# POISED FOR GREATER SUCCESS

Annual Report 2010

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

We have been a producer of rubber accelerators since 1994 and, over the years, have diversified into other organic products such as insoluble sulphur and anti-oxidant. In July 2007, we were listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).


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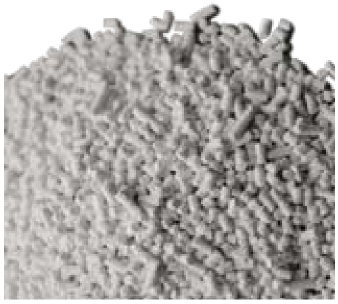
# CORPORATE PROFILE

China Sunsine Chemical Holdings Ltd. ("China Sunsine") is a leading specialty chemical producer and the largest producer of rubber accelerators in PRC and, probably, the world. Our annual production capacity stands at 76,500 tons, comprising 56,500 tons of rubber accelerators, 10,000 tons of anti-oxidant TMQ and 10,000 tons of insoluble sulphur. Our customers are mainly the tire companies which rely on the automobile industry.



Our products are sold under the "Sunsine" brand (accredited as "Shandong Province Famous Brand") and include a wide range of rubber chemicals such as accelerators, anti-oxidant TMQ, vulcanising agent insoluble sulphur, as well as anti-scorching agent CTP. Our production facilities are located at Shanxian and Weifang in Shandong Province, PRC.

We serve all the global top 10 tire manufacturers - Bridgestone, Michelin, Goodyear, Continental, Pirelli, Sumitomo, Yokohama, Hankook, Cooper, Kumho Tires, as well as PRC tire giants such as Hangzhou Zhongce, GITI Tire, Shanghai Double Coin Tyre amongst our customer base of more than 700 customers in the PRC and overseas.

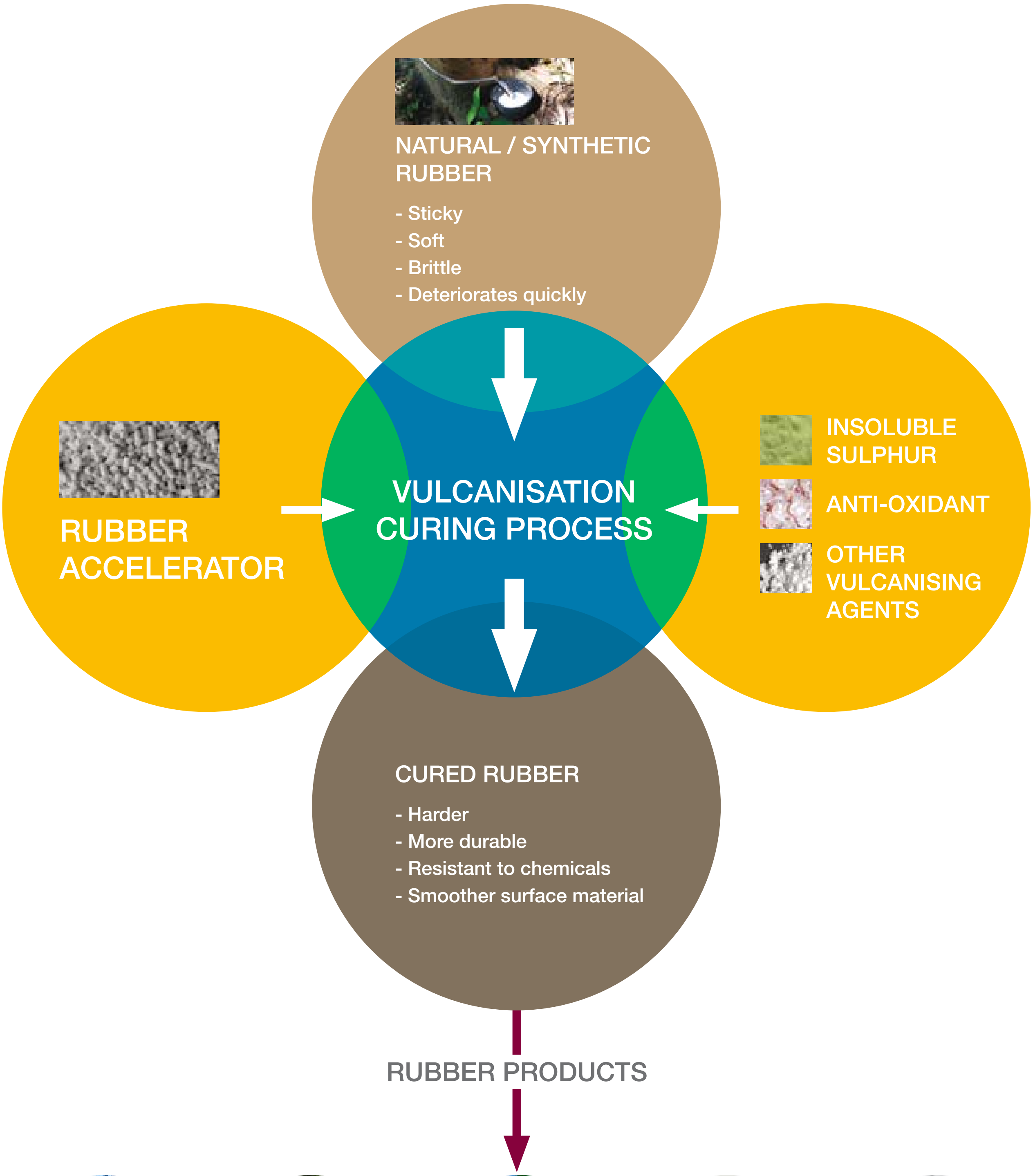
As a chemical producer serving its global customers, China Sunsine continuously improves its manufacturing and environmental protection capabilities. We have achieved ISO9001 standard for quality, ISO14001 standard for environment, and GB/T28001-2001 standard for occupational health and safety management system.

Listed on SGX-ST on 5 July 2007, it is a component stock of the FTSE-ST China Index. Its SGX and Bloomberg stock code are "ChinaSsine" and "CSSC SP" respectively.

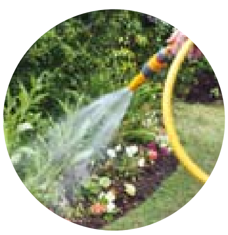
# GLOBAL PERSPECTIVE

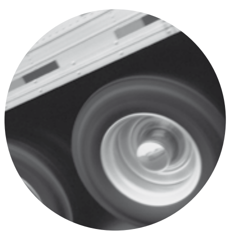
# SUPERIOR PRODUCTS WE OFFER

## Essential for tires and other rubber-related products

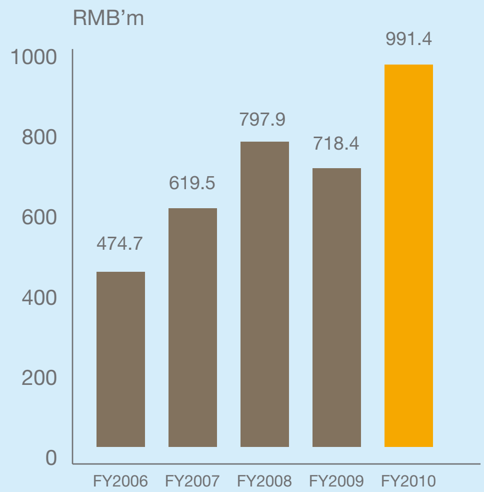




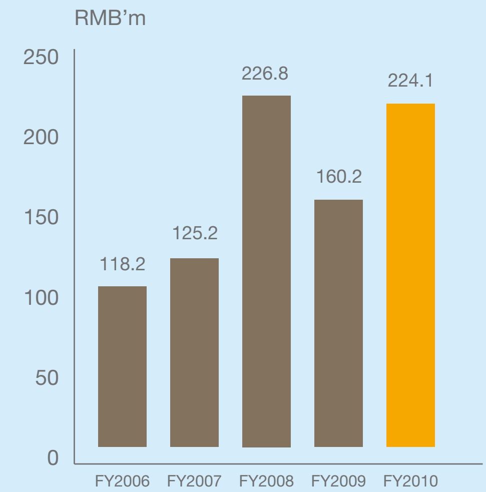


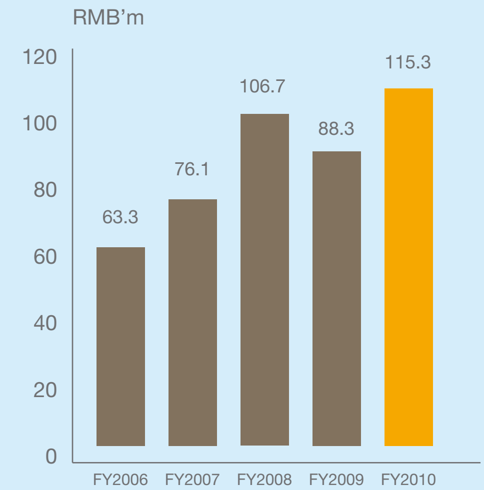
## Revenue



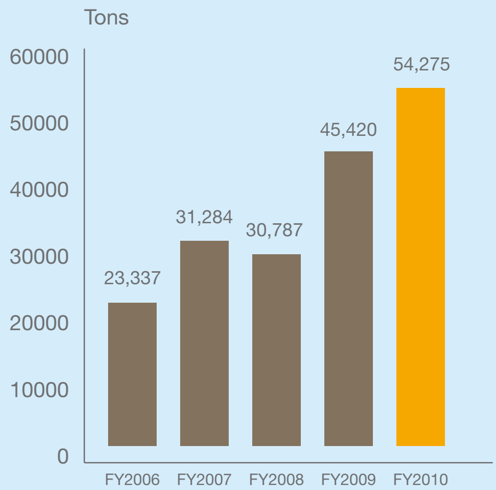

## Gross Profit




## Net Profit




## Sales Volume



# FINANCIAL HIGHLIGHTS

| As At 31 December (RMB'million) | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Total Assets | 907.8 | 766.3 | 663.1 | 584.2 |
| Total Liabilities | 216.1 | 166.9 | 122.6 | 115.3 |
| Shareholders' Equity | 691.7 | 599.4 | 540.5 | 468.9 |
| Cash + AFS Investment | 180.1 | 232.2 | 238.4 | 229.7 |
| Bank Borrowings | 90.0 | 50.0 | – | – |
| Treasury Shares | 13.0 | 13.0 | 6.7 | – |
| No. of Shares ('million) | | | | |
| No. of Ordinary Shares | 477.4 | 477.4 | 484.4 | 491.7 |
| No. of Treasury Shares | 14.3 | 14.3 | 7.3 | – |
| **For the Year (RMB'million)** | | | | |
| Revenue | 991.4 | 718.4 | 797.9 | 619.5 |
| Gross Profit | 224.1 | 160.2 | 226.8 | 125.2 |
| Net Profit After Tax | 115.3 | 88.3 | 106.7 | 76.1 |
| Earnings before interest, tax, depreciation & amortisation (EBITDA) | 162.3 | 129.3 | 148.1 | 90.3 |
| **Sales Volume (tons)** | | | | |
| Total Volume | 54,275 | 45,420 | 30,787 | 31,284 |
| Accelerator | 46,343 | 40,196 | 29,805 | 31,036 |
| Insoluble sulphur | 4,413 | 3,468 | 464 | – |
| Antioxidant | 2,971 | 1,361 | 185 | – |
| Others | 548 | 395 | 333 | 248 |
| **Financial Analysis** | | | | |
| Gross Profit Margin (%) | 22.6% | 22.3% | 28.4% | 20.2% |
| Net Profit Margin (%) | 11.6% | 12.3% | 13.4% | 12.3% |
| EBITDA Margin (%) | 16.4% | 18.0% | 18.6% | 14.6% |
| Current Ratio | 2.5 | 3.3 | 3.9 | 1.1 |
| Average YTD Trade Receivables Turnover (Days) | 64 | 58 | 52 | 68 |
| Average YTD Trade Payables Turnover (Days) | 16 | 16 | 10 | 12 |
| Average YTD Inventory Turnover (Days) | 31 | 39 | 31 | 21 |
| Return on Equity (%) | 16.7% | 14.7% | 19.7% | 16.2% |
| Return on Asset (%) | 12.7% | 11.5% | 16.1% | 13.0% |
| Debt/Equity Ratio | 0.13 | 0.08 | – | – |
| Net Gearing | Net Cash | Net Cash | Net Cash | Net Cash |
| **Per Share Data** | | | | |
| NAV per Share (RMB cents) | 144.9 | 125.5 | 111.6 | 95.4 |
| EPS (RMB cents) | 24.14 | 18.41 | 21.77 | 18.22 |
| Dividend Per Share (SGD cents) | | | | |
| - Interim Dividend | – | 1 | 1 | 1 |
| - Final Dividend | 1 | 1 | – | – |

# CHAIRMAN'S STATEMENT


**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 a record financial performance for the year ended 31 December 2010 ("FY2010").

