultation with the Monetary Authority of Singapore, to accelerate and facilitate listed issuers' fund raising efforts. This new measure takes effect on 20 February 2009 and will be effective until 21 December 2010.

4. The Ordinary Resolution 9 proposed in item 8 above, if passed, will authorise the Directors of the Company to allot and issue new shares on a non pro-rata basis at a discount not exceeding 20 per cent. (20%), as compared to 10 per cent. (10%) allowed previously. This authority will continue in force until the next annual general meeting of the Company.

5. The Ordinary Resolution 10 proposed in item 9 above, if passed, will renew the Share Purchase Mandate, which was originally approved by the shareholders of the Company at the last Extraordinary General Meeting on 29 April 2008. The Company bought 7,253,000 shares during the financial year ended 31 December 2008. Detailed information on the Renewal of the Share Purchase Mandate is set out in the Circular to shareholders of the Company dated 7 April 2009.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the registered office of the Company at 112 Robinson Road, #12-04, Singapore 068902 not less than 48 hours before the time appointed for holding the above Meeting.

Proxy Form
Annual General Meeting

> Important:
> 1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
> 2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

CHINA SUNSINE CHEMICAL HOLDINGS LTD.
(Company Registration No. 200609470N)
(Incorporated in the Republic of Singapore)

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of CHINA SUNSINE CHEMICAL HOLDINGS LTD. (the "**Company**"), hereby appoint the Chairman of the Meeting or:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)'

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company, to be held at 2 Stamford Road, Raffles City Convention Centre, Level 4, Orchard Room, Singapore 178882 on Wednesday, 22 April 2009 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2008		
2	Re-election of Mr Liu Jing Fu as a Director		
3	Re-election of Mr Ma Ying Qun as a Director		
4	Re-election of Ms Xu Chun Hua as a Director		
5	Approval of proposed Directors' fees of S$123,000 for the financial year ended 31 December 2008		
6	Re-appointment of Messrs Paul Wan & Co as Auditors, and to authorise the Directors to fix their remuneration		
7	Authority to allot and issue shares up to 50 per cent. (50%) of the total number of issued shares		
8	Authority to allot and issue shares up to 100 per cent. (100%) of the total number of issued shares via a pro-rata renounceable rights issue		
9	Authority to issue shares other than on a pro-rata basis at a discount not exceeding 20 per cent. (20%) of the total number of issued shares		
10	Renewal of Share Purchase Mandate		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this __________ day of ________________ 2009

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

____

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. 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 130A of the Companies Act, Cap. 50 of Singapore), 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.

5. This proxy form must be deposited at the Company's registered office at 112 Robinson Road, #12-04, Singapore 068902 not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointer or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor of an attorney, the letter or power of attorney or duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject an instrument of proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

Registered Office and Principal Place of Business

Singapore Office
112 Robinson Road
#12-04 Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
E-mail: info@ChinaSunsine.com
Website: www.ChinaSunsine.com

China Office
Shandong Shanxian Chemical Co., Ltd.
Four Kilometres South-East of Shanxian
Shandong Province
Post Code: 274300
The People's Republic of China

Board of DIrectors
Xu Cheng Qiu Executive Chairman
Liu Jing Fu Executive Director
Xu Jun Executive Director
Ma Ying Qun Executive Director
Tan Lye Heng Paul Lead Independent Director
Lim Heng Chong Benny Independent Director
Xu Chun Hua Independent Director
Ling Yong Wah Non-Executive Director

Audit Committee
Tan Lye Heng Paul Chairman
Lim Heng Chong Benny
Xu Chun Hua

Nominating Committee
Lim Heng Chong Benny Chairman
Tan Lye Heng Paul
Xu Chun Hua

Remuneration Committee
Xu Chun Hua Chairman
Tan Lye Heng Paul
Lim Heng Chong Benny

Joint Company Secretaries
Ho Chee Tong LL.B (Hons) (Singapore) /
Koh Choon Kong CPA (Singapore), CFA

Bankers
China Construction Bank Corporation Heze Branch
Agricultural Bank of China Heze Branch
Bank of China Heze Branch
Industrial and Commercial Bank of China Heze Branch
Standard Chartered Bank
Credit Suisse Singapore Branch
The Hong Kong and Shanghai Banking Corporation Limited

Share Registrar
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

Independent Auditors
Paul Wan & Co
Certified Public Accountants
A member firm of Morison International
10 Anson Road #35-07
International Plaza
Singapore 079903

Partner-in-charge:
Wan Tong Chee Paul
(appointed on 24 March 2008)

China Sunsine Chemical Holdings Ltd.
(Incorporated in the Republic of Singapore on 28 June 2006)
(Company Registration Number: 200609470N)
112 Robinson Road #12-04
Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
Email: info@ChinaSunsine.com

www.ChinaSunsine.com

Our Distinguished Clients :

Bridgestone • Michelin • Goodyear • Continental • Sumitomo • Hancook

Yokohama • Kumho Tyres • Pirelli • GITI Tire • Hangzhou Zhongce • Double Coin Holdings