CREATING VALUES REALISING GROWTH

Annual Report 2011

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).

CONTENTS

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, vulcanising agent insoluble sulphur, as well as anti-scorching agent CTP. Our production facilities are located at Shanxian and Weifang in Shandong Province, PRC.

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 91,500 tons, comprising 56,500 tons of rubber accelerators, 25,000 tons of anti-oxidant and 10,000 tons of insoluble sulphur. Our customers are mainly the tire companies which rely on the automobile industry.

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.

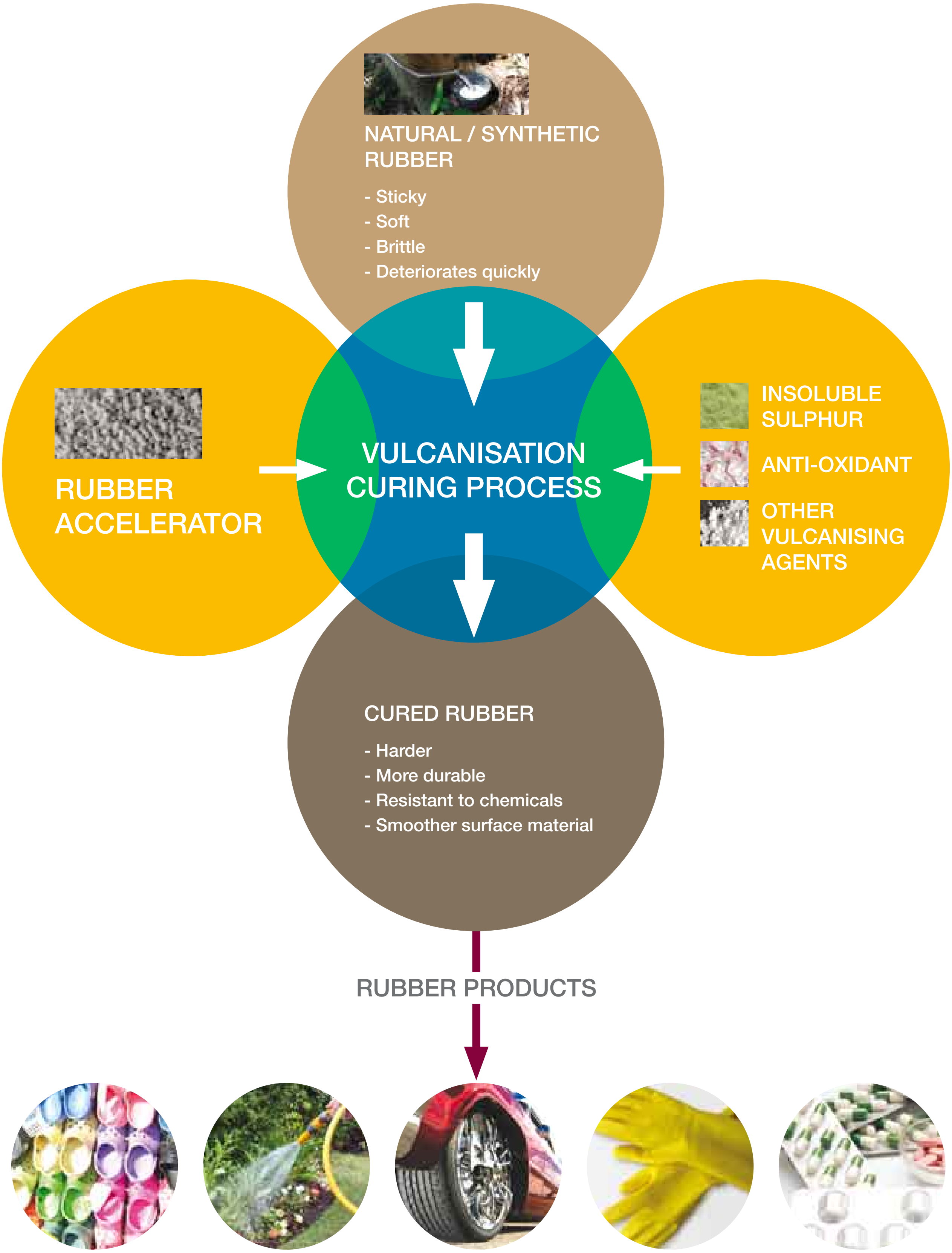
Listed on SGX-ST on 5 July 2007, it is a component stock of the FTSE-ST China Index. Its SGX and Bloomberg stock code are "ChinaSsine" and "CSSC SP" respectively.