**Delivering Record Results**

In 2010, the global economy embarked on a recovery journey after the worldwide financial tsunami in late 2008. China, in particular, powered ahead of Japan to become the world's second largest economy with its automobile market continuing the strong growth momentum during the year. According to the *China Association of Automobile Manufacturers* ("CAAM") website, China remain the world's largest automobile market where new vehicle sales jumped 33% to a new high of 18.1 million units in 2010 against 13.6 million units in 2009. Being a Group serving the rubber chemical industry, we were able to tap on the strong growth of China's automobile market and achieved record performance in terms of net profit and sales volume in FY2010.

The Group's net profit in FY2010 increased 31% to RMB115.3 million from RMB88.3 million in FY2009 on a 38% increase in revenue to RMB991.4 million compared to RMB718.4 million in FY2009. Total sales volume reached a record high of 54,275 tons.

At the same time, we have maintained our lead as a rubber accelerator manufacturer with growing market share in insoluble sulphur. We embarked on targeted marketing strategies where we established closer relationships with customers and position our products to their specific needs. This has enabled us to serve more than 60% of the top 75 tire makers in the world, of which the global top 10 tire makers, such as Bridgestone, Goodyear, Michelin, and Continental, as well as China tires giants, such as Hangzhou Zhongce, GITI Tire and Shanghai Double Coin Tyre, are our customers. The Group could not have achieved such record performance in FY2010, with the threat of national protectionism from certain overseas markets, increased raw material cost and intense competition, without the unwavering support from our loyal customers and dedicated staffs, for which I thank all of them.

### Poised For Growth

During the year, we expanded the production capacities of accelerators and insoluble sulphur to 56,500-ton per annum and 10,000-ton per annum, respectively. We will be able to reap the full year effect of the expanded capacities in FY2011, not to mention the potential for increase in sales volume for these products as a result of such capacity expansion.

Come this June 2011, we will complete the production plant of anti-oxidant 6PPD's intermediary material, 4ADPA, at our new facility at Shanxian ("Facility 2"). Trial production of 6PPD will commence thereafter.

During 2010, the Group acquired a parcel of 281 mu (187,331 $m^2$) land at Weifang City ("Facility 3"), Shandong Province. This land was earmarked for building accelerator plants to replace our old facility in Shanxian ("Facility 1"), as well as to meet future expansion requirements. Phase I project was a 15,000-ton per annum MBT plant and will be completed by first quarter of 2011. We will relocate the existing 15,000-ton per annum MBT plant at Facility 1 to Facility 3 by end of 2011. MBT is an essential intermediary material for the production of most other accelerators. With the 30,000-ton per annum MBT plant at Facility 3, we will be able to leverage on this increased MBT production capacity, and expand the capacities of our accelerators there when demand increases.

The new office buildings and R&D centre at Facility 2 have been completed. The new R&D centre will allow us to expand our R&D capability and capacity. At the same time, the relocation of the production lines from Facility 1 to Facility 2 is proceeding according to schedule, and is slated for completion by first half of 2011.

### Looking Forward

Although rising fuel prices, the removal of subsidies and tighter rules on new car registrations in certain Chinese cities may put a damper on demand for new cars in FY2011, I believe that car sales will nevertheless continue to grow in China. This is due to rising income levels and the low level of car ownership in inland areas. Further, with China continuing for the second consecutive year to be ranked the world's largest automobile market in terms of car sales, with about 85.5 million[1] cars plying the roads in China, the market for replacement tires segment will continue to grow. Based on media report[2], tire makers are increasing their investment size in the PRC. In 2010, out of a total of USD8 billion investments in tire businesses around the world (excluding Chinese enterprises' investments), USD3 billion went to mainland China. With such confidence in the Chinese tire market as shown by these global tire makers, our customers will be closer to us and will drive the demand for our products.

### Proposed Dividend

To reward our shareholders, the Board of Directors had recommended a final tax exempt dividend of SGD0.01 per ordinary share to be approved by shareholders at the upcoming Annual General Meeting.

### Acknowledgements

On behalf of the Board, I would like to express the Group's appreciation and heartfelt thanks to our customers, suppliers and business associates for their continuous support. I would also like to take this opportunity to express my sincere gratitude to my fellow Board members, management and all the staff for their hard work and commitment.

Finally, I would also like to say a big thank you to all the shareholders who have kept faith with the Group. I look forward to your continuous support as the Group moves ahead to the next stage of growth.

**Xu Cheng Qiu**
Executive Chairman
April 2011

[1] Source: http://www.chinasignpost.com

[2] Source: http://cn.made-in-china.com

# 主席致辞

“ 随着集团在单县和潍坊的两个生产基地建设的逐步完善，我相信凭借着品牌、规模和品种的各项优势，集团在橡胶助剂行业的领先地位将更加巩固。 ”

尊敬的股东：

我代表中国尚舜化工控股有限公司(“中国尚舜”或“集团”)董事会很高兴向您报告，在截至2010年12月31日的2010财年中，本集团经营业绩创下历史新高。

## 业绩回顾

全球经济在经历了2008年底开始的金融风暴之后，2010年开始逐渐复苏。特别是中国，已超越日本成为全球第二大经济体，其汽车行业持续取得强劲增长。据*中国汽车工业协会*的统计，作为全球最大的汽车市场，2010年中国的汽车销量再创历史新高，达到1810万辆，与2009年的1360万辆相比增长了33%。作为橡胶化学品的生产商，集团借助中国汽车行业发展的良好态势，在2010财年盈利和销售量双双创下历史新高。

2010财年，集团净利润从2009年的8830万元人民币上升至1.153亿元，涨幅为31%；营业收入从2009年的7.184亿元人民币增加至9.914亿元，上涨了38%。2010年我们的销售量再次创下了历史新高，达到54,275吨。

集团仍保持全球领先的橡胶促进剂生产商的地位，同时集团另一产品不溶性硫磺的市场份额也在逐步扩大。我们采取了目标营销的市场策略，加强与客户更紧密的联系，满足客户特殊需求。全球前75强轮胎企业中超过60%都是我们的客户，这包括全球十大轮胎厂商，如普利斯通、固特异、米其林、大陆轮胎等，以及中国的轮胎巨头如杭州中策、佳通轮胎和双钱轮胎等等。在这里，我要感谢客户的大力支持和员工的积极努力，没有你们的帮助，在面对着各种困难，如国外贸易保护的影响、原材料价格大幅上涨以及同行业竞争加剧等大环境的影响下，集团就不可能在2010财年取得这么好的业绩。

## 蓄势待发

本年度，集团产能进一步提高，橡胶促进剂的年产能达5.65万吨、不溶性硫磺年产能达1万吨。2011年这些产能可以全年投入使用，因此将会有助于集团的销售数量进一步提高。

预计2011年上半年，集团另一个防老剂产品6PPD的中间产品4ADPA在单县新厂的生产车间即将完工，届时6PPD将开始投入试产。

2010年，集团在山东潍坊购买了一幅面积为281亩（或187,331平方米）的土地，该地将用来兴建促进剂厂房，以取代即将关闭的在单县的旧厂房和今后拓展之用。一期1.5万吨的促进剂MBT厂房将于2011年第一季度建成。我们也会在2011年底之前将单县旧厂房的1.5万吨MBT的设备搬至潍坊工厂。MBT是生产大多数促进剂的中间原料。在潍坊工厂有了3万吨的MBT产能之后，我们将能够满足市场对促进剂需求的提升。

在单县新厂的办公楼和研发中心都已完工，新研发中心的启用将会大大提高我们的研发能力。目前，集团将单县旧厂房搬迁至新厂房的工作正在有序地进行，预计将在2011年上半年完成。

## 今后展望

尽管油价上升、补贴取消和某些城市严格控制新车上牌等因素在2011年会影响新车的需求，但是我相信新车的销量仍能够持续增长。这是因为，虽然中国居民收入水平不断提高，但人均汽车拥有量仍处在低位。中国汽车销量已连续两年全球第一，是世界上最大的汽车市场，汽车总量达到8550万辆[1]，替代轮胎市场将具有非常大的潜力。据媒体报道，2010年全球不包括中国在内的轮胎企业，投资总额达80亿美元以上，其中在中国的投资就达到30亿美元[2]。随着世界轮胎业巨头加大在华投资，我们的客户跟我们更为接近，这也将有效地拉动对我们的橡胶助剂产品的需求。

## 派发股息

为了回报股东，董事会建议派发每股新币1分的终期免税股息。此建议将在来临的股东大会上讨论通过。

## 衷心感谢

在此，我要对集团的客户、供应商和商业伙伴对集团的发展给予的支持表示衷心的感谢！我也要感谢董事局同仁、管理层以及公司的员工，感谢他们的辛勤工作和对集团发展做出的积极贡献。

最后，我还要感谢我们的股东，感谢你们对我们的信任和支持。集团将迈入一个新的成长期，你们的支持就是我们前进的动力！

徐承秋
执行主席
2011年4月

[1] 来源: http://www.chinasignpost.com
[2] 来源: http://cn.made-in-china.com

# OPERATIONS & FINANCIAL REVIEW

### Our Financial Performance in FY2010

On the back of the Chinese government's incentive measures and China's robust economic recovery in 2010, which enabled the China automobile market to continue its strong growth, registering 18.1 million vehicle sales against 13.6 million units in 2009, and coupled with the stabilized international market, the Group achieved record profits at RMB 115.3 million along with record sales volume and revenue in FY 2010. Our FY2010 revenue increased by 38% to RMB 991.4 million from RMB 718.4 million in FY2009 due to record sales volume and increased average selling prices for all products. With continuous marketing efforts and increased production capacities, sales volume increased 19% to 54,275 tons in FY2010 from 45,420 tons in FY2009.

Overall average selling price per ton (ASP) for all products increased from RMB 15.8k in FY2009 to RMB 18.3k in FY2010 as a result of the increase in raw material prices and increase demand.

### Analysis of Sales and Volume

| | Sales Volume (Tons) | | | Sales (RMB' million) | | |
|---|---|---|---|---|---|---|
| | FY2010 | FY2009 | Change | FY2010 | FY2009 | Change |
| Accelerators | 46,343 | 40,196 | 15% | 892.1 | 664.0 | 34% |
| Insoluble sulphur | 4,413 | 3,468 | 27% | 50.2 | 32.1 | 56% |
| Anti-oxidant | 2,971 | 1,361 | 118% | 37.4 | 13.4 | 179% |
| Others | 548 | 395 | 39% | 11.7 | 8.9 | 31% |
| **Total** | **54,275** | **45,420** | **19%** | **991.4** | **718.4** | **38%** |
| Domestic Sales | 33,707 | 29,504 | 14% | 580.8 | 437.5 | 33% |
| International Sales | 20,568 | 15,916 | 29% | 410.6 | 280.9 | 46% |

During FY2010, we had increased the production capacity of all our products including accelerators, insoluble sulphur and anti-oxidant. Though the production utilization rate of anti-oxidant TMQ was not ideal due to the generally low market price for this product, its sales had improved substantially by 179% to RMB 37.4 million from RMB 13.4 million in FY2009. Notwithstanding the low market price in general, we were nevertheless able to increase our price of TMQ and marketed the product to targeted customers in FY2010. Sales of insoluble sulphur also improved as the Group expanded its capacity to 10,000 tons p.a. in September 2010.