GLOBAL PERSPECTIVE

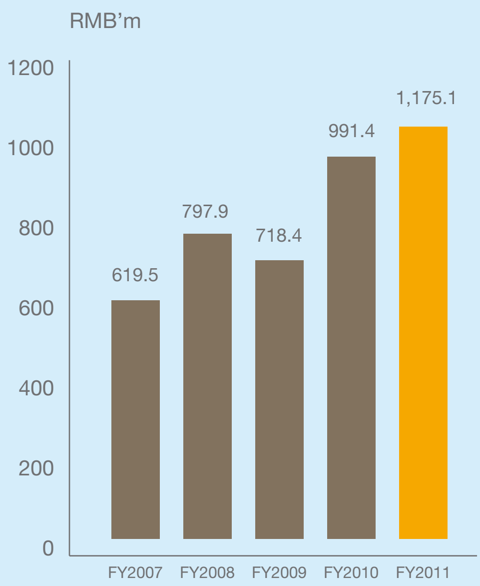




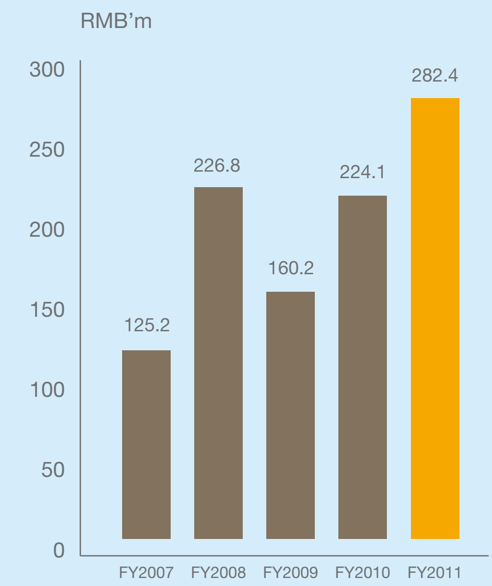

Essential for tires and other rubber-related products



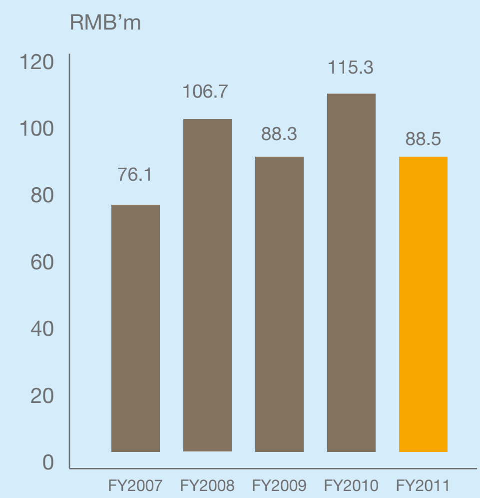
Revenue



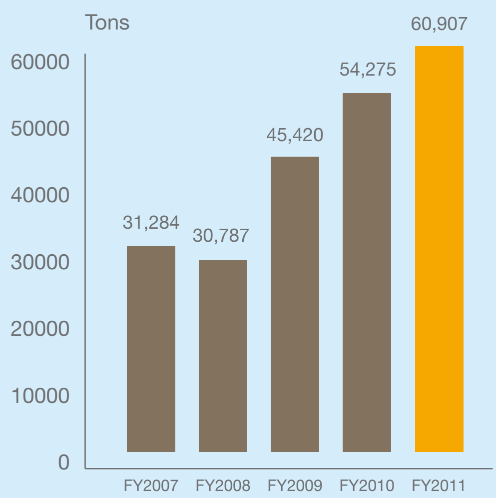
Gross Profit



Net Profit



Sales Volume



As At 31 December (RMB'million)	2011	2010	2009	2008	2007
Total Assets	**1,040.2**	907.8	766.3	663.1	584.2
Total Liabilities	**286.3**	216.1	166.9	122.6	115.3
Shareholders' Equity	**753.9**	691.7	599.4	540.5	468.9
Cash + AFS Investment	**133.0**	180.1	232.2	238.4	229.7
Bank Borrowings	**140.0**	90.0	50.0	–	–
Treasury Shares	**14.5**	13.0	13.0	6.7	–
No. of Shares ('million)					
No. of Ordinary Shares	**476.1**	477.4	477.4	484.4	491.7
No. of Treasury Shares	**15.6**	14.3	14.3	7.3	–
For the Year (RMB'million)					
Revenue	**1,175.1**	991.4	718.4	797.9	619.5
Gross Profit	**282.4**	224.1	160.2	226.8	125.2
Net Profit After Tax	**88.5**	115.3	88.3	106.7	76.1
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**172.0**	162.3	129.3	148.1	90.3
Sales Volume (tons)					
Total Volume	**60,907**	54,275	45,420	30,787	31,284
Accelerator	**50,148**	46,343	40,196	29,805	31,036
Insoluble sulphur	**7,873**	4,413	3,468	464	–
Antioxidant	**2,061**	2,971	1,361	185	–
Others	**825**	548	395	333	248
Financial Analysis					
Gross Profit Margin (%)	**24.0%**	22.6%	22.3%	28.4%	20.2%
Net Profit Margin (%)	**7.5%**	11.6%	12.3%	13.4%	12.3%
EBITDA Margin (%)	**16.1%**	16.4%	18.0%	18.6%	14.6%
Current Ratio	**0.2**	2.5	3.3	3.9	1.1
Average YTD Trade Receivables Turnover (Days)	**67**	64	58	52	68
Average YTD Trade Payables Turnover (Days)	**20**	18	16	10	12
Average YTD Inventory Turnover (Days)	**44**	31	39	31	21
Return on Equity (%)	**11.7%**	16.7%	14.7%	19.7%	16.2%
Return on Asset (%)	**8.5%**	12.7%	11.5%	16.1%	13.0%
Debt/Equity Ratio	**0.19**	0.13	0.08	–	–
Net Gearing	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Per Share Data					
NAV per Share (RMB cents)	**158.4**	144.9	125.5	111.6	95.4
EPS (RMB cents)	**18.54**	24.14	18.41	21.77	18.22
Dividend Per Share (SGD cents)					
- Interim Dividend	**–**	–	1	1	1
- Final Dividend	**1**	1	1	–	–

Dear Shareholders,

On behalf of the Board of Directors of China Sunsine Chemical Holdings Ltd ("**China Sunsine**", and together with its subsidiaries, collectively the "**Group**"), I am pleased to present a positive set of financial results for the year ended 31 December 2011 ("FY2011") in the face of economic slowdown in both the PRC and the world economy.

DELIVERING ANOTHER RECORD SALES VOLUME

During 2011, we witnessed further uncertainty in the global economic recovery due to the Eurozone sovereign debt crisis. This crisis has threatened the financial stability across global markets and coupled with a general slowdown in many of the world's key economies, global economic growth in 2011 was slower than initially expected.

Although the PRC economy grew by 9.2 per cent in 2011, its fourth quarter growth of 8.9 per cent was the slowest in the past 10 quarters. China, as the world's second largest economy, maintained its status as the world's largest automobile market in 2011. However, China's auto sales growth substantially moderated to 2.5% after seeing double-digit expansion for the past few years. Overall, its 2011 vehicle sales hit a record 18.5 million units according to the *China Association of Automobile Manufacturers*.

As for the rubber chemical sector in China, it was operating in a challenging environment and facing various difficulties, such as falling demand from key export markets, over-capacity, increased raw material and operating costs, pricing pressure, credit tightening etc. Being a Group serving over 55% of the world's top 75 tyre-makers, we were able to maintain our position as one of the leading rubber accelerator manufacturers and achieved another record year in terms of our sales volume in FY2011. This was a testament to the marketing strategy and product quality control implemented by the Group.

The Group's revenue increased 19% to RMB 1,175.1 million compared to RMB 991.4 million in FY2010. Total sales volume increased 12% to a record high of 60,907 tons in FY2011. Gross profit for the year increased 26% to RMB 282.4 million due to the increase in sales volume and higher Average Selling Price ("ASP"). The increase ASP and larger economies of scale has contributed to the 1.4 pts increase

"The rubber chemical industry has and will become more challenging in the face of overcapacity and periods of complex economic circumstances in both the PRC and the global economy. However, given its established track record, healthy cashflows and portfolio of quality products, I believe the Group will be able to remain competitive in the industry and weather these uncertain periods. "

in the gross profit margin to 24% in FY2011. However, the Group's net profit after tax decreased 23% to RMB 88.5 million in FY2011 as several expenses had increased. These are further elaborated in the Operations and Financial Review in this Annual Report.

In 2012, the Group will continue to adopt a diversified marketing strategy to improve our market share by acquiring new customers and strengthening our relationship with existing customers. We will continue to focus on the tyre market while expanding to new sectors such as other rubber products. In the meantime, we have also concentrated our efforts in technological innovation to provide quality products which we believe will further strengthen our brand name.

POISED FOR GROWTH

During the year, the Group shut down its old facility (Facility 1) and relocated all personnel to Facility 2 in Shanxian. Facility 2 includes capacities of 56,500-ton[1] accelerator, 10,000-ton insoluble sulphur and 25,000-ton anti-oxidant (10,000-ton TMQ & 15,000-ton 6PPD) as well as a new office building and R&D centre. The Group also completed the production plant of anti-oxidant 6PPD's intermediary material, 4ADPA, at Facility 2 and commenced trial production of 4ADPA in October 2011.

In the new facility in Weifang City (Facility 3), the Group built a 15,000-ton MBT plant in April 2011. Another 15,000-ton MBT plant previously located at Facility 1 was re-located to Facility 3 in October 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 rises.

For this current year 2012, the Group will complete a 4,000-ton MBTS plant and a 6,000-ton CBS plant at Facility 3, and will also focus on the commercial production of anti-oxidant 6PPD.

With such expansion, the Group will be poised for greater growth in the future.

LOOKING AHEAD

Global economic uncertainty has continued into 2012 with most advanced economies reporting anaemic growth at the end of 2011 alongside weak forecasts for 2012. China's auto market is also expected to slow down following exponential growth in the last few years. With the current overcapacity facing the rubber chemicals industry, it is likely that this market will become even more challenging to operate in.

Nevertheless, with the Group's established track record, healthy cashflows, portfolio of quality products and prudent management, the Group is cautiously optimistic for FY2012.

PROPOSED DIVIDEND

To reward our shareholders, the Board of Directors had recommended a final tax exempt dividend of SGD 0.01 per ordinary share to be approved by shareholders at the forthcoming Annual General Meeting.

ACKNOWLEGEMENTS

The Group could not have achieved such performance in FY2011 without the unwavering support from our loyal customers and suppliers, for which I thank all of them.

I would also like to express my appreciation and heartfelt thanks to my fellow Board members, management and all the staff for their hard work and commitment.

Finally, on behalf of the Board of Directors, I would like to extend our utmost appreciation to our Shareholders for your confidence in our Group. I look forward to your continuous support.

Xu Cheng Qiu
Executive Chairman
12 March 2012

1 Excludes 15,000 ton of MBT which is an intermediary material for other accelerators

“橡胶助剂行业面临着复杂的国际和国内经济环境以及产能过剩的问题。然而，集团在橡胶助剂行业享有良好的信誉和商业记录，并拥有强健的财力和过硬的产品质量，我相信集团将能够继续在本行业保持竞争力并坚强地渡过这段艰难时期。”

尊敬的股东们，

我代表中国尚舜化工控股有限公司（“中国尚舜”，连同所有子公司合称“集团”）董事会，高兴地向大家报告，尽管中国和全球经济放缓，集团在截至2011年12月31日的财政年度（“2011财年）仍然取得了很好的成绩。

销售数量再创新高

2011年，由于欧元区的主权债务危机使得刚开始复苏的全球经济再次充满不确定性。这场危机不仅重挫了全球金融市场，也使得世界主要的经济体增长放缓。2011年的全球经济增长低于大家最初的预期。

中国2011年的总体经济增长为9.2%，而第四季度的经济增长率仅为8.9%，为过去10个季度以来最低。中国作为世界第二大经济体，仍保持着最大汽车市场的经济地位。然而，在经过了连续几年的双位数增长之后，2011年中国的汽车销售只小幅增长2.5%。据《中国汽车工业协会》统计，2011年的汽车销售仍创下历史新高，达1850万辆。

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集团2011财年营业收入与去年同比增长19%，从2010年的9.914亿元人民币提高到11.751亿元。总的销售数量也再创新高，提高了12%至 60,907吨。由于销售数量增加和更高的平均售价，集团的毛利润增加了26%至2.824亿元。平均售价提高再加上集团的规模效应，使得毛利率也有所提高。2011财年的毛利率为24.0%，比2010财年提高了1.4个百分点。然而，由于各项费用的增加，集团2011财年的税后净利却下跌了23%至8830万元，具体情况将在营业和财务业绩回顾中说明。

集团继续坚持多元化的市场销售策略，努力提高市场占有率，既要开辟新客户，更要巩固扩大已有老客户的份额。轮胎行业仍然是我们的主要市场，同时还要开发新的市场，如其它橡胶制品等。同时，集团也大力开展技术创新，提供更加高质量的产品以增强我们的品牌价值。

积极扩展蓄势待发

本财年，集团关闭了单县旧厂，并顺利搬迁至单县新厂。单县新厂有56,500吨的促进剂产能（不包括中间产能）、10,000吨的不溶性硫磺产能、25,000吨的防老剂产能（其中TMQ产能10,000吨，6PPD产能15,000吨），以及新的办公大楼和研发中心。在单县新厂，集团也完成了6PPD的中间产品 4ADPA的生产车间的建设，并于 2011年10月开始试产4ADPA。

在新的潍坊工厂，集团在2011年4月完成了15,000吨MBT厂房的建设。另一套由单县旧厂迁来的15,000吨的MBT设备也于10月份安装完毕。MBT是生产各种促进剂所需的中间产品。有了这30,000吨的MBT产能，集团将能够在市场需求加大时及时地扩大促进剂的生产能力。

今年，集团计划在潍坊新厂再建设4,000吨的MBTS厂房以及6,000吨的CBS厂房。集团也将集中精力加快老剂6PPD正式生产。

通过这些扩展项目，集团为今后更大的发展做好了充分的准备。

展望未来

全球经济的不确定性从2011年底已经延续至2012年。2012年经济发展将会放缓，前景不容乐观。中国汽车市场在经过了前几年的蓬勃增长之后会缓慢下来。由于橡胶助剂行业面临着产能过剩的情况，经营的环境将更具有挑战性。

然而，集团在助剂行业享有良好的信誉和商业记录，并拥有强健的财务实力和过硬的产品质量，我们对2012财年的表现持谨慎乐观的态度。

建议派发股息

为了回馈股东的支持，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审议。

衷心感谢

在此，我要感谢广大客户和供应商的大力支持，没有你们的支持，集团将无法在2011财年取得这么骄人的成绩。

同时，我也要对董事局同仁、管理层以及员工表示衷心的感谢，感谢你们的辛勤工作和对集团发展作出的积极贡献。

最后，我代表董事会，感谢股东对我们的信任，你们的支持是我们前进的动力！谢谢大家！

徐承秋
执行主席
2012年3月12日

Our Financial Performance in FY2011

On the back of complex economic circumstances in the PRC and the global economy, the Group reported profits at RMB 88.5 million along with record sales volume and revenue in FY 2011. Our FY2011 revenue increased by 19% to RMB 1,175.1 million from RMB 991.4 million in FY2010 due to record sales volume and increased average selling prices for all products. With continuous marketing efforts and increased production capacities, sales volume increased 12% to 60,907 tons in FY2011 from 54,275 tons in FY2010.

Overall average selling price for all products increased from RMB 18.3k in FY2010 to RMB 19.3k in FY2011 as a result of the increase in raw material prices and increased demand.

Analysis of Sales and Volume

	Sales Volume (Tons)			Sales (RMB' million)		
	FY2011	FY2010	Change	FY2011	FY2010	Change
Accelerators	50,148	46,343	8%	1,040.4	892.1	17%
Insoluble sulphur	7,873	4,413	78%	90.4	50.2	80%
Anti-oxidant	2,061	2,971	(31%)	27.1	37.4	(28%)
Others	825	548	51%	17.2	11.7	47%
Total	**60,907**	**54,275**	**12%**	**1,175.1**	**991.4**	**19%**
Domestic Sales	38,846	33,707	15%	686.4	580.8	18%
International Sales	22,061	20,568	7%	488.7	410.6	19%

Despite the interruption to production capacity in Q1FY2011 due to the closure of Facility 1 in Shanxian, the Group managed to increase the production capacity of all our products, including accelerators and insoluble sulphur. Thus both product categories hit record sales volume. However, the production utilization rate of anti-oxidant TMQ remained low due to intense market competition as this product has low production entry barrier. TMQ sales declined by 28% to RMB 27.1 million in FY 2011 from RMB 37.4 million in FY2010.

10,000-ton Anti-oxidant TMQ Workshop plant at Shanxian

10,000-ton Insoluble Sulphur Workshop plant at Shanxian

Local and export sales contributed 58% and 42% of total revenue respectively. Our market share continued to increase and the Group remains a market leader for accelerators in the PRC[1]. Thanks to the Group's strong marketing efforts and our flexible pricing strategy, our PRC local sales volume increased 15% to 38,846 tons in FY2011 from 33,707 tons in FY2010. As for export sales, our sales volume accounted for 22,061 tons, up slightly by 7% from the previous year, despite the continuing European sovereign debt crisis in 2011. Although there are signs of recovery in the US economy, the overall export market remains challenging.

Gross profit surged by 26% from RMB 224.1 million in FY2010 to RMB 282.4 million in FY2011, in line with the increase in revenue. At the same time, increase in ASP and greater economies of scale had also contributed to the increase in gross profit margin which improved 1.4 pts from 22.6% in FY2010 to 24.0% in FY2011.

Other income decreased 29% from RMB 15.3 million in FY2010 to RMB 10.9 million in FY2011 mainly due to lower interest income from investment and bank deposits.

Distribution costs increased by 7% from RMB 35.4 million in FY2010 to RMB 37.8 million in FY2011, in line with the increase in revenue.

Administrative expenses increased by 48% from RMB 59.3 million in FY2010 to RMB 87.7 million in FY2011, mainly due to:

- RMB 7.0 million of additional R&D expenses related to 4ADPA technology transfer and cost of raw material used during the testing phase of 4ADPA.
- RMB 7.0 million additional accruals for social insurance namely retirement, medical, injury, unemployment and pregnancy insurance.
- RMB 5.0 million in new tax obligations towards City Construction and Education, equivalent to 10% of the net VAT.
- RMB 4.3 million in new operating expenses due to commencement of operations at Facility 3 in Weifang City.
- RMB 2.5 million increase in salary and staff living allowance.

Other expenses increased from RMB 5.9 million in FY2010 to RMB 28.2 million in FY 2011 mainly due to:

- RMB 10.5 million of plant and equipment impairment due to the closure of Facility 1. The amount of impaired plant and equipment reused as at 31 December 2011 was RMB 6.6 million, resulting in net impairment of RMB 3.9 million.
- RMB 6.0 million of additional buildings written off due to the closure of Facility 1.
- RMB 4.8 million of impairment relating to the land use rights at vacated Facility 1 in Shanxian. As Facility 1 was vacated in 1QFY2011 at the request of the local government[2], the land has no immediate economic value and thus full impairment was made on prudence ground.
- RMB 3.3 million of additional realised transactional exchange losses as the US Dollar and Singapore Dollar depreciated against the Chinese Yuan.

Profit before tax (PBT) decreased by 1% from RMB 135.3 million in FY2010 to RMB 133.9 million in FY2011 due to various reasons above. Income tax expense increased by 127% from RMB 20.0 million in

1 Source: China Rubber Industry Association
2 As per Results Announcement for 1QFY2011 dated 25 April 2011


15,000-ton MBT Plant at Weifang


Plants and Warehouses at Weifang

FY2010 to RMB 45.4 million in FY2011 as the China corporate income tax rate was restored to 25% from 12.5% since 1 January 2011 due to the expiration of tax incentive granted to the Group's operating subsidiary since FY2006. Thus Net profit attributable to shareholders decreased by 23% from RMB 115.3 million in FY2010 to RMB 88.5 million in FY2011.

Financial Position Review

Property, plant and equipment increased by RMB 94.7 million from RMB 328.2 million to RMB 422.9 million due to the following:

- RMB 138.4 million for purchase of machinery and equipment relating to various projects in FY2011 such as two 15,000-ton MBT plants, 4ADPA plant, 6PPD plant and others as stated under the heading entitled "Operations Review in Page 13"; less
- RMB 32.0 million depreciation, RMB 10.5 million plant and equipment impairment and RMB 7.8 million of building written off; and add back
- RMB 6.6 million of plant and equipment impairment written back as they were reused in its other 2 facilities.

Land use rights increased by RMB 10.6 million from RMB 17.1 million to RMB 27.7 million as RMB 13 million was paid for the land at Facility 3 in Weifang and RMB 3 million was accrued for the land at Facility 2 where 6PPD and 4ADPA plants were built. This was offset by RMB 0.6 million amortisation and RMB 4.8 million impairment loss at Facility 1, Shanxian City. As Facility 1 was vacated in 1QFY2011 at the request of the local government, the land has no immediate economic value and thus full impairment was made on prudence ground.