As the international global economy had stabilized, the proportion of sales to the international market inched up 2% to 41% in FY2010 while we increased our overall sales. At the same time, we continued to serve more than 60% of the Global Top 75[1] tire makers, including all the Top 10 tire makers. Gross profit surged by 40% from RMB 160.2 million in FY2009 to RMB 224.1million in FY2010, in line with the increase in revenue. The overall gross profit margins had remained stable at 22.6% in FY2010.

Other operating income was RMB 15.4 million in FY2010, consisting of mainly interest income, sales of scrap materials, waiver of debts from trade and other creditors as well as write-back of doubtful debts recovered.

Selling and distribution expenses increased by 51% from RMB 23.5 million in FY2009 to RMB 35.5 million in FY2010, due mainly to the increase in sales activities and higher port and freight charges as China ports increased its charge per ton while more goods were exported. Furthermore, the Group delivered more goods to Europe and America, resulting in higher port charges as delivery to such destinations required stringent checks at the ports. One-off products registration required under new European Community Regulation (REACH Program) also contributed to such increased expenses.

Administrative expenses increased by 18% from RMB 42.8 million in FY2009 to RMB 50.4 million in FY2010, in line with the increase in operating activities while Research costs increased 585% from RMB 1.3 million in FY2009 to RMB 8.9 million in FY2010 as the Group embarked on more R&D projects in FY 2010.

Other operating expenses increased from RMB 0.5 million in FY2009 to RMB 6.0 million in FY2010 due to exchange losses incurred as Chinese Yuan appreciated against the US Dollar during the year, and RMB 2.0 million impairment loss of plant and equipment was made due to the partial closure of production line at Facility 1.

Profit before tax (PBT) increased by 31% from RMB 103.1 million in FY2009 to RMB 135.2 million in FY2010 due to improved sales as a result of the recovery of the overseas and China markets as well as the Group's continued marketing efforts, coupled with increased production capacities. Income Tax Expense increased by 35% from RMB 14.8 million in FY2009 to RMB 20.0 million in FY2010, in line with the increase in PBT given that the Group's China income tax rate remained at 12.5%. Such income tax rate would increase to 25% in FY2011 as its tax incentives ended in December 2010. Net profit attributable to shareholders increased by 31% from RMB 88.3 million in FY2009 to RMB 115.3 million in FY2010.


15,000-ton 6PPD Plant at Shanxian Facility 2


15,000-ton MBT Plant at Weifang Facility 3

[1] Source: http://www.tirebusiness.com

10,000-ton Anti-oxidant TMQ Workshop

10,000-ton Insoluble Sulphur Workshop

**Balance Sheet Review**

Property, plant and equipment increased by RMB 144.0 million from RMB 184.1 million in FY2009 to RMB 328.1 million due mainly to purchase of machinery and equipment relating to various projects in FY2010 amounting to RMB 172.8 million, less RMB 22.7 million depreciation, RMB 4.0 million government grant and RMB 2.0 million impairment. The impairment was due to the partial closure of the production line at Facility 1 in preparation for the relocation to Facility 2 within Shanxian City as the local government intends to rezone Facility 1 site for commercial and residential use. The following is a breakdown of the major additions amounting to RMB 172.8 million:

| | RMB' million |
|---|---|
| New R&D centre, office building, workers' canteen and rest quarters at Facility 2 (under construction) | 25.8 |
| Phase 1 15,000-ton 6PPD plant in Facility 2 (under construction) | 46.0 |
| Phase 1 15,000-ton MBT plant and auxiliary facilities in Facility 3 (under construction) | 50.3 |
| Phase 2 waste water treatment in Facility 2 (completed) | 24.5 |
| Expansion of insoluble sulphur plant (completed) | 10.9 |
| Others such as equipment replacements | 15.3 |
| **Total** | **172.8** |

Available-for-sale investments declined by RMB 21.4 million from RMB 36.4 in FY2009 to RMB 15.0 million due to the maturity of the SGD 500,000 notes in 1Q2010 and RMB 20 million structured notes in 4Q2010, partially offset by the RMB 0.3 million upwards revaluation of existing investments.

Inventories increased by RMB 23.0 million from RMB 54.3 million in FY2009 to RMB 77.3 million in FY2010 due to purchase of more raw materials in view of the increase in production and higher overall average raw materials cost. As antioxidant TMQ production re-commenced in March 2010, its inventory level was higher at 485.1 tons compared to 134 tons as at 31 December 2009. Notwithstanding this, average inventory turnover reduced from 39 days in FY2009 to 31 days in FY2010.

Trade receivables increased by RMB 61.0 million from RMB 181.2 million to RMB 242.2 million due to higher credit sales in 4Q2010 compared to 4Q2009.

Other receivables decreased by RMB 33.6 million from RMB 96.5 million in FY2009 to RMB 62.9 million in FY2010 mainly due to the following:

- receipt of RMB 25.0 million and RMB 15.0 million being loan repayment by the local Shanxian government and 3rd parties respectively;
- reclassification of RMB 6.2 million prepayment for Facility 3 construction (Weifang Project) to construction in progress ("CIP");

- net increase for down-payment of assets under CIP and raw materials of RMB 5.0 million and VAT/export tax receivables of RMB 6.3 million.

Trade payables decreased by RMB 1.0 million from RMB 33.8 million to RMB 32.8 million as several payments were settled in December 2010.

Other Payables increased by RMB 18.7 million from RMB 67.1 million in FY2009 to RMB 85.8 million in FY2010 due to more deposits and payables for construction materials and equipment for the CIP projects.

Deferred grant decreased by RMB 4.8 million from RMB 6.4 million in FY2009 to RMB 1.6 million in FY2010 as several payments were made for research on insoluble sulphur technology and purchase of equipment for the new R&D centre.

Bank loan increased to RMB 90.0 million in FY2010 in view of the various projects as stated in the above. RMB 30.0 million of unsecured loans each was borrowed from Industrial and Commercial Bank of China, Agriculture Bank of China and China Construction Bank in China.

Tax payables decreased by RMB 3.5 million from RMB 9.5 million in FY2009 to RMB 6.0 million in FY2010 mainly due to reversal of over-provision for prior year income tax.

In FY2010, the Company did not execute any share buy back.

## Cash Flow Review

| | FY2010 RMB' million | FY2009 RMB' million | Change RMB' million |
|---|---|---|---|
| Cash generated from operating activities | 81.8 | 34.5 | 47.3 |
| Cash used in investing activities | (145.4) | (34.5) | (110.9) |
| Cash generated from/(used in) financing activities | 17.3 | (7.8) | 25.1 |
| Net decrease in cash and cash equivalents | (46.4) | (7.8) | (38.6) |
| Cash and cash equivalents at end of year | 165.1 | 195.7 | (30.6) |

Net cash generated from operating activities increased by RMB 47.3 million from RMB 34.5 million in FY2009 to RMB 81.8 million in FY2010 due to the increase in sales, partially offset by the increase in receivables and increase in inventories resulting from increased cost of raw materials.

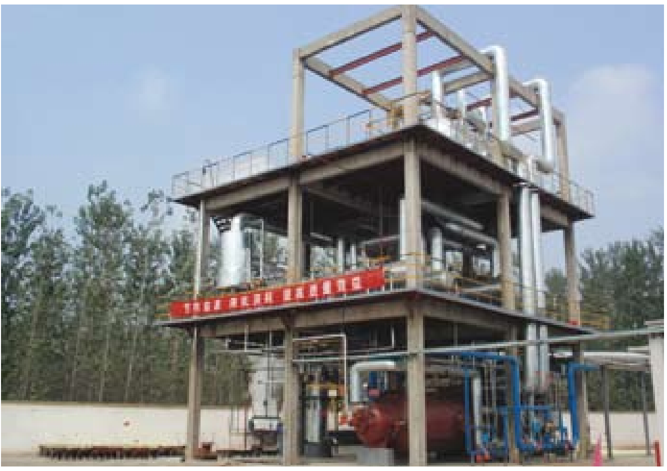
Net cash used in investing activities increased by RMB 110.9 million from RMB 34.5 million in FY2009 to RMB 145.4 million in FY2010 due mainly to the increased payment for capital equipment and CIP projects, partially offset by the receipt of cash from the maturity of AFS investment asset.

Net cash generated from financing activities was RMB 17.3 million as compared to usage of RMB 7.8 million in FY2009 due mainly to the absence of the RMB 37 million loan repayment to a director in FY2009.

### Operations Review

During FY2010, the Group completed the following expansion projects:

- Structural construction of the R&D centre and office facilities at Facility 2 in June.
- Capacity expansion of insoluble sulphur to 10000 tons p.a. in September along with the commencement of trial production from the new lines.
- Construction of 15000-ton 6PPD plant at Facility 2 in September with trial production to commence in 3Q2011 after completion of its intermediary material, 4-Aminodiphenylamine (4ADPA) production plant construction.



Sulphur Gas Recycle Facility

Waste water treatment plant – Distillation Machine

## Prospects In The New Financial Year

The Group will continue with the following projects:

- Complete the interior works of the R&D centre and office facilities at Facility 2 by 1Q2011.
- Complete Phase 1 of Facility 3 plant at Weifang city (15,000-ton MBT) by 1Q2011.
- Complete the shifting of all production facilities from Facility 1 to Facility 2 by 1H2011.

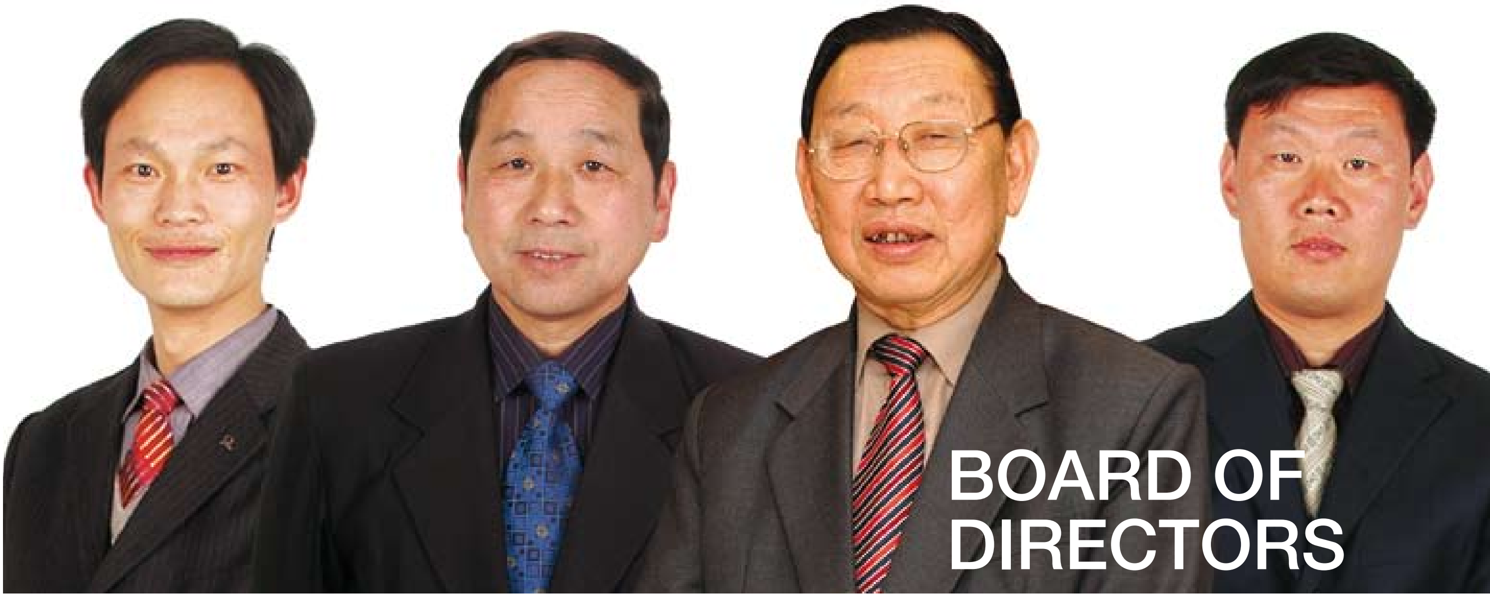
  As at FY2010, RMB 2.0 million of impairment loss on plant and equipment was recognized as few small production lines were closed in Facility 1. Depending on the progress of the relocation of the remaining production lines, the Group could potentially face up to another RMB 20 million impairment loss on property, plant and equipment within the next two quarters. Meanwhile, the Group is continuing its negotiations with the local government on the conversion of the land use rights of the land at Facility 1 from industrial to commercial and residential.