Inventories increased by RMB 59.8 million from RMB 77.3 million to RMB 137.1 million as the Group purchased more raw materials for the trial production of 4ADPA[3] (an intermediary raw material required for the production of 6PPD) at the newly completed 12,000-ton plant at Facility 2, as well as MBT at the two newly completed 15,000-ton MBT plants located at Facility 3. The finished goods inventory level at Facility 3 was high as production was ramped up in December 2011 in view of the Chinese New Year holidays in January 2012. As the Group was in the midst of relocating its equipment from Facility 1 to both Facility 2 and Facility 3 in December 2010, the Group maintained a lower volume of raw materials then. Higher cost of raw materials also contributed to the increase in inventories.

Trade receivables increased by RMB 34.7 million from RMB 242.2 million to RMB 276.9 million due to higher sales in 4QFY2011 compared to 4QFY2010.

Other receivables, deposits and prepayment decreased by RMB 20.3 million from RMB 62.9 million to RMB 42.6 million mainly due to lower level of down-payment made for plant and equipment as major projects such as 4ADPA plant. Besides, all office facilities and plants built in Facility 2 for the relocated Facility 1 were completed in FY2011.

Trade payables increased by RMB 12.7 million from RMB 32.8 million to RMB 45.5 million as more raw materials were purchased as mentioned under the above heading "Inventories".

Other payables and accruals increased by RMB 7.3 million from RMB 85.8 million to RMB 93.1 million mainly due to higher accruals for staff

[3] Known as 4-Aminodiphenylamine

insurance as elaborated above under the above heading "Analysis of Sales and Volume - Administrative expenses" and increase in Research & Development cost. These were partially offset by decrease in Directors' remuneration.

Bank loans increased by RMB 50 million from RMB 90 million to RMB 140 million as higher working capital was required for the trial production of 4ADPA and MBT as mentioned above. The increased loan quantum was also used for payments related to certain projects as mentioned below under the heading entitled "Operations Review".

Treasury shares increased by RMB 1.5 million from RMB13 million to RMB 14.5 million. The Company bought back 1,261,000 shares in FY2011. From 1 January 2012 up to the date of this Annual Report, the Company bought back another 10,592,000 shares, making a total of 26,190,000 treasury shares held by the Company as at the date of this Annual Report.

Cash Flow Review

	FY2011 RMB' million	FY2010 RMB' million	Change RMB' million
Cash generated from operating activities	90.5	81.8	8.7
Cash used in investing activities	(156.1)	(145.5)	(10.6)
Cash generated from/(used in) financing activities	20.3	17.3	3.0
Net decrease in cash and cash equivalents	(45.3)	(46.4)	1.1
Cash and cash equivalents at end of year	118.6	165.1	(46.5)

Net cash generated from operating activities increased by RMB 8.7 million from RMB 90.5 million in FY2010 to RMB 85.9 million in FY2011 due to the increase in sales and payables, partially offset by the increase in receivables and increase in inventories, as well as higher taxes paid as the PRC corporate tax rate was restored from 12.5% to 25% on 1 January 2011.

Net cash used in investing activities increased by RMB 10.6 million from RMB 145.5 million in FY2010 to RMB 156.1 million in FY2011 due mainly to the absence of proceeds from disposal of available–for-sale financial assets which is partially offset by lower cash used for the acquisition of plant and equipment.

Sulphur Gas Recycle Facility at Shanxian

Waste water treatment plant – Distillation Machine at Shanxian

Net cash generated from financing activities increased by RMB 3.0 million from RMB 17.3 million in FY2010 to RMB 20.3 million in FY2011 as increase in proceed from bank borrowings was offset by higher interest paid on loans taken and purchase of treasury shares.

Operations Review

During FY2011, the Group completed the following milestones:

1. Completed the construction of the R&D centre and office facilities at Facility 2 at Shanxian City in March.
2. Shut down of Facility 1 at Shanxian City at end March and relocated all personnel to Facility 2.
3. Commenced the production of accelerator MBT from its newly-built 15,000-ton MBT plant at Facility 3 at Weifang City in April.
4. Commenced the production of accelerator MBT from another newly-assembled 15,000-ton MBT plant that had its machinery/equipment relocated from Facility 1 to Facility 3 in October.
5. Completed construction of the 4ADPA[4] plant which is physically sited next to the 6PPD facilities, and commenced the trial production of 4ADPA in October.

The Group will continue to work on the following projects:

1. Start trial production of anti-oxidant 6PPD at Facility 2 in March 2012.
2. Complete 4,000-ton MBTS plant at Facility 3 in 1QFY2012.
3. Complete 6,000-ton CBS plant at Facility 3 in 2QFY2012.

Below is a summary of our estimated Annual Capacity[5] at the end of each financial year:

Tons	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012e
Accelerators	39,000	50,000	55,000	56,500	56,500	66,500
Insoluble Sulphur	5,000	5,000	8,000	10,000	10,000	10,000
Anti-oxidant	–	5,000	10,000	10,000	25,000	25,000
Total	**44,000**	**60,000**	**73,000**	**76,500**	**91,500**	**101,500**

Barring unforeseen circumstances, the Group is optimistic for FY2012.

4 Known as 4-Aminodiphenylamine, an intermediary material for 6PPD
5 Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT

Accelerator Plant at Shanxian

Research & Development Centre at Shanxian

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. He is Deputy General Manager of the Shandong Sunsine Chemical (Human Resource, Administration and Logistics), responsible for the overall management of our human resource, administration and logistics departments. He is also the General Manager of the Weifang Sunsine Chemical, a subsidiary of Shandong Sunsine. 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.

TAN LYE HENG PAUL

Lead Independent Director

TAN LYE HENG PAUL is our Lead Independent Director. He is the managing director of Tan Teo & Partners PAC, a Certified Public Accountants firm since 1995. He has over 20 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 Independent Director of three 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, crossborder 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 since 15 November 2009. He is currently the Group CFO of EMS Energy Limited, a Singapore-based oil and gas company listed on SGX Catalist board. Prior to this, he was Group CFO of mainboard-listed Fuxing China Group Limited as well as the first CFO of China Sunsine Chemical which he helped bring through a successful IPO in 2007. He has more than 15 years of corporate finance, accounting and business experience. He is also currently serving as an Independent Director of Oriental Group Ltd, a company listed on SGX Catalist board. 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 member of the Singapore Institute of Director, a CPA Singapore, as well as a CFA charter holder.

Key Executives

YAK THIAN HUAT DAVE
Chief Financial Officer

YAK THIAN HUAT DAVE was apponited as Cheif Financial Officer 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.

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.

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 FY2011, as well as the attendance of each member at these meetings, are set out below:-

	Board	AC	NC	RC
	Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 1	Number of Meetings Held: 1
NAME OF DIRECTORS	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Xu Cheng Qiu	4	N.A.	N.A.	N.A.
Liu Jing Fu	4	N.A.	N.A.	N.A.
Xu Jun	4	N.A.	N.A.	N.A.
Ma Ying Qun	4	N.A.	N.A.	N.A.
Tan Lye Heng Paul	4	4	1	1
Lim Heng Chong Benny	4	4	1	1
Xu Chun Hua	4	4	1	1
Koh Choon Kong	4	4	N.A.	N.A.

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

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

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Companies Act, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

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.

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 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;

(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 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.

Level and mix of remuneration of the directors, key executives (who are not also directors) for FY2011

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 FY2011, are set out below:

Remuneration Band & Name of Directors	**Salary**	**Bonus**	**Director's fees**	**Other benefits**	**Total**
	%	%	%	%	%
S$250,000 to below S$1,750,000					
Xu Cheng Qiu	41	59	–	–	100
Below S$250,000					
Liu Jing Fu	99	1	–	–	100
Xu Jun	99	1	–	–	100
Ma Ying Qun	93	7	–	–	100
Tan Lye Heng Paul	–	–	100	–	100
Lim Heng Chong Benny	–	–	100	–	100
Xu Chun Hua	–	–	100	–	100
Koh Choon Kong	–	–	100	–	100

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	88	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 FY2011. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2011. 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;

(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 2011.

In July 2011, 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.

The AC also reviewed the Company's "Whistle-Blower Policy" ("**Policy**") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Following the launch of the Policy, a set of guidelines which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud or other misconduct which may be made pursuant to the Policy, so that investigations may be carried out in an appropriate and timely manner, and disciplinary, civil and/or criminal actions that may be initiated following completion of investigations, are appropriate, balanced, and fair.

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

Internal Controls

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

The Management reviews and seeks to identify areas of significant business risks on an ongoing basis, and takes appropriate measures to control and mitigate such risks. The Management also reviews all significant control policies and procedures and highlights all significant matters to the Board.

The Company's internal auditor 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, and holds regular discussions with Management to ensure the timely and proper implementation of such recommendations.

Based on the reports of the internal auditor, the Board, with the concurrence of AC, is of the opinion that, in the absence of any evidence to the contrary, the system of internal controls and risk management procedures maintained by the Management are reasonably adequate to meet the needs of the Company in addressing the financial, operational and compliance risks to the Company.

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

Internal Audit

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

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

The Company's internal audit functions are out-sourced to 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.

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

The Group prohibits the directors and employees to trade in the Company's securities, during the period beginning 1 month and 2 weeks before the date of the announcement of the full year or quarterly results respectively and ending on the date of the announcement of the relevant results ("**Prohibited Periods**"). Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

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

(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 2011.

(H) MATERIAL CONTRACTS

Save for the Service Agreements entered into with the executive directors (as disclosed in the Company's Prospectus dated 25 June 2007), no material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of any director or controlling shareholder of the Company during the period under review.

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	68	Executive Chairman	11 October 2006	29 April 2010	None	None
Liu Jing Fu	60	Executive Director	18 May 2007	22 April 2009	None	None
Xu Jun	42	Executive Director	18 May 2007	29 April 2010	None	None
Ma Ying Qun	38	Executive Director	18 May 2007	26 April 2011	None	None
Koh Choon Kong	41	Non-Executive Director	15 November 2009	29 April 2010	- Oriental Group Ltd	None
Tan Lye Heng Paul	47	Lead Independent Director	18 May 2007	26 April 2011	- Second Chance Properties Ltd. - Sin Ghee Huat Corporation Ltd. - Serial System Ltd	None
Lim Heng Chong Benny	41	Independent Director	18 May 2007	26 April 2011	- Ziwo Holdings Ltd	None
Xu Chun Hua	69	Independent Director	18 May 2007	22 April 2009	- Xingda International Holdings Limited	None

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters	17-29
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	18
Guideline1.5 The type of material transactions that require board approval under internal guidelines	18
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reasons considering him as independent should be disclosed	19
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	20
Guideline 4.1 Composition of nominating committee	20-21
Guideline 4.5 Process for the selection and appointment of new directors to the board	21-22
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	32
Guideline 5.1 Process for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board	22-23
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance	25-26
Guideline 9.1 Composition of remuneration committee	24

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 9.2 Names and remuneration of each director. The disclosure of remuneration should be in bands of S$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	26
Guideline 9.2 Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$150,000 during the year. The disclosure should be made in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.4 Details of employee share schemes	26
Guideline 11.8 Composition of audit committee and details of the committee's activities	27-29
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls and risk management system	29-31

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011.

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 of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the 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 required to be kept under section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of directors		Holdings in which directors are deemed to have an interest	
	At 1.1.2011	**At 31.12.2011**	**At 1.1.2011**	**At 31.12.2011**
The Company				
(Number of ordinary shares)				
Xu Cheng Qiu	2,869,000	2,869,000	293,642,550	293,642,550
Liu Jing Fu	720,000	720,000	–	–
Tan Lye Heng Paul	150,000	150,000	–	–
Lim Heng Chong Benny	100,000	100,000	–	–
Koh Choon Kong	950,000	950,000	3,226,000	3,226,000
Ultimate Holding Company				
Success More Group Ltd				
(Number of ordinary shares)				
Xu Cheng Qiu *	7,427	7,427	–	–
Xu Jun	812	812	–	–

* 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.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

The directors' interests in the ordinary shares of the Company as at 21 January 2012 were the same as those as at 31 December 2011.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit 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, except as disclosed in the accompanying financial statements.

5. SHARES OPTIONS

(a) During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) During the financial year, there were no shares of the Company or any corporation in the Group 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 or any corporation in the Group under options.

6. AUDIT COMMITTEE

The members of the audit committee at the end of the financial year were 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 Section 201B(5) of the Singapore Companies Act, Cap.50. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 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 that the independent auditor, Paul Wan & Co, a member firm of Morison International, be nominated for re-appointment 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

12 March 2012

Statement by Directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 8 to 41 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 2011 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

12 March 2012

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 40 to 75, which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and 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, Cap.50 (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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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

12 March 2012

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	4	1,175,089	991,403
Cost of sales		(892,663)	(767,324)
Gross profit		282,426	224,079
Other income	5	11,001	15,401
Distribution costs		(37,776)	(35,453)
Administrative expenses		(87,852)	(59,344)
Other expenses	6	(28,252)	(5,954)
Finance costs	7	(5,654)	(3,489)
Profit before tax	10	133,893	135,240
Income tax expense	11	(45,425)	(19,974)
Profit for the financial year		88,468	115,266
Other comprehensive income, net of tax			
Currency translation differences arising from consolidation		491	15
Net gain on fair value changes of available-for-sale financial assets		–	293
Total comprehensive income for the financial year, attributable to equity holders of the Company		88,959	115,574
Earnings per share (RMB cents)	12		
- basic		18.54	24.14
- diluted		18.54	24.14

Statements of Financial Position

As at 31 December 2011

	Note	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	422,900	328,119	–	–
Land use rights	14	27,712	17,138	–	–
Investment in subsidiaries	15	–	–	350,010	371,102
Available-for-sale financial assets	16	9,495	15,036	9,495	15,036
		460,107	360,293	359,505	386,138
Current assets					
Inventories	17	137,137	77,319	–	–
Available-for-sale financial assets	16	4,901	–	4,901	–
Trade and other receivables	18	319,444	305,112	20,496	1,682
Cash and cash equivalents	19	118,642	165,088	16,831	3,518
		580,124	547,519	42,228	5,200
Total assets		1,040,231	907,812	401,733	391,338
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	313,471	313,471	313,471	313,471
Treasury shares	20	(14,535)	(12,992)	(14,535)	(12,992)
Reserves	21	454,985	391,198	94,876	79,014
		753,921	691,677	393,812	379,493
Current liabilities					
Trade and other payables	22	138,648	118,570	5,222	9,302
Deferred grants	23	629	1,583	–	–
Bank borrowings	24	140,000	90,000	–	–
Income tax payable		7,033	5,982	2,699	2,543
		286,310	216,135	7,921	11,845
Total equity and liabilities		1,040,231	907,812	401,733	391,338

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2011

	Note	Share capital RMB'000	Treasury shares 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
Balance as at 1 January 2011		313,471	(12,992)	(6,968)	293	305	326,083	49,251	22,234	71,485	691,677
Total comprehensive income for the financial year		–	–	491	–	–	88,468	–	–	–	88,959
Transfer to statutory and voluntary reserves		–	–	–	–	–	(29,418)	14,709	14,709	29,418	–
Dividends relating to 2010 paid	25	–	–	–	–	–	(25,172)	–	–	–	(25,172)
Purchase of treasury shares	20	–	(1,543)	–	–	–	–	–	–	–	(1,543)
Balance as at 31 December 2011		313,471	(14,535)	(6,477)	293	305	359,961	63,960	36,943	100,903	753,921
Balance as at 1 January 2010		313,471	(12,992)	(6,983)	–	305	261,811	25,444	18,310	43,754	599,366
Total comprehensive income for the financial 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	25	–	–	–	–	–	(23,263)	–	–	–	(23,263)
Balance as at 31 December 2010		313,471	(12,992)	(6,968)	293	305	326,083	49,251	22,234	71,485	691,677

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		133,893	135,240
Adjustments for:			
Depreciation of property, plant and equipment	13	31,946	22,693
Amortisation of land use rights	14	556	904
Unrealised currency translation losses/(gains)		1,254	(730)
Loss on disposal/write off of property, plant and equipment		7,816	1,709
Impairment of property, plant and equipment		3,911	–
(Written back)/allowance for impairment of trade and other receivables		111	(729)
Impairment of land use rights	14	4,825	–
Interest income		(1,900)	(5,876)
Interest expense		5,654	3,489
Waiver of trade and other payables		(228)	(1,067)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		187,838	155,633
Cash deposits restricted in use released from/(pledged with) banks		1,103	(15,733)
Decrease in inventories		(59,818)	(23,065)
Increase in trade and other receivables		(14,444)	(26,678)
Increase in trade and other payables		20,306	18,606
CASH GENERATED FROM OPERATIONS		134,985	108,763
Income tax paid		(44,496)	(23,500)
Net cash generated from operating activities		90,489	85,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		–	316
Acquisition of property, plant and equipment and land use rights		(158,003)	(174,068)
Proceeds from disposal of available-for-sale financial assets	16	–	22,430
Interest received		1,900	5,876
Net cash used in investing activities		(156,103)	(145,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	25	(25,172)	(23,263)
Grants received	23	2,640	560
Interest paid		(5,654)	(3,489)
Proceeds from short-term borrowings		140,000	130,000
Repayment of short-term borrowings		(90,000)	(90,000)
Purchase of treasury shares	20	(1,543)	–
Net cash generated from financing activities		20,271	13,808
NET DECREASE IN CASH AND CASH EQUIVALENTS		(45,343)	(46,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		130,004	176,379
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	19	84,661	130,004

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

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 public 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 disclosed in Note 15 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2011 were authorised for issue by the Board of Directors on 12 March 2012.