- Complete the construction of 6PPD's intermediary material 4ADPA production plant by 3Q2011.
- Commence and complete Phase 2 of Facility 3 where existing 15000-ton MBT equipment in Facility 1 will be relocated to new facilities in Facility 3 by 4Q2011.

Barring unforeseen circumstances, the Group expects to continue its profitability for FY2011.

Below is summary of our Actual and Projected Annual Capacity at the end of Each Financial Year.

| Tons | FY2007 | FY2008 | FY2009 | FY2010 | FY2011e |
|---|---|---|---|---|---|
| Accelerators | 39,000 | 50,000 | 55,000 | 56,500 | 56,500 |
| Insoluble Sulphur | 5,000 | 5,000 | 8,000 | 10,000 | 10,000 |
| Anti-oxidant | – | 5,000 | 10,000 | 10,000 | 25,000 |
| **Total** | **44,000** | **60,000** | **73,000** | **76,500** | **91,500** |




From left to right: *Ma Ying Qun, Liu Jing Fu, Xu Cheng Qiu, Xu Jun*

## 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 also honoured with numerous awards, amongst them “Outstanding Entrepreneur” award, from the Heze City Economic and Trade Committee and “Excellent Leader in Technological Innovation” by China Rubber Industry Association (CRIA). Mr. Xu is part of a group of Chairpersons spearheading the various committees of CRIA . He 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 of the Shandong Sunsine Chemical, 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 operational aspects 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.

## 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 in 2002.

From left to right: *Lim Heng Chong Benny, Tan Lye Heng Paul, Xu Chun Hua, Koh Choon Kong*

## 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 PAC, a Certified Public Accountants firm since 1995. He has over 18 years of auditing experience including two years as an internal auditor of a large Singapore public listed company. He is active in academia, giving lectures in finance related topics since 1991. He is also an Indepedent Director of two other Singapore public listed companies. He holds a Master degree in Business Administration from University of Birmingham, UK. 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 Singapore Institute of Directors (SID).

## 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 joined his current firm, Messrs ChrisChong & CT Ho Partnership, as a partner. Mr. Lim's principal areas of practice are in general corporate and commercial matters, specialising in corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and fund management. He holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore. Mr. Lim is currently an independent director of another listed company.

## 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.

## KOH CHOON KONG
*Non-Executive Director*

KOH CHOON KONG is our Non-executive Director appointed on 15 November 2009. Prior to this position, he was our Group Chief Financial Officer since November 2006 before the IPO of the Group. He is currently the Group CFO of Fuxing China Group Limited, a company listed on SGX. He began his career in 1995 as an auditor with Price Waterhouse. He later joined Citicorp Investment Bank (Singapore) Limited and became its assistant regional financial controller for Asia (Asset Management) after the merger of Citicorp and Travellers. He then worked for ICH Limited and helped set up ICH Capital Pte Ltd where he was actively involved in pre-IPO consulting work for PRC-based companies. In 2002, he founded KRN Warren Advisors where he provided corporate financial consulting and financial training services. Mr. Koh graduated from the Nanyang Technological University with a Bachelor of Accountancy and later obtained his Master of Business Administration degree from the University of Manchester. He is a non-practising member of the Institute of Certified Public Accountants of Singapore as well as a CFA charter holder.

From left to right: *Geng He Ping, Yak Thian Huat Dave, Fan Chang Ling, Li Song*

## YAK THIAN HUAT DAVE
*Chief Financial Officer*

YAK THIAN HUAT DAVE was apponited as Cheif Financial Offer in November 2009. Mr. Yak is responsible for the accounting and finance matters of the Group. He has almost 13 years of experience as an accounting professional. Prior to joining the Company, Mr. Yak was the Financial Controller of KS Energy Services Ltd. He has extensive accounting and financial experience from his previous employments with the Andover Group and Coopers & Lybrand. Mr. Yak is a fellow with the Institute of Certified Public Accountant of Singapore. He graduated from the Nanyang Technological University with a Bachelor of Accountancy degree and holds a Master of Applied Finance from the University of Melbourne.

## LI SONG
*Deputy General Manager*

LI SONG is our Deputy General Manager (Sales and Marketing) and 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 product 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.

## FAN CHANG LING
*Deputy General Manager*

FAN CHANG LING is our Deputy General Manager (Production and Quality Assurance) and 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.

## 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.

# 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 subsidiaries (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 FY2010, 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 | 2 | 2 | 1 | 1 |
| Ling Yong Wah* | 2 | N.A. | N.A. | N.A. |
| Koh Choon Kong | 4 | 4 | N.A. | N.A. |

* Mr. Ling Yong Wah ceased to be Non-Executive Director on 30 September 2010.

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 |
| Koh Choon Kong | Non-Executive Director | Member | – | – |

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.

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.

# Corporate Governance Report

**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);

(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;

# Corporate Governance Report

(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.

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 14 to 15 | – | Academic and professional qualifications; |
| (b) | page 32 | – | 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. |

**Board Performance**

***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.

*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.

**Access to Information**

***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

# Corporate Governance Report

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.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***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 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.

**Level and Mix of Remuneration**

***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.

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 shareholders' value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.

# Corporate Governance Report

*Level and mix of remuneration of the directors, key executives (who are not also directors) for FY2010*

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 FY2010, 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 | 16 | 84 | – | – | 100 |
| **S$250,000 to below S$1,750,000** | | | | | |
| Nil | | | | | |
| **Below S$250,000** | | | | | |
| Liu Jing Fu | 99 | 1 | – | – | 100 |
| Xu Jun | 99 | 1 | – | – | 100 |
| Ma Ying Qun | 98 | 2 | – | – | 100 |
| Tan Lye Heng Paul | – | – | 100 | – | 100 |
| Lim Heng Chong Benny | – | – | 100 | – | 100 |
| Xu Chun Hua | – | – | 100 | – | 100 |
| Ling Yong Wah* | – | – | – | – | – |
| Koh Choon Kong** | – | – | 100 | – | 100 |

* Mr. Ling Yong Wah ceased to be Non-Executive Director on 30 September 2010.

** Mr. Koh Choon Kong's director's fee for FY2010 was pro-rated, commencing on 1 October 2010.

| Remuneration Band & Name of Executive Officers | Salary | Bonus | Other benefits | Total |
|---|---|---|---|---|
| | % | % | % | % |
| **S$250,000 and above** | | | | |
| Nil | | | | |
| **Below S$250,000** | | | | |
| Yak Thian Huat Dave | 85 | 15 | – | 100 |
| Li Song | 94 | 6 | – | 100 |
| Fan Chang Lin | 94 | 6 | – | 100 |
| Geng He Ping | 94 | 6 | – | 100 |

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 FY2010. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2010. 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 AC with written terms of reference which clearly set out its authority and duties.***

The AC currently comprises the following directors, of whom 3 are independent directors:

| | | |
|---|---|---|
| Tan Lye Heng Paul | – | Chairman |
| Lim Heng Chong Benny | – | Member |
| Xu Chun Hua | – | Member |
| Koh Choon Kong | – | Member |

All the 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.

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;

# Corporate Governance Report

(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 2010.

In July 2010, the Singapore Exchange Limited and the Accounting and Corporate Regulatory Authority jointly issued the publication "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" which aims to enhance audit quality in Singapore by providing guidance to ACs in their evaluation of their external auditors, especially during the appointment, reappointment and rotation of statutory auditors. Accordingly, the AC evaluated the performance of the external auditors, Paul Wan & Co, based on the key indicators of audit quality set out in the publication, and upon such evaluation, recommended to the Board of Directors that Paul Wan & Co be nominated for reappointment as external auditors of the Company.

# 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.

**<u>Internal Controls</u>**

***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.

**<u>Internal Audit</u>**

***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 Moore Stephens LLP (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.

# Corporate Governance Report

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.

## (F) RISK MANAGEMENT

The Company has on 3 July 2009 set up a Risk Management Advisory Committee ("**RMAC**") to review the Group's business, financial and operational risks, and to advice the Board on strategies and measures to manage and mitigate these risks. The RMAC currently comprises the following members:

| | | |
|---|---|---|
| Xu Cheng Qiu | – | Chairman |
| Ma Ying Qun | – | Member |
| Yak Thian Huat Dave | – | Member |
| Xu Xian Lei | – | Member |
| Li Song | – | Member |
| Wang Qian Wen | – | Member |

The Board believes that the RMAC which is headed by the Executive Chairman of the Company, together with 5 key executives (including a director and the Chief Financial Officer), will elevate the importance of risk management throughout the Group, and play an effective role as an advisory committee to the Board. The RMAC will be able to draw upon external resources when necessary.

## (G) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of IPTs. All IPTs are subject to review by the AC to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

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

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

There were no IPT conducted during the financial year ended 31 December 2010.

## (H) MATERIAL CONTRACTS

Save for the service contracts 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 | 67 | Executive Chairman | 11 October 2006 | 29 April 2010 | None | None |
| Liu Jing Fu | 59 | Executive Director | 18 May 2007 | 22 April 2009 | None | None |
| Xu Jun | 41 | Executive Director | 18 May 2007 | 29 April 2010 | None | None |
| Ma Ying Qun | 37 | Executive Director | 18 May 2007 | 22 April 2009 | None | None |
| Koh Choon Kong | 40 | Non-Executive Director | 15 November 2009 | 29 April 2010 | None | None |
| Tan Lye Heng Paul | 46 | Lead Independent Director | 18 May 2007 | 29 April 2008 | - Second Chance Properties Ltd.<br>- Sin Ghee Huat Corporation Ltd. | None |
| Lim Heng Chong Benny | 40 | Independent Director | 18 May 2007 | 29 April 2008 | - Ziwo Holdings Ltd | None |
| Xu Chun Hua | 68 | Independent Director | 18 May 2007 | 22 April 2009 | - 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<br>Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters | 17-29 |
| Guideline 1.4<br>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<br>The type of material transactions that require board approval under internal guidelines | 18 |
| Guideline 2.2<br>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<br>Relationship between the Chairman and CEO where they are related to each other | 20 |
| Guideline 4.1<br>Composition of nominating committee | 20-21 |
| Guideline 4.5<br>Process for the selection and appointment of new directors to the board | 21-22 |
| Guideline 4.6<br>Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent | 32 |
| Guideline 5.1<br>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<br>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 | 25-26 |
| Guideline 9.1<br>Composition of remuneration committee | 24 |

# Corporate Governance Report

| **Relevant Guidelines or Principles** | **Page Reference in this Annual Report** |
|---|---|
| Guideline 9.2<br>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 | 26 |
| Guideline 9.2<br>Names and remuneration of at least the top 6 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<br>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<br>Details of employee share schemes | 26 |
| Guideline 11.8<br>Composition of audit committee and details of the committee's activities | 27-29 |
| Guideline 12.2<br>Adequacy of internal controls, including financial, operational and compliance controls and risk management system | 29-31 |

# Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of the China Sunsine Chemical Holdings Ltd. ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company for the financial year ended 31 December 2010.

## 1. DIRECTORS

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

Executive Directors:
Xu Cheng Qiu (Executive Chairman)
Liu Jing Fu
Xu Jun
Ma Ying Qun

Independent Directors:
Tan Lye Heng Paul (Lead Independent Director)
Lim Heng Chong Benny
Xu Chun Hua

Non-Executive Director:
Koh Choon Kong

## 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 was to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

## 3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

| | Shareholdings registered in the name of director | | | Shareholdings in which a director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| | **As at 1.1.2010** | **As at 31.12.2010** | **As at 21.1.2011** | **As at 1.1.2010** | **As at 31.12.2010** | **As at 21.1.2011** |
| The Company – **China Sunsine Chemical Holdings Ltd.** (Number of ordinary shares) | | | | | | |
| Xu Cheng Qiu | 2,869,000 | 2,869,000 | 2,869,000 | 293,642,550 | 293,642,550 | 293,642,550 |
| Liu Jing Fu | 720,000 | 720,000 | 720,000 | – | – | – |
| Tan Lye Heng Paul | 150,000 | 150,000 | 150,000 | – | – | – |
| Lim Heng Chong Benny | 100,000 | 100,000 | 100,000 | – | – | – |
| Koh Choon Kong | 950,000 | 950,000 | 950,000 | 3,226,000 | 3,226,000 | 3,226,000 |

# Directors' Report

| | Shareholdings registered in the name of director | | | Shareholdings in which a director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| | **As at 1.1.2010** | **As at 31.12.2010** | **As at 21.1.2011** | **As at 1.1.2010** | **As at 31.12.2010** | **As at 21.1.2011** |
| Holding Company – | | | | | | |
| **Success More Group Ltd** | | | | | | |
| (Number of ordinaryshares) | | | | | | |
| Xu Cheng Qiu * | 7,427 | 7,427 | 7,427 | – | – | – |
| Xu Jun | 812 | 812 | 812 | – | – | – |

* 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 the 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 follows:-

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

Majority of the members of the Audit Committee are independent directors. 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 any recommendations on internal accounting controls arising from the statutory audit;

- the cooperation given by the Group's management to the independent auditor; and

- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 before their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position 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 Auditor of the Company at the forthcoming Annual General Meeting of the Company.

## 7. INDEPENDENT AUDITOR

The independent auditor, Paul Wan & Co, a member firm of Morison International has expressed its willingness to accept re-appointment

On behalf of the directors

Xu Cheng Qiu
Director

Liu Jing Fu
Director

8 March 2011

# Statement by Directors

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the Group and statement of financial position of the Company, together with the notes thereon as set out on pages 41 to 79 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Xu Cheng Qiu
Director

Liu Jing Fu
Director

8 March 2011

# Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of China Sunsine Chemical Holdings Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 41 to 79 which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*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 about 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 judgement, 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 controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. 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.

*Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company 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 Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

# Independent Auditor's Report

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

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

**SINGAPORE**
8 March 2011

# Consolidated Statement of Comprehensive Income

*For the financial year ended 31 December 2010*

| | Note | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | 991,403 | 718,389 |
| Cost of sales | | (767,324) | (558,172) |
| **Gross profit** | | 224,079 | 160,217 |
| Other operating income | 5 | 15,401 | 12,497 |
| Distribution costs | | (35,453) | (23,521) |
| Administrative expenses | | (50,410) | (42,830) |
| Research costs | | (8,934) | (1,280) |
| Other expenses | | (5,954) | (533) |
| Finance costs | 6 | (3,489) | (1,446) |
| **Profit before tax** | 9 | 135,240 | 103,104 |
| Income tax expense | 10 | (19,974) | (14,780) |
| **Profit for the year** | | 115,266 | 88,324 |
| **Other comprehensive income/(loss), net of tax** | | | |
| Exchange differences on translation | | 15 | (1,616) |
| Net gain on fair value changes of available-for-sale financial asset | | 293 | – |
| **Total comprehensive income for the year, attributable to equity holders of the Company** | | 115,574 | 86,708 |
| | | **RMB cents** | **RMB cents** |
| Earnings per share: | 11 | | |
| - basic | | 24.14 | 18.41 |
| - diluted | | 24.14 | 18.41 |

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

# Statements of Financial Position

*As at 31 December 2010*

| | Note | The Group 2010 RMB'000 | The Group 2009 RMB'000 | The Company 2010 RMB'000 | The Company 2009 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 328,119 | 184,106 | – | – |
| Land use rights | 13 | 17,138 | 18,042 | – | – |
| Investment in subsidiaries | 14 | – | – | 371,102 | 371,102 |
| Available-for-sale financial assets | 15 | 15,036 | 13,998 | 15,036 | 13,998 |
| | | 360,293 | 216,146 | 386,138 | 385,100 |
| **Current assets** | | | | | |
| Inventories | 16 | 77,319 | 54,254 | – | – |
| Available-for-sale financial assets | 15 | – | 22,430 | – | 2,430 |
| Trade and other receivables | 17 | 305,112 | 277,705 | 1,682 | 45 |
| Cash and cash equivalents | 18 | 165,088 | 195,730 | 3,518 | 4,674 |
| | | 547,519 | 550,119 | 5,200 | 7,149 |
| **Total assets** | | 907,812 | 766,265 | 391,338 | 392,249 |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 19 | 313,471 | 313,471 | 313,471 | 313,471 |
| Treasury shares | 19 | (12,992) | (12,992) | (12,992) | (12,992) |
| Reserves | 20 | 391,198 | 298,887 | 79,014 | 81,612 |
| | | 691,677 | 599,366 | 379,493 | 382,091 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 118,570 | 101,031 | 9,302 | 10,158 |
| Deferred grants | 22 | 1,583 | 6,360 | – | – |
| Bank borrowings | 23 | 90,000 | 50,000 | – | – |
| Income tax payable | | 5,982 | 9,508 | 2,543 | – |
| | | 216,135 | 166,899 | 11,845 | 10,158 |
| **Total equity and liabilities** | | 907,812 | 766,265 | 391,338 | 392,249 |

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

# Consolidated Statement of Changes in Equity

*For the financial year ended 31 December 2010*

| | Note | Share capital RMB'000 | Treasury share RMB'000 | Currency translation reserve RMB'000 | Fair value reserve 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | | | | |
| **2010** | | | | | | | | | | | |
| Beginning of financial year | | 313,471 | (12,992) | (6,983) | – | 305 | 261,811 | 25,444 | 18,310 | 43,754 | 599,366 |
| Total comprehensive income for the year | | – | – | 15 | 293 | – | 115,266 | – | – | – | 115,574 |
| Transfer to statutory and voluntary reserves | | – | – | – | – | – | (27,731) | 23,807 | 3,924 | 27,731 | – |
| Dividends relating to 2009 paid | 24 | – | – | – | – | – | (23,263) | – | – | – | (23,263) |
| **End of financial year** | | 313,471 | (12,992) | (6,968) | 293 | 305 | 326,083 | 49,251 | 22,234 | 71,485 | 691,677 |
| **2009** | | | | | | | | | | | |
| Beginning of financial year | | 313,471 | (6,719) | (5,367) | – | 305 | 211,257 | 13,308 | 14,245 | 27,553 | 540,500 |
| Total comprehensive income for the year | | – | – | (1,616) | – | – | 88,324 | – | – | – | 86,708 |
| Transfer to statutory and voluntary reserves | | – | – | – | – | – | (16,201) | 12,136 | 4,065 | 16,201 | – |
| Dividends relating to 2009 paid | 24 | – | – | – | – | – | (21,569) | – | – | – | (21,569) |
| Purchase of treasury shares | 19 | – | (6,273) | – | – | – | – | – | – | – | (6,273) |
| **End of financial year** | | 313,471 | (12,992) | (6,983) | – | 305 | 261,811 | 25,444 | 18,310 | 43,754 | 599,366 |

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

# Consolidated Statement of Cash Flows

*For the financial year ended 31 December 2010*

| | Note | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | 135,240 | 103,104 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | 22,693 | 23,116 |
| Amortisation of land use rights | 13 | 904 | 384 |
| Exchange on translation | | (730) | (1,934) |
| Net loss on disposal/written off of property, plant and equipment | | 1,709 | 282 |
| (Written back)/allowance for impairment on trade and other receivables | | (729) | (4,890) |
| Impairment on available-for-sale financial asset | | – | 565 |
| Interest income | | (5,876) | (4,105) |
| Interest expense | | 3,489 | 1,446 |
| Written back of trade and other payables | | (1,067) | (874) |
| Grant income | | – | (500) |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | | 155,633 | 116,594 |
| Cash deposits restricted in use by banks | | (15,733) | (19,322) |
| (Increase)/Decrease in inventories | | (23,065) | 11,980 |
| Increase in operating receivables | | (26,678) | (86,015) |
| Increase in operating payables | | 18,606 | 27,448 |
| **CASH GENERATED FROM OPERATIONS** | | 108,763 | 50,685 |
| Interest paid | | (3,489) | (1,446) |
| Income tax paid | | (23,500) | (15,260) |
| Grant received | | – | 500 |
| **Net cash generated from operating activities** | | 81,774 | 34,479 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | 316 | – |
| Acquisition of property, plant and equipment and land use rights | | (174,068) | (56,164) |
| Proceeds from disposal of available-for-sale financial assets | 15 | 22,430 | 17,570 |
| Interest received | | 5,876 | 4,105 |
| **Net cash used in investing activities** | | (145,446) | (34,489) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | 24 | (23,263) | (21,569) |
| Grants received | 22 | 560 | 7,150 |
| Proceeds from short-term borrowings | | 130,000 | 80,000 |
| Repayment of short-term borrowings | | (90,000) | (30,000) |
| Purchase of treasury shares | 19 | – | (6,273) |
| Repayment of loan from a director | | – | (37,079) |
| **Net cash generated from/(used in) financing activities** | | 17,297 | (7,771) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (46,375) | (7,781) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | 176,379 | 184,160 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | 18 | 130,004 | 176,379 |

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

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

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

## 1. GENERAL INFORMATION

China Sunsine Chemical Holdings Ltd. (“the Company”) is a limited liability company incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 112 Robinson Road, #12-04, Singapore 068902.

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 principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are stated in Note 14 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 8 March 2010.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and have been properly drawn up in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements are presented in Chinese Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except as otherwise indicated.

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.

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below:

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

FRS 103 *Business Combinations* (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). 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 subsidiaries acquired or disposed of during the financial period are included in the consolidated statement of comprehensive income 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.

(c) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

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

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners).

When changes in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial instruments

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

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, revaluates this designation at end of each reporting period.

(i) Loans and receivables

Loans and 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 end of the reporting period. These are classified as non-current assets, if any.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less allowance for impairment.

(ii) 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 from the end of the reporting period.

Where reliable fair value estimates are not available, these investments are stated at cost less any impairment losses. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses; interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income and accumulated in fair value reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with short maturities and are subject to an insignificant risk of changes in value.

(iv) Non-derivative financial assets

Other non-derivative financial assets are measured at initial recognition of fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses except for quasi-equity loan receivables from associates and jointly controlled entities, which are stated at cost less accumulated impairment losses.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(d) Financial instruments (cont'd)

(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) Non-derivative financial liabilities

Non-derivative financial liabilities including interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(vii) 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.

(viii) Share capital and treasury shares

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

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(ix) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) 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 capitalised and expenditure for maintenance and repairs are charged to the profit or loss. 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 profit or loss.

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

No depreciation has been provided for assets under construction.

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 gain or loss 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 the end of each reporting period. The useful lives and depreciation method are reviewed at the end of each reporting period 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.