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 prepared 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 management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

On 1 January 2011, the Group adopted the new or amended FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transition provisions in the respective FRS and INT FRS.

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.

(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.

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

(b) Basis of consolidation (cont'd)

The results of subsidiaries acquired or disposed off during the financial year 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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by other members of the Group.

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

In the Company's financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

(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.

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.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

(ii) Trade and other receivables

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

(iii) Available-for-sale financial assets

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

(iv) 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.

(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.

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

(d) Financial instruments (cont'd)

(vi) Trade and other payables

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

(vii) 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.

(viii) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest 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.

(ix) Derecognition of financial assets

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.

(x) Derecognition of financial liabilities

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

(e) Property, plant and equipment and depreciation

Property, 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.

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

(e) Property, plant and equipment and depreciation (cont'd)

The estimated useful lives are as follows:

Plant and machinery	4 - 10 years
Buildings	12 - 20 years
Motor vehicles	5 - 8 years
Office equipment	5 years

No depreciation has been provided for assets under construction.

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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 assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

(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.

(g) Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to 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".

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

(j) Employee benefits

Retirement benefit costs

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

(k) Income taxes

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(k) Income taxes (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

(l) Impairment loss

(i) Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

(l) Impairment loss (cont'd)

(i) Financial assets

Financial assets are assessed for indicators of impairment at each end of the 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.

If any evidence of impairment exists for available-for-sale financial assets, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

(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.

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

(o) Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes 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 operations of the Group, and the presentation currency for the consolidated financial statements. The Company's functional currency is Singapore dollars ("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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

(q) Operating lease

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

(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.

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

(s) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(t) Statutory common reserve

According to the current PRC company law, the subsidiaries are required, where appropriate, to transfer 10% of its profit after taxation to statutory common reserve until the balance of such reserve reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after tax shall be the amount determined under PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

(u) Dividends

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

3. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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.

Income tax

The Group operates in various countries. Significant judgment 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 2011 is RMB43,523,000 (2010: RMB17,859,000) as disclosed in Note 11.

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

Useful lives of plant and equipment

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased when useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. The net carrying amount of property, plant and equipment at 31 December 2011 is RMB 422,900,000 (2010: RMB 328,119,000) and the annual depreciation charge for the financial year ended 31 December 2011 is RMB 31,946,000 (2010: RMB 22,693,000) as disclosed in Note 13.

Impairment of property, plant and equipment

An assessment is made at end of 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.

4. REVENUE

	The Group	
	2011	2010
	RMB'000	RMB'000
Sale of rubber chemicals	1,175,089	991,403

5. OTHER INCOME

	The Group	
	2011	2010
	RMB'000	RMB'000
Interest income		
- available-for-sale financial assets	316	2,433
- bank deposits	897	2,656
- loans to third parties	687	787
Profit on sale of scrap materials	8,052	6,682
Waiver of debt from trade and other payables	228	1,067
Incentive from government	40	–
Reversal of allowance for impairment of trade and other receivables	111	1,228
Others	670	548
	11,001	15,401

6. OTHER EXPENSES

	The Group	
	2011	2010
	RMB'000	RMB'000
Energy registration fee	1,500	–
Impairment of land use rights	4,825	–
Impairment of property, plant and equipment	10,527	–
Reversal of impairment of property, plant and equipment	(6,616)	–
Loss on exchange differences	6,094	2,774
Loss on write off/disposal of property, plant and equipment	7,816	1,709
Preliminary operating expenditure	–	1,145
Others	4,106	326
	28,252	5,954

7. FINANCE COSTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Interest on bank borrowings	5,654	3,489

8. EMPLOYEE BENEFIT EXPENSES

	The Group	
	2011	2010
	RMB'000	RMB'000
Directors' remunerations		
- salaries and related costs	4,276	6,985
- defined contributions*	14	6
Key management personnel (other than directors)		
- salaries and related costs	1,083	1,059
- defined contributions*	71	71
Other than directors and key management personnel		
- salaries and related costs	66,622	58,583
- defined contributions*	13,275	5,530
	85,341	72,234
As disclosed in:		
Cost of sales	51,619	37,047
Distribution costs	1,700	2,300
Administrative expenses	29,510	31,977
Research costs	2,512	910
	85,341	72,234

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

9. RETIREMENT BENEFIT PLANS

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

The total cost charged to the consolidated statement of comprehensive income for the financial year ended 31 December 2011 was approximately RMB 13,304,000 (2010: RMB 5,535,000), representing defined contribution national pension plan for the financial year.

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	The Group	
	2011 RMB'000	2010 RMB'000
Audit fees to auditor of the Company	531	454
Audit fees to other auditors	41	35
Non audit fees to auditor of the Company	92	92
Non audit fees to other auditors	65	80
Depreciation of property, plant and equipment	31,946	22,693
Amortisation of land use rights	556	904
Allowance for impairment of trade and other receivables	222	511
Employee benefits expenses (Note 8)	85,341	72,234
Inventories recognised as an expense in cost of sales (Note 17)	874,797	753,139
Freight charges	15,824	15,439
Port charges	12,565	10,318

11. INCOME TAX EXPENSE

	The Group	
	2011 RMB'000	2010 RMB'000
Current income tax – Foreign	43,523	17,859
Under/(Over) provision of current income tax in prior year	1,624	(5,278)
	45,147	12,581
Foreign withholding tax	278	7,393
	45,425	19,974

11. INCOME TAX EXPENSE (cont'd)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Profit before tax	133,893	135,240
Tax at the domestic rates applicable to profits in the countries where the Group operates	33,995	34,412
Income/expenses not subject to tax/tax deduction	8,469	8
Deferred tax assets on temporary differences not recognised	1,113	1,703
Utilisation of deferred tax assets not recognised in prior year	(54)	(405)
Tax exempt income	–	(17,859)
Under/(Over) provision of current income tax in prior year	1,624	(5,278)
Foreign withholding tax	278	7,393
	45,425	19,974

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

The corporate income tax rate applicable to Singapore companies and PRC companies of the Group is 17% (2010: 17%) and 25% (2010: 25%) respectively.

One of the Company's subsidiaries, 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 2011, the Company has unabsorbed tax losses of approximately RMB 27,736,000 (2010: RMB 23,963,000), which was available to offset against future taxable profit subject to meeting certain statutory requirements under Singapore Income Tax Act, Cap. 134.

The Group has tax losses carry forward available for offsetting against future taxable profit as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Amount at beginning of the financial year	23,963	16,299
Addition	3,773	7,664
Amount at end of the financial year	27,736	23,963
Deferred tax benefit on above unrecorded	4,715	4,073

No deferred tax asset has been recognised in respect of the above due to the Company has no taxable profit for the financial period.

12. EARNINGS PER SHARE

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

	2011	2010
Profit for the year attributable to equity holders of the Company (in RMB'000)	88,468	115,266
Weighted average number of ordinary shares (in '000)	477,189	477,357
Earnings per share - Basic (RMB cents)	18.54	24.14

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

13. 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 2010	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
Additions	11,491	13,690	2,026	5,953	108,888	142,048
Grant received	–	–	–	–	(3,594)	(3,594)
Reclassification	46,485	5,027	–	–	(51,512)	–
Written off	–	(18,072)	(67)	–	–	(18,139)
At 31 December 2011	250,871	93,787	6,715	8,041	208,277	567,691
Accumulated Depreciation and Impairment Losses						
At 1 January 2010	85,543	15,405	1,837	896	–	103,681
Depreciation charge for the financial 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
Depreciation charge for the financial year	22,788	7,464	799	895	–	31,946
Written off	–	(10,259)	(64)	–	–	(10,323)
Impairment charged	10,527	–	–	–	–	10,527
Impairment reversed	(6,616)	–	–	–	–	(6,616)
At 31 December 2011	123,367	16,228	3,100	2,096	–	144,791
Net Book Value						
At 31 December 2011	127,504	77,559	3,615	5,945	208,277	422,900
At 31 December 2010	96,227	74,119	2,391	887	154,495	328,119

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

During the financial year, Shandong Sunsine Chemical Co.,Ltd has completed the relocation of the factories, at the request of the local government for commercial area development purpose, from Facility 1 to Facility 2 and Facility 3 in Weifang Sunsine Chemical Co.,Ltd. Building at Facility 1 has been written off and full impairment has been provided for the unused machinery. Subsequently, there are some machinery was reused or reassembly and thus impairment was reversed accordingly.