(f) Land use rights

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Inventories

Inventories are stated at the lower of cost (weighted average method) and net realisable 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. Allowance is made, when necessary, for obsolete, slow moving and defective inventories in arriving at the net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(h) Research costs

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

(i) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Where the grant relates to an asset, the asset is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Where the grant relates to income, it is presented as a credit in profit or loss under "Other income".

(j) Employee benefits

*Retirement benefit costs*

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary of the Group ("PRC Subsidiary") has participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund its retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiary. The only obligation of the PRC subsidiary 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 statement of comprehensive income 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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Income taxes

*Current tax*

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 profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

*Deferred tax*

Deferred taxation is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the end of reporting period.

At the end of each reporting period, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised.

(l) Impairment loss

*Non-financial assets*

The carrying amounts of the Group's assets are reviewed at the end of each reporting period 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 statement of comprehensive income 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 statement of comprehensive income, 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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(l) Impairment loss (cont'd)

*Financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

(m) 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 end of the reporting period, 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 if 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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) 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-apportionment basis using the effective interest method.

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

(p) 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 statement of financial position of the Company are presented in Chinese Renminbi ("RMB"), which is the functional currency of the significant foreign operation of the Group, and the presentation currency for the consolidated financial statements. The Company's functional currency is Singapore dollar ("SGD").

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. 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.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Foreign currency transactions and translation (cont'd)

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

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expense are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the currency translation reserve.

(q) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

(r) Segment reporting

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

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (cont'd)

Critical accounting judgement:

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 RMB 242,190,000 (2009: RMB 181,205,000) and RMB 62,922,000 (2009: RMB 96,500,000) as disclosed in Note 17.

Income tax

The Group operates in various countries. Significant judgement is required in determining whether items are subject to withholding tax and double taxation relief. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax liabilities at 31 December 2010 is RMB 17,859,000 (2009: RMB 14,780,000) as disclosed in Note 10.

Deferred incomes tax

Management judgement is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences are unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised.

Critical assumption and estimation uncertainties:

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. The net carrying amount of property, plant and equipment at 31 December 2010 is RMB 328,119,000 (2009: RMB 184,106,000) and the annual depreciation charge for the financial year ended 31 December 2010 is RMB 22,693,000 (2009: RMB 23,116,000) as disclosed in Note 12.

Impairment of property, plant and equipment

An assessment is made at each reporting date whether there is any indication that property, plant and equipment may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates. If the revised estimated gross margin is lower than that used in the calculations there would be a need to provide for impairment.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 4. REVENUE

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Sale of rubber chemicals | 991,403 | 718,389 |

## 5. OTHER OPERATING INCOME

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Gain on exchange differences | – | 530 |
| Interest income | | |
| - available-for-sale financial assets | 2,433 | 1,351 |
| - bank deposits | 2,656 | 2,754 |
| - loans to third parties | 787 | – |
| Profit on sale of scrap materials | 6,682 | 1,211 |
| Waiver of debt from trade and other payables | 1,067 | 874 |
| Incentive from government | – | 500 |
| Reversal of allowance for impairment on trade and other receivables | 1,228 | 4,890 |
| Others | 549 | 387 |
| | 15,401 | 12,497 |

## 6. FINANCE COSTS

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Interest on discount notes | – | 118 |
| Interest on bank borrowings | 3,489 | 1,328 |
| | 3,489 | 1,446 |

The effective interest rates per annum are as follows:

| | 2010 | 2009 |
|---|---|---|
| Discount notes | – | 1.74% |
| Bank borrowings | 5.31% | 5.31% |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 7. EMPLOYEE BENEFIT EXPENSES

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Directors' remunerations | | |
| - salaries and related costs | 6,985 | 9,200 |
| - defined contributions* | 6 | 4 |
| Key management personnel (other than directors) | | |
| - salaries and related costs | 1,059 | 1,014 |
| - defined contributions* | 71 | 58 |
| Other than directors and key management personnel | | |
| - salaries and related costs | 58,583 | 45,025 |
| - defined contributions* | 5,530 | 5,204 |
| | 72,234 | 60,505 |
| As disclosed in: | | |
| Cost of sales | 37,047 | 29,533 |
| Distribution costs | 2,300 | 1,809 |
| Administrative expenses | 31,977 | 28,519 |
| Research costs | 910 | 644 |
| | 72,234 | 60,505 |

* Includes contributions under the retirement benefit plans (Note 8).

## 8. 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 statement of comprehensive income for the financial year ended 31 December 2010 was approximately RMB 5,535,000 (2009: RMB 5,189,000), representing defined contribution national pension plan for the period.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 9. PROFIT BEFORE TAX

In addition to the charges disclosed elsewhere in the notes to the financial statements, this item included the following:

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Depreciation of property, plant and equipment | 22,693 | 23,116 |
| Amortisation of land use rights | 904 | 384 |
| Loss on write off/ disposal of property, plant and equipment | 1,709 | 282 |
| Directors' fees | 438 | 518 |
| Allowance for impairment on trade and other receivables | 511 | – |
| Loss on exchange differences | 2,774 | – |
| Freight charges | 15,439 | 12,281 |
| Port charges | 10,318 | 4,409 |
| Preliminary operating expenditure | 1,146 | – |

## 10. INCOME TAX EXPENSE

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Current income tax – Foreign | 17,859 | 14,780 |
| Overprovision of current income tax in prior year | (5,278) | – |
| | 12,581 | 14,780 |
| Foreign withholding tax | 7,393 | – |
| | 19,974 | 14,780 |

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Profit before tax | 135,240 | 103,104 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 34,412 | 26,175 |
| Income/ expenses not subject to tax/ tax deduction | 8 | (230) |
| Deferred tax assets on temporary differences not recognised | 1,703 | 2,347 |
| Utilisation of deferred tax assets not recognised in prior year | (405) | – |
| Tax exempt income | (17,859) | (13,512) |
| Overprovision of current income tax in prior year | (5,278) | – |
| | 12,581 | 14,780 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 10. INCOME TAX EXPENSE (cont'd)

The above reconciliation is prepared by aggregating separate reconciliations for each additional jurisdiction.

The corporate income tax rate applicable to Singapore companies of the Group is 17% (2009: 17%). No provision for Singapore tax has been made for Singapore companies as there is no taxable income derived in Singapore.

The Company's subsidiary, Shandong Sunsine Chemical Co.,Ltd 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.

As at 31 December 2010, the Company has unabsorbed tax losses of approximately RMB 23,962,870 (2009: RMB 16,298,518), which was available to offset against future profit.

No deferred tax has been provided for the subsidiaries as there are no significant temporary differences which gave rise to a deferred tax asset or liability at the end of reporting period.

## 11. EARNINGS PER SHARE

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

| The Group | 2010 | 2009 |
|---|---|---|
| Profit for the year attributable to equity holders of the Company (in RMB'000) | 115,266 | 88,324 |
| Weighted average number of ordinary shares (in '000) | 477,357 | 479,659 |
| Earnings per share - Basic (RMB cents) | 24.14 | 18.41 |

There is no dilution as there were no share options outstanding at the end of the financial year.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 12. PROPERTY, PLANT AND EQUIPMENT

| The Group | Plant and machinery RMB'000 | Buildings RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Assets under construction RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2009 | 149,813 | 57,582 | 4,399 | 1,410 | 20,371 | 233,575 |
| Additions | 9,534 | 2,746 | 774 | 486 | 42,624 | 56,164 |
| Grant received | (420) | – | – | – | (690) | (1,110) |
| Reclassification | 9,558 | 5,019 | – | 3 | (14,580) | – |
| Written off | – | (75) | (767) | – | – | (842) |
| At 31 December 2009 | 168,485 | 65,272 | 4,406 | 1,899 | 47,725 | 287,787 |
| Additions | 19,425 | 5,189 | 350 | 189 | 148,915 | 174,068 |
| Grant received | (4,060) | – | – | – | (1,277) | 5,337 |
| Reclassification | 16,642 | 24,226 | – | – | (40,868) | – |
| Disposals | – | (294) | – | – | – | (294) |
| Written off | (7,597) | (1,251) | – | – | – | (8,848) |
| At 31 December 2010 | 192,895 | 93,142 | 4,756 | 2,088 | 154,495 | 447,376 |
| **Accumulated Depreciation** | | | | | | |
| At 1 January 2009 | 67,080 | 11,552 | 1,871 | 622 | – | 81,125 |
| Depreciation charge for the year | 18,463 | 3,869 | 510 | 274 | – | 23,116 |
| Written off | – | (16) | (544) | – | – | (560) |
| At 31 December 2009 | 85,543 | 15,405 | 1,837 | 896 | – | 103,681 |
| Depreciation charge for the year | 17,265 | 4,595 | 528 | 305 | – | 22,693 |
| Disposals | – | (260) | – | – | – | (260) |
| Written off | (6,140) | (717) | – | – | – | (6,857) |
| At 31 December 2010 | 96,668 | 19,023 | 2,365 | 1,201 | – | 119,257 |
| **Net Book Value** | | | | | | |
| At 31 December 2010 | 96,227 | 74,119 | 2,391 | 887 | 154,495 | 328,119 |
| At 31 December 2009 | 82,942 | 49,867 | 2,569 | 1,003 | 47,725 | 184,106 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 13. LAND USE RIGHTS

| The Group | RMB'000 |
|---|---|
| **Cost** | |
| At 1 January 2009, 31 December 2009 and 31 December 2010 | 19,163 |
| **Accumulated Amortisation** | |
| At 1 January 2009 | 737 |
| Amortisation charge for the year | 384 |
| At 31 December 2009 | 1,121 |
| Amortisation charge for the year | 904 |
| At 31 December 2010 | 2,025 |
| **Net Book Value** | |
| At 31 December 2010 | 17,138 |
| At 31 December 2009 | 18,042 |

* The amortisation expense was included in administrative expenses in the statement of comprehensive income.

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 2010*

## 14. INVESTMENT IN SUBSIDIARIES

| The Company | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Unquoted equity investment, at cost | 350,010 | 350,010 |
| Loan to a subsidiary | 21,092 | 21,092 |
| | 371,102 | 371,102 |

During the financial year, the Company has invested in a newly incorporated wholly owned subsidiary namely Sunsine International Trading Pte Ltd with the consideration of SGD 1.00 (equivalent to RMB 5.00).

The loan to a subsidiary is unsecured, interest free and is not expected to be settled or not likely to be settled in the foreseeable future. This loan is considered as an extension to the Company's net investment in the subsidiary.

The Subsidiaries are:

| | Country of incorporation/ principal place of business | Percentage of Equity held | | Principal activities |
|---|---|---|---|---|
| | | 2010 | 2009 | |
| **Held by the Company** | | | | |
| Sunsine International Trading Pte Ltd [a] | Singapore | 100% | – | Trading in chemical products and general wholesale trade |
| Shandong Sunsine Chemical Co.,Ltd [b] (Formerly known as Shandong Shanxian Chemical Co.,Ltd) | People's Republic of China | 100% | 100% | Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur |
| **Held through Shandong Sunsine Chemical Co.,Ltd** | | | | |
| Weifang Sunsine Chemical Co., Ltd [c] | People's Republic of China | 100% | – | Manufacturing and sale or rubber chemicals, including rubber accelerators |

(a) Audited by Paul Wan & Co, a member firm of Morison International.

(b) Audited by ShanDong ZhongDa Certified Public Accounts Co.,Ltd, a firm of certified public accountants in the PRC for local statutory reporting and audited by Paul Wan & Co, a member firm of Morison International for the purposes of FRS reporting and consolidation.

(c) Audited by Paul Wan & Co, a member firm of Morison International for the purposes of FRS reporting and consolidation.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Beginning of the financial year | 36,428 | 54,245 | 16,428 | 14,245 |
| Additions | – | 47,430 | – | 2,430 |
| Disposals | (22,430) | (65,000) | (2,430) | – |
| Less: Impairment | – | (565) | – | (565) |
| Add: Fair value gain recognised in other comprehensive income | 293 | – | 293 | – |
| Exchange difference | 745 | 318 | 745 | 318 |
| End of the financial year | 15,036 | 36,428 | 15,036 | 16,428 |
| Less: Current portion | – | (22,430) | – | (2,430) |
| Non-current portion | 15,036 | 13,998 | 15,036 | 13,998 |

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

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Unquoted securities with banks | | | | | |
| - #1 | (i) | 5,119 | 4,860 | 5,119 | 4,860 |
| - #2 | (ii) | 9,917 | 9,138 | 9,917 | 9,138 |
| - #3 | (iii) | – | 20,000 | – | – |
| - #4 | (iv) | – | 2,430 | – | 2,430 |
| | | 15,036 | 36,428 | 15,036 | 16,428 |
| Fair value: | | | | | |
| Unquoted securities with banks | | 15,036 | 36,428 | 15,036 | 16,428 |

(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 with capital-protected nature on Singapore banks. The maturity date of the investment is 5 October 2012.

(ii) The available-for-sale financial asset #2 relates to a SGD 2,000,000 investment in UBS 5Y SGD FTD Note IV. The said financial asset bears interest at 3% per annum and matures on 20 June 2013. However, an impairment of SGD 120,000 was provided at the end of last financial year and a fair value revaluation gain has been realised at the end of this year.

(iii) The available-for-sale financial asset #3 relates to a RMB 20,000,000 investment in 乾元通财-2009双月盈 issued by the China Construction Bank. The said financial asset bears interest at 2.40% per annum and matured on 1 January 2010.

(iv) The available-for-sale financial asset #4 relates to a SGD 500,000 investment in bond held by a Singapore bank, with interest rate at 5% per annum and matured on 27 February 2010.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 16. INVENTORIES

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| At cost: | | |
| Raw materials | 50,168 | 35,093 |
| Finished goods | 25,114 | 17,335 |
| Packing materials | 2,037 | 1,826 |
| | 77,319 | 54,254 |
| Inventories charged to cost of sales | 794,963 | 583,574 |

## 17. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| **Trade receivables** | | | | |
| External parties | 174,470 | 128,334 | – | – |
| Notes receivables | 68,031 | 53,114 | – | – |
| Less: Allowance for impairment | (311) | (243) | – | – |
| | 242,190 | 181,205 | – | – |
| **Other receivables** | | | | |
| Advances to suppliers | 13,806 | 26,460 | – | – |
| Down-payment for property, plant and equipment | 23,987 | 6,125 | – | – |
| Staff advances | 315 | 334 | – | – |
| Amount due from subsidiaries | – | – | 1,608 | – |
| Loans to third parties | 5,210 | 44,500 | – | – |
| Export tax/VAT receivables | 16,364 | 10,106 | – | – |
| Prepayment | 2,316 | 3,745 | 9 | 34 |
| Other deposits | 231 | – | – | – |
| Others | 903 | 6,237 | 65 | 11 |
| Less: Allowance for impairment | (210) | (1,007) | – | – |
| | 62,922 | 96,500 | 1,682 | 45 |
| | 305,112 | 277,705 | 1,682 | 45 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 17. TRADE AND OTHER RECEIVABLES (cont'd)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Beginning of financial year | 1,250 | 6,140 | – | – |
| Charge for the year | 511 | 1,366 | – | – |
| Less: Written back | (1,228) | (4,377) | – | – |
| Less: Written off | (12) | (1,879) | – | – |
| End of financial year | 521 | 1,250 | – | – |

The age analysis of trade receivables past due but not impaired are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Past due over 3 months | 225 | – | – | – |

Trade receivables have credit terms of 30-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. The Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. However, there are specific provisions made to a third party where the collectability becomes uncertain.

Allowance for impairment on trade and other receivables of RMB 311,000 (2009: RMB 243,000) and RMB 210,000 (2009: RMB 1,007,000) respectively, have been made where the collectability of debts become uncertain.

The average trade receivables turnover for the year approximates 64 days (2009: 58 days). Notes receivables are non-interest bearing and have a maturity period from 1 to 180 days (2009: 1 to 180 days).

The maturity date of notes receivables from customers are as follows:

| The Group | **2010** | **2009** |
|---|---|---|
| The earliest date | 1 January 2011 | 1 January 2010 |
| The latest date | 24 June 2011 | 30 June 2010 |

The loans to third parties are secured either by land and property or shares with interest at rate of 8% per annum. All these are short-term loans which to be repaid within a year.

In the opinion of the management of the Group, the fair value of collateral held has been estimated to approximate the carrying amounts of the loans.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 18. CASH AND CASH EQUIVALENTS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Cash at bank and on hand | 165,088 | 128,127 | 3,518 | 1,271 |
| Short-term deposits | – | 67,603 | – | 3,403 |
| | 165,088 | 195,730 | 3,518 | 4,674 |
| Cash restricted in use | (35,084) | (19,351) | – | – |
| Cash not restricted in use | 130,004 | 176,379 | 3,518 | 4,674 |

Cash restricted in use represents bank balances held by bankers to cover notes payables (Note 21) and issue letter of credit for oversea purchase.

The short-term deposits earn interest at rates ranging from Nil (2009: 0.21% to 1.71%) per annum and for a tenor of approximately 1 to 3 months.

## 19. SHARE CAPITAL AND TREASURY SHARES

### a) Share capital

| | The Group and The Company | | |
|---|---|---|---|
| | **No. of shares** | **SGD'000** | **RMB'000** |
| **2010** | | | |
| Beginning and end of financial year | 491,694,000 | 62,649 | 313,471 |
| **2009** | | | |
| Beginning and end of financial year | 491,694,000 | 62,649 | 313,471 |

### b) Treasury shares

| | The Group and The Company | | |
|---|---|---|---|
| | **No. of shares** | **SGD'000** | **RMB'000** |
| **2010** | | | |
| Beginning and end of financial year | 14,337,000 | (2,748) | (12,992) |
| **2009** | | | |
| Beginning of financial year | 7,253,000 | (1,415) | (6,719) |
| Acquired | 7,084,000 | (1,333) | (6,273) |
| End of financial year | 14,337,000 | (2,748) | (12,992) |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 19. SHARE CAPITAL AND TREASURY SHARES (cont'd)

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

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets.

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

During the last financial year, the Company acquired 7,084,000 of its shares in the open market. The total amount paid to acquire the shares was SGD 1,333,000 presented as a component within shareholders' equity.

## 20. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Merger reserve | 305 | 305 | – | – |
| Fair value reserve | 293 | – | 293 | – |
| Statutory common reserve (i) | 49,251 | 25,444 | – | – |
| Voluntary common reserve (ii) | 22,234 | 18,310 | – | – |
| | 72,083 | 44,059 | 293 | – |
| Retained earnings | 326,083 | 261,811 | 84,461 | 87,367 |
| Exchange on translation | (6,968) | (6,983) | (5,740) | (5,755) |
| | 391,198 | 298,887 | 79,014 | 81,612 |

**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.

**Fair value reserve**

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

**Currency translation reserve**

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

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

**20. RESERVES (cont'd)**

**Other reserves**

According to the Company Law of PRC and Articles of Association of PRC Subsidiaries, 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 tax 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 2010*

## 21. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Trade payables** | | | | |
| External parties | 30,097 | 29,990 | – | – |
| Notes payables | 2,664 | 3,857 | – | – |
| | 32,761 | 33,847 | – | – |
| **Other payables** | | | | |
| Advances received from customers | 4,001 | 4,477 | – | – |
| Payable for property, plant and equipment | 27,625 | 8,530 | – | – |
| Accruals for land instalment payments | 8,793 | 8,860 | – | – |
| Accruals for operating costs | 5,278 | 4,797 | 743 | 857 |
| Other government taxes payables | 1,503 | 5,047 | – | – |
| Accruals for directors' remunerations | 8,406 | 9,326 | 8,406 | 9,173 |
| Salaries and related costs payables | 7,350 | 8,641 | 42 | 108 |
| Loans from third parties | – | 750 | – | – |
| Other payables | 7,318 | 1,711 | 111 | 20 |
| Refundable deposits | 290 | – | – | – |
| Research and development cost payables | 15,245 | 15,045 | – | – |
| | 85,809 | 67,184 | 9,302 | 10,158 |
| | 118,570 | 101,031 | 9,302 | 10,158 |

The fair value of current trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statement of financial position to be reasonable approximation of their fair values. The average trade payables turnover for the year approximates 16 days (2009: 16 days).

Notes payables are secured on bank deposits (Note 18) with no interest charged.

The notes payables matured at varying date as follows:

| The Group | **2010** | **2009** |
|---|---|---|
| The earliest date | 15 January 2011 | 1 January 2010 |
| The latest date | 13 February 2011 | 25 June 2010 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 22. DEFERRED GRANTS

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Beginning of financial year | 6,360 | 320 |
| Amount received from governmental agencies | 560 | 7,150 |
| Utilised during the year | (5,337) | (1,110) |
| End of financial year | 1,583 | 6,360 |

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 technologies advancement.

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

## 23. BANK BORROWINGS

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Short-term bank borrowings | 90,000 | 50,000 |
| The effective interest rate paid was as follow: | | |
| Bank borrowings | 5.31% | 5.31% |

The carrying amount which is denominated in Chinese Renminbi approximates to its fair value due to its short-term nature as of the end of reporting period.

These short-term bank borrowings are unsecured and repayable in year 2011.

## 24. DIVIDENDS

| The Group and the Company | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| **Declared and paid during the financial year:** | | |
| *Dividend on ordinary shares:* | | |
| 2009 Final exempt (one-tier) dividend at S$0.01 per share | 23,263 | – |
| 2009 Interim exempt (one-tier) dividend at S$0.01 per share | – | 21,569 |
| | 23,263 | 21,569 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 24. DIVIDENDS (cont'd)

In respect of the current year, the directors propose a final dividend of SGD 0.01 per share and will be paid to shareholders in 2011. These one-tier tax exempt dividends are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members at the books closure date which will be decided at a later date. The total estimated dividend to be paid is SGD 4,773,570.

## 25. OPERATING LEASE COMMITMENT

Operating lease commitment – where the Group is a lessee

The Company leases office from non-related party under non-cancellable operating lease agreement. The lease has a tenure term of 3 years, escalation clauses and renewal right.

The future minimum lease payable under non-cancellable operating lease contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

| The Group and the Company | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Within one year | 103 | – |
| Within two to five years | 240 | – |
| | 343 | – |

## 26. CAPITAL COMMITMENTS

| The Group | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Expenditure contracted for | | |
| - construction of new factory plants | 7,775 | 7,123 |
| - purchase and installation of plant and machinery | 11,061 | 15,945 |
| | 18,836 | 23,068 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain the Group 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may acquire further funding from the shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

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 statement of financial position mainly consist of available-for-sale financial assets, cash and cash equivalents, receivables, payables and bank borrowings.

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 optimising the return on risk.

***Interest rate risk***

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 policy is to obtain the most favourable interest rates available and to maintain an efficient optimal interest cost structure using a mix of fixed and variable rate debt.

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.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

***Price risk (cont'd)***

The Group does not hold any quoted or marketable financial instrument, other than as disclosed in Note 15 to the financial statements.