14. LAND USE RIGHTS

	The Group RMB'000
Cost	
At 1 January 2010 and 31 December 2010	19,163
Additions	15,955
At 31 December 2011	35,118
Accumulated Amortisation	
At 1 January 2010	1,121
Amortisation charge for the financial year	904
At 31 December 2010	2,025
Amortisation charge for the financial year	556
Impairment charged	4,825
At 31 December 2011	7,406
Net Book Value	
At 31 December 2011	27,712
At 31 December 2010	17,138

The amortisation expense was included in administrative expenses in the consolidated 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
		39,619.99

During the financial year, the subsidiary at Shanxian has completed the relocation of the factories from Facility 1 to Facility 2, at the request of the local government for commercial area development purpose. As there is no immediate economic value of the vacated facilities, all the land use rights on Facility 1 have been fully impaired during the financial year.

14. LAND USE RIGHTS (cont'd)

Location	Period	Land area (sq m)
<u>Facility 2</u>		
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
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian(i)	NA	86,667.10
		382,609.10
<u>Facility 3</u>		
Bin Hai Economic Development Area, Weifang(ii)	50 years (expiring on 14 March 2061)	187,852.00

(i) The land on Facility 2 is where Shanxian new factories are built. However, its full rights to the properties (comprising building and land) are subject to the grant of the land use rights for the land on which the buildings are erected. As at the date of authorisation of these financial statements, Shandong Sunsine Chemical Co.,Ltd has obtained construction permission from the local authority of Shanxian city but has yet to receive the land use rights. Accordingly, the expiry date of the land use right is uncertain.

(ii) The land on Facility 3 is where Weifang factories are built. However, its full rights to the properties (comprising building and land) are subject to the grant of the land use rights for the land on which the buildings are erected. As at the date of authorisation of these financial statements, Weifang Sunsine Chemical Co.,Ltd has obtained construction permission and Land Transfer Agreement from the Land Administrative Bureau of Weifang city but has yet to receive the land use rights from the authority.

The management is of the view that the land use rights will be obtained subsequent to the completion of Land Transfer Agreement with the local authority.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2011 RMB'000	2010 RMB'000
Unquoted equity investment, at cost	350,010	350,010
Loan to a subsidiary	–	21,092
	350,010	371,102

The loan to a subsidiary is unsecured, interest free and is considered as an extension to the Company's net investment in the subsidiary. During the financial year, the management changed its intention to repay the loan in foreseeable future, thus the loan is re-designated as inter-company loan (Note 18).

15. INVESTMENT IN SUBSIDIARIES (cont'd)

The Subsidiaries are:

	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2011	2010	
Held by the Company				
Sunsine International Trading Pte Ltd[a]	Singapore	100%	100%	Trading in chemical products and general wholesale trade
Shandong Sunsine Chemical Co.,Ltd[b]	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%	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.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Beginning of the financial year	15,036	36,428	15,036	16,428
Disposals	–	(22,430)	–	(2,430)
Add: Fair value gain recognised in other comprehensive income	–	293	–	293
Currency translation differences	(640)	745	(640)	745
End of the financial year	14,396	15,036	14,396	15,036
Less: Current portion	(4,901)	–	(4,901)	–
Non-current portion	9,495	15,036	9,495	15,036

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

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

		The Group		The Company	
		2011	2010	2011	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Unquoted securities with banks					
- #1	(i)	4,901	5,119	4,901	5,119
- #2	(ii)	9,495	9,917	9,495	9,917
		14,396	15,036	14,396	15,036
Fair value:					
Unquoted securities with banks		14,396	15,036	14,396	15,036

(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.

17. INVENTORIES

	The Group	
	2011	2010
	RMB'000	RMB'000
At cost:		
Raw materials	69,039	50,168
Finished goods	65,627	25,114
Packing materials	2,471	2,037
	137,137	77,319
Inventories charged to cost of sales	874,797	753,139

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
External parties	218,593	174,470	–	–
Notes receivables	58,790	68,031	–	–
Less: Allowance for impairment	(532)	(311)	–	–
	276,851	242,190	–	–
Other receivables				
Advances to suppliers	17,663	13,806	–	–
Down-payment for property, plant and equipment	5,400	23,987	–	–
Staff advances	1,298	315	–	–
Amount due from subsidiaries	–	–	20,435	1,608
Loans to third parties	1,600	5,210	–	–
Export tax/VAT receivables	11,736	16,364	–	–
Prepayment	3,181	2,316	–	9
Other deposits	100	231	–	–
Others	1,715	903	61	65
Less: Allowance for impairment	(100)	(210)	–	–
	42,593	62,922	20,496	1,682
	319,444	305,112	20,496	1,682

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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of financial year	521	1,250	–	–
Charge for the financial year	222	511	–	–
Less: Written back	(111)	(1,228)	–	–
Less: Written off	–	(12)	–	–
End of financial year	632	521	–	–

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Past due 3 to 9 months	147	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 consist a large number of receivables from various customers. However, there are specific provisions made to a third party where the collectability becomes uncertain.

18. TRADE AND OTHER RECEIVABLES (cont'd)

Allowance for impairment on trade and other receivables of RMB 532,000 (2010: RMB 311,000) and RMB 100,000 (2010: RMB 210,000) respectively, have been made where the collectability of debts become uncertain.

Notes receivables are non-interest bearing and have a maturity period from 1 to 180 days (2010: 1 to 180 days).

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

	The Group	
	2011	**2010**
The earliest date	5 January 2012	1 January 2011
The latest date	30 June 2012	24 June 2011

The loans to third parties are secured either by land and property or shares with interest at rate of 8% (2010: 8%) per annum. All these are short-term loans and are repayable 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.

19. CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprise the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	111,125	165,088	9,314	3,518
Short-term deposits	7,517	–	7,517	–
	118,642	165,088	16,831	3,518
Cash restricted in use	(33,981)	(35,084)	–	–
Cash not restricted in use	84,661	130,004	16,831	3,518

Cash restricted in use represents bank balances held by bankers for cover notes payables (Note 22) and issue letter of credits for overseas purchase (Note 28).

The short-term deposits earn interest at rates ranging from 0.02% to 0.04% (2010: Nil) per annum and for a tenure of approximately 1 to 3 months.

20. SHARE CAPITAL AND TREASURY SHARES

a) Share capital	The Group and The Company No. of shares	SGD'000	RMB'000
2011			
Beginning and end of financial year	491,694,000	62,649	313,471
2010			
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
2011			
Beginning of financial year	14,337,000	(2,748)	(12,992)
Acquired	1,261,000	(311)	(1,543)
End of financial year	15,598,000	(3,059)	(14,535)
2010			
Beginning and end of financial year	14,337,000	(2,748)	(12,992)

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

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. 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 financial year, the Company acquired 1,261,000 (2010: Nil) of its shares in the open market. The total amount paid to acquire the shares was SGD 311,000 (2010: Nil) presented as a component within shareholders' equity.

21. RESERVES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Merger reserve	305	305	–	–
Fair value reserve	293	293	293	293
Statutory common reserve (i)	63,960	49,251	–	–
Voluntary common reserve (ii)	36,943	22,234	–	–
	101,501	72,083	293	293
Retained earnings	359,961	326,083	100,748	84,461
Currency translation reserve	(6,477)	(6,968)	(6,165)	(5,740)
	454,985	391,198	94,876	79,014

21. RESERVES (cont'd)

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 differences arising from translation of the financial statements of the Company.

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.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables				
External parties	45,529	30,097	–	–
Notes payables	–	2,664	–	–
	45,529	32,761	–	–
Other payables				
Advances received from customers	3,183	4,001	–	–
Payable for property, plant and equipment	26,088	27,625	–	–
Accruals for land instalment payments	11,725	8,793	–	–
Accruals for operating costs	6,683	5,278	936	743
Other government taxes payables	725	1,503	–	–
Accruals for directors' remunerations	4,032	8,406	4,032	8,406
Salaries and related costs payables	14,608	7,350	15	42
Other payables	4,830	7,318	–	111
Refundable deposits	–	290	239	–
Research and development cost payables	21,245	15,245	–	–
	93,119	85,809	5,222	9,302
	138,648	118,570	5,222	9,302

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 reasonably approximation of their fair values.