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

To illustrate, a 10% increase in the price of aniline for the financial years ended 31 December 2010 and 2009 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.

| | 2010<br>RMB'000 | 2009<br>RMB'000 |
|---|---|---|
| Aniline | 24,322 | 14,921 |

A 10% decrease in the price of aniline for the financial years ended 31 December 2010 and 2009 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 the respective Group entities' functional currencies. The currencies giving rise to this risk are primarily United States dollar, EURO 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 authorised financial institutions.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

***Foreign currency risk (cont'd)***

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

| The Group | USD RMB'000 | EUR RMB'000 | SGD RMB'000 |
|---|---|---|---|
| **As at 31 December 2010** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | – | – | 15,036 |
| Trade and other receivables | 68,333 | 5,951 | 161 |
| Cash and cash equivalents | 2,197 | 116 | 3,571 |
| | 70,530 | 6,067 | 18,768 |
| **Financial liabilities** | 8,209 | – | 9,292 |
| Trade and other payables | – | – | – |
| Bank borrowings | – | – | – |
| | 8,209 | – | 9,292 |
| **Net Finance Assets/ Liabilities** | 62,321 | 6,067 | 9,476 |
| Less: Net financial assets/ liabilities denominated in functional currencies | 10 | – | (10,867) |
| **Currencies exposure** | 62,331 | 6,067 | (1,391) |

| The Group | USD RMB'000 | EUR RMB'000 | SGD RMB'000 |
|---|---|---|---|
| **As at 31 December 2009** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | – | – | 16,428 |
| Trade and other receivables | 55,051 | 4,533 | 11 |
| Cash and cash equivalents | 5,192 | 608 | 4,674 |
| | 60,243 | 5,141 | 21,113 |
| **Financial liabilities** | – | – | 10,158 |
| Trade and other payables | 7,834 | – | – |
| Bank borrowings | – | – | – |
| **Net Finance Assets/ Liabilities** | 52,409 | 5,141 | 10,955 |
| Less: Net financial assets/ liabilities denominated in functional currencies | – | – | (10,955) |
| **Currencies exposure** | 52,409 | 5,141 | – |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

***Foreign currency risk (cont'd)***

Sensitivity analysis for foreign currency risk

The following table details the sensitivity to a 2% (2009: 2%) increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 2% (2009: 2%) 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 end of reporting period for a 2% (2009: 2%) change in foreign currency rates. This analysis assumes that all other variables, including tax rate being held constant.

| The Group | 2010 Increase/(Decrease) Profit after tax RMB'000 | 2009 Increase/(Decrease) Profit after tax RMB'000 |
|---|---|---|
| **USD** | | |
| - strengthened | 1,247 | 1,048 |
| - weakened | (1,247) | (1,048) |
| **EUR** | | |
| - strengthened | 121 | 103 |
| - weakened | (121) | (103) |
| **SGD** | | |
| - strengthened | (28) | – |
| - weakened | 28 | – |

**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 statement of financial position 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 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 2010, the five largest trade receivables which represent approximately 16% (2009: 20%) of the total trade receivables at the end of the reporting period. No other financial assets carrying a significant exposure to credit risk except for the loan to third parties (Note 17).

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**Credit risk (cont'd)**

The Group trades only with recognised 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.

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 having with 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 past due and impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in trade and other receivables (Note 17).

<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.

**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 in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 end of the reporting period, 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 of financial assets and financial liabilities**

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

**Fair values of financial assets and financial liabilities (cont'd)**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) Inputs for the asset or liability that are not based on observable market date (unobservable inputs) (Level 3).

Available-for-sale financial assets measured at fair value based on Level 2 fair value hierarchy. The carrying amount of the investments is disclosed in Note 15.

## 29. SEGMENT INFORMATION

The Group is substantially in one business segment, namely the manufacturing and sale 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 | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Revenue | | |
| PRC | 580,818 | 437,455 |
| Rest of Asia | 248,252 | 166,744 |
| America | 32,039 | 53,900 |
| Europe | 81,114 | 25,876 |
| Other countries | 49,180 | 34,414 |
| | 991,403 | 718,389 |

# Notes to the Financial Statements

*For the financial year ended 31 December 2010*

## 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date but are not yet effective:

- Amendments to FRS 32 Financial Instruments: Presentation – Classification of Rights Issues
- INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments
- Revised FRS 24 Related Party Disclosures
- Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement
- INT FRS 115 Agreements for the Construction of Real Estate
- Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to FRS 107 Disclosures: Transfers of Financial Assets

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

<u>Revised FRS 24 Related Party Disclosures</u>

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

# Statistics of Shareholdings

*As at 16 March 2011*

## SHARE CAPITAL

| | | |
|---|---|---|
| Number of Issued Shares | : | 491,694,000 |
| Number of Issued Shares (excluding Treasury Shares) | : | 477,357,000 |
| Number/Percentage of Treasury Shares | : | 14,337,000 / 3.0% |
| 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 | 0.05 | 648 | 0.00 |
| 1,000 – 10,000 | 820 | 44.13 | 4,970,000 | 1.04 |
| 10,001 – 1,000,000 | 1,012 | 54.47 | 66,051,390 | 13.84 |
| More than 1,000,000 | 25 | 1.35 | 406,334,962 | 85.12 |
| Grand Total | 1,858 | 100.00 | 477,357,000 | 100.00 |

## TWENTY LARGEST ORDINARY SHAREHOLDERS

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

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | SUCCESS MORE GROUP LIMITED | 293,642,550 | 61.51 |
| 2. | CITIBANK NOMINEES SINGAPORE PTE LTD | 14,360,000 | 3.01 |
| 3. | DBS NOMINEES PTE LTD | 12,073,650 | 2.53 |
| 4. | ASTRONOMIC CAPITAL GROUP INC | 11,257,762 | 2.36 |
| 5. | LIONG MEE SAN MRS BOON SUAN LEE | 10,413,000 | 2.18 |
| 6. | XU XIANLEI | 7,549,000 | 1.58 |
| 7. | CHIA KEE KOON | 6,809,000 | 1.43 |
| 8. | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 6,202,000 | 1.30 |
| 9. | 2G CAPITAL PTE LTD | 5,850,000 | 1.23 |
| 10. | LU WEI | 5,412,000 | 1.13 |
| 11. | BANK OF SINGAPORE NOMINEES PTE LTD | 4,100,000 | 0.86 |
| 12. | UOB KAY HIAN PTE LTD | 4,062,000 | 0.85 |
| 13. | BOON SU YIN MARIE | 2,998,000 | 0.63 |
| 14. | XU CHENGQIU | 2,869,000 | 0.60 |
| 15. | OCBC SECURITIES PRIVATE LTD | 2,758,000 | 0.58 |
| 16. | MAYBAN NOMINEES (SINGAPORE) PTE LTD | 2,276,000 | 0.48 |
| 17. | PHILLIP SECURITIES PTE LTD | 2,116,000 | 0.44 |
| 18. | YAN TANGFENG | 1,756,000 | 0.37 |
| 19. | UNITED OVERSEAS BANK NOMINEES PTE LTD | 1,660,000 | 0.35 |
| 20. | WARREN CAPITAL PTE LTD | 1,605,000 | 0.34 |
| | **TOTAL** | **399,768,962** | **83.76** |

# Statistics of Shareholdings

*As at 16 March 2011*

## SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at **16 March 2011**, approximately 36.80% of the issued ordinary shares of the Company excluding treasury shares are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

## SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name of Substantial Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Success More Group Ltd[1] | 293,642,550 | 61.51 | – | – |
| Xu Cheng Qiu[1] | 2,869,000 | 0.60 | 293,642,550 | 61.51 |

**Note**:

(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.*

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be held at Meeting Room 206, Level 2, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 26 April 2011 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 of the Company for the financial year ended 31 December 2010, together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of 1 cent per ordinary share for the financial year ended 31 December 2010. **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation under Article 104 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-

   (i) Mr. Ma Ying Qun; **(Resolution 3)**

   (ii) Mr. Tan Lye Heng Paul; **[See Explanatory Note 1]** and **(Resolution 4)**

   (iii) Mr. Lim Heng Chong Benny. **[See Explanatory Note 2]** **(Resolution 5)**

4. To approve the amount of S$133,750 proposed as Directors' fees for the financial year ended 31 December 2010 (2009: S$123,000). **(Resolution 6)**

5. To re-appoint Messrs Paul Wan & Co as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

**As Special Business:-**

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

7. **SHARE ISSUE MANDATE** **(Resolution 8)**

   "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,

# Notice of Annual General Meeting

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

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,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty 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 shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty 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 total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of passing this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or sub-division of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.” **[See Explanatory Note 3]**

8. **RENEWAL OF SHARE PURCHASE MANDATE** **(Resolution 9)**

“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 ten 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 8 April 2011 (the

# Notice of Annual General Meeting

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

"**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 4]**

By Order Of The Board

Yak Thian Huat Dave
Ho Chee Tong
Joint Company Secretaries

Singapore, 8 April 2011

**EXPLANATORY NOTES:**

1. Mr. Tan Lye Heng Paul will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees, and will be considered independent for the purposes of Rule 704(8) of the listing manual of the SGX-ST.

2. Mr. Lim Heng Chong Benny will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees, and will be considered independent for the purposes of Rule 704(8) of the listing manual of the SGX-ST.

3. The Ordinary Resolution 8 proposed in item 7 above, if passed, will authorise the Directors of the Company from the date of this Meeting until the date 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

   For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

4. The Ordinary Resolution 9 proposed in item 8 above, if passed, will renew the Share Purchase Mandate which authorises the Directors of the Company from the date of this Meeting until the date 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase up to 10% of the total number of issued ordinary shares in the capital of the Company. Detailed information on the Renewal of the Share Purchase Mandate is set out in the Circular to shareholders of the Company dated 8 April 2011.

# Notice of Annual General Meeting

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

**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 of 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.

## NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 4 May 2011, for the purpose of determining shareholders' entitlement to the final dividend, subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 26 April 2011.

Duly completed registrable transfers in respect of the shares in the Company received by the Company's Share Registrar, Trico Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd) of 8 Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on 3 May 2011 will be registered to determine shareholders' entitlements to the final dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 3 May 2011, will be entitled to the proposed final dividend.

The proposed final dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 16 May 2011.

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

# 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.

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 Meeting Room 206, Level 2, International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 26 April 2011 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 direction 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 2010, together with the Independent Auditors' Report thereon | | |
| 2 | Declaration of a tax exempt (one tier) final dividend of 1 cent per ordinary share for the financial year ended 31 December 2010 | | |
| 3 | Re-election of Mr. Ma Ying Qun as a Director | | |
| 4 | Re-election of Mr. Tan Lye Heng Paul as a Director | | |
| 5 | Re-election of Mr. Lim Heng Chong Benny as a Director | | |
| 6 | Approval of the payment of Directors' fees of S$133,750 for the financial year ended 31 December 2010 | | |
| 7 | Re-appointment of Messrs Paul Wan & Co as the Company's Auditors, and to authorise the Directors to fix their remuneration | | |
| 8 | Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST | | |
| 9 | Renewal of Share Purchase Mandate | | |

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

Dated this __________ day of ____________________ 2011

| 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 AGM 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 AGM.

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

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

**BOARD OF DIRECTORS**
Xu Cheng Qiu *Executive Chairman*
Liu Jing Fu *Executive Director*
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*
Koh Choon Kong *Non-Executive Director*

**AUDIT COMMITTEE**
Tan Lye Heng Paul *Chairman*
Lim Heng Chong Benny
Xu Chun Hua
Koh Choon Kong

**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)*
Yak Thian Huat Dave *CPA (Singapore)*

**BANKERS**
China Construction Bank Corporation Heze/Shanxian/Weifang Branch
Agricultural Bank of China Shanxian/Weifang Branch
Bank of China Shanxian Branch
Industrial and Commercial Bank of China Shanxian Branch
Postal Savings Bank of China Shanxian Branch
Standard Chartered Bank
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 #35-07/08
International Plaza
Singapore 079903

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

## OUR DISTINGUISHED CLIENTS

- Bridgestone
- Michelin
- Good Year
- Continental
- Sumitomo
- Hankook
- Yokohama
- Kumho Tire
- Toyo Tire
- Pirelli
- GITI Tire
- Hangzhou Zhongce
- Double Coin
- Guizhou Tire

尚舜化工
SUNSINE


## 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
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Fax: +65 6223 9177
Email: info@ChinaSunsine.com