Notes payables are secured by interest free bank deposits (Note 19).

The notes payables mature at varying date as follows:

	The Group	
	2011	**2010**
The earliest date	–	15 January 2011
The latest date	–	23 February 2011

23. DEFERRED GRANTS

	The Group	
	2011	**2010**
	RMB'000	**RMB'000**
Beginning of financial year	1,583	6,360
Amount received from governmental agencies	2,640	560
Utilised during the financial year	(3,594)	(5,337)
End of financial year	629	1,583

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.

24. BANK BORROWINGS

	The Group	
	2011	**2010**
	RMB'000	**RMB'000**
Short-term bank borrowings	140,000	90,000
The effective interest rate paid was as follow:		
Bank borrowings	6.56%	5.31%

The carrying amounts denominated in Chinese Renminbi approximate their fair value due to the short-term nature of these borrowings.

These short-term bank borrowings are unsecured and repayable within the next twelve months.

25. DIVIDENDS

	The Group and the Company	
	2011	**2010**
	RMB'000	**RMB'000**
Declared and paid during the financial year:		
Dividend on ordinary shares:		
Final exempt (one-tier) dividend paid in respect of the previous financial year of SGD 0.01 (2010: SGD 0.01) per share	25,172	23,263

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 2012. 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 4,655,040.

26. 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	
	2011	2010
	RMB'000	RMB'000
Within one year	99	103
Within two to five years	33	240
	132	343

27. CAPITAL COMMITMENTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Expenditure contracted for		
- construction of new factory plants	1,723	7,775
- purchase and installation of plant and machinery	793	11,061
	2,516	18,836

28. CONTINGENT LIABILITIES

	The Group	
	2011	2010
	RMB'000	RMB'000
In respect of Letter of credit issued to suppliers	36,265	26,178

29. 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 financial years ended 31 December 2011 and 31 December 2010.

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.

30. 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 borrowings of the Group are short-term in nature.

Price risk

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

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

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

To illustrate, a 10% increase in the price of aniline for the financial years ended 31 December 2011 and 2010 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.

	2011 RMB'000	2010 RMB'000
Aniline	31,420	24,322

A 10% decrease in the price of aniline for the financial years ended 31 December 2011 and 2010 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

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

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 dollars, Euro and Singapore dollars.

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.

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

As at 31 December 2011	**USD RMB'000**	**EUR RMB'000**	**SGD RMB'000**
Financial assets			
Available-for-sale financial assets	–	–	14,396
Trade and other receivables	60,967	2,203	61
Cash and cash equivalents	7,277	290	16,840
	68,244	2,493	31,297
Financial liabilities			
Trade and other payables	20,660	–	5,222
Bank borrowings	–	–	–
	20,660	–	5,222
Net Financial Assets/Liabilities	47,584	2,493	26,075
Less: Net financial assets/liabilities denominated in functional currencies	(63)	–	(26,066)
Currencies exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	47,521	2,493	9

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

Foreign currency risk (cont'd)

As at 31 December 2010	**USD RMB'000**	**EUR RMB'000**	**SGD RMB'000**
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 Financial Assets/Liabilities	62,321	6,067	9,476
Less: Net financial assets/liabilities denominated in functional currencies	10	–	(10,867)
Currencies exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	62,331	6,067	(1,391)

Sensitivity analysis for foreign currency risk

The following table details the sensitivity to a 2% (2010: 2%) increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 2% (2010: 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% (2010: 2%) change in foreign currency rates. This analysis assumes that all other variables, including tax rate being held constant.

The Group	**2011**	**2010**
	Increase/(Decrease)	
	Profit after tax RMB'000	**Profit after tax RMB'000**
USD		
- strengthened	950	1,247
- weakened	(950)	(1,247)
EUR		
- strengthened	50	121
- weakened	(50)	(121)
SGD		
- strengthened	1	(28)
- weakened	(1)	28

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

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 2011, the five largest trade receivables which represent approximately 24% (2010: 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 18).

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 18).

<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.

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

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.

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 16.

31. 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 Revenue	
	2011 RMB'000	2010 RMB'000
PRC	686,393	580,818
Rest of Asia	309,829	248,252
America	91,137	32,039
Europe	50,200	81,114
Other countries	37,530	49,180
	1,175,089	991,403

32. EVENT OCCURRING AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of reporting period, the Company acquired 10,592,000 of its shares in the open market. The total amount paid to acquire the shares was SGD 2,740,000 (equivalent to RMB 13,430,000).

33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

Amendments to FRS 101 – *Secure Hyperinflation and Removal of Fixed Prices of First-time Adopters* (effective for annual periods beginning on or after 1 July 2011)

Amendments to FRS 107 Disclosures – *Transfer of Financial Assets* (effective for annual periods beginning on or after 1 July 2011)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Statistics of Shareholdings

As at 19 March 2012

SHARE CAPITAL

Number of Issued Shares	:	491,694,000
Number of Issued Shares (excluding Treasury Shares)	:	465,504,000
Number/Percentage of Treasury Shares	:	26,190,000 / 5.33%
Class of Shares	:	Ordinary Shares
Voting Rights (excluding 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	1	0.06	648	0.00
1,000 – 10,000	743	44.92	4,437,000	0.95
10,001 – 1,000,000	886	53.57	65,816,862	14.14
More than 1,000,000	24	1.45	395,249,490	84.91
Grand Total	1,654	100.00	465,504,000	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	63.08
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	17,777,000	3.82
3.	ASTRONOMIC CAPITAL GROUP INC	11,257,762	2.42
4.	CHIA KEE KOON	9,992,000	2.15
5.	BANK OF SINGAPORE NOMINEES PTE LTD	8,100,000	1.74
6.	XU XIANLEI	7,639,000	1.64
7.	2G CAPITAL PTE LTD	5,850,000	1.26
8.	DBS NOMINEES PTE LTD	4,754,788	1.02
9.	UOB KAY HIAN PTE LTD	4,746,000	1.02
10.	STONE ROBERT ALEXANDER	4,000,000	0.86
11.	XU CHENGQIU	2,869,000	0.62
12.	TIAN TIAN	2,736,000	0.59
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,530,000	0.54
14.	MAYBANK NOMINEES (SINGAPORE) PTE LTD	2,346,000	0.50
15.	MAYBANK KIM ENG SECURITIES PTE LTD	2,231,390	0.48
16.	LIM & TAN SECURITIES PTE LTD	2,133,000	0.46
17.	BOON SU YIN MARIE	2,011,000	0.43
18.	YAN TANGFENG	1,756,000	0.38
19.	WARREN CAPITAL PTE LTD	1,605,000	0.34
20.	PHILLIP SECURITIES PTE LTD	1,551,000	0.33
	TOTAL	**389,527,490**	**83.68**

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at **19 March 2012**, approximately 35.20% 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	63.08	–	–
Xu Cheng Qiu[1]	2,869,000	0.62	293,642,550	63.08

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 IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be held at Connaught Room, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on 30 April 2012 at 10.00 a.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 2011, 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 2011. **(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 Liu Jing Fu; **(Resolution 3)**

   (ii) Mr Xu Jun; and **(Resolution 4)**

   (iii) Ms Xu Chun Hua. **[See Explanatory Note 1]** **(Resolution 5)**

4. To approve the amount of S$160,000 proposed as Directors' fees for the financial year ended 31 December 2011 (2010: S$133,750). **(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, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this 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 2]**

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 Appendix (the "**Appendix**"), 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 3]

By Order Of The Board

YAK THIAN HUAT DAVE
HO CHEE TONG
Joint Company Secretaries

Singapore, 13 April 2012

EXPLANATORY NOTES:

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

2. The Ordinary Resolution 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.

3. 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 Appendix to this Notice.

NOTES:

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

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

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

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

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2012, 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 30 April 2012.

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 80 Robinson Road, #02-00, Singapore 068898 up to 5.00 p.m. on 7 May 2012 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 7 May 2012, 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 2012.

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CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(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), NRIC/Passport No.*____________

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 Connaught Room, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on 30 April 2012 at 10.00 a.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 2011, 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 2011		
3	Re-election of Mr Liu Jing Fu as a Director		
4	Re-election of Mr Xu Jun as a Director		
5	Re-election of Ms Xu Chun Hua as a Director		
6	Approval of the payment of Directors' fees of S$160,000 for the financial year ended 31 December 2011		
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		

* Delete accordingly.

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

Dated this ______ day of __________ 2012

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.

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)
80 Robinson Rd, #02-00
Singapore 068898

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)

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
Tel: +65 6220 9070
Fax: +65 6223 9177
Email: info@ChinaSunsine.com

www.ChinaSunsine.com

OUR DISTINGUISHED CLIENTS

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