Annual Report 2012

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

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

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Corporate Profile

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.

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.

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 reached at 101,500 tons, comprising 66,500 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.

Global Perspective

Superior Products We Offer

Essential for tires and other rubber-related products

NATURAL / SYNTHETIC RUBBER

- Sticky
- Soft
- Brittle
- Deteriorates quickly

RUBBER ACCELERATOR

VULCANISATION CURING PROCESS

INSOLUBLE SULPHUR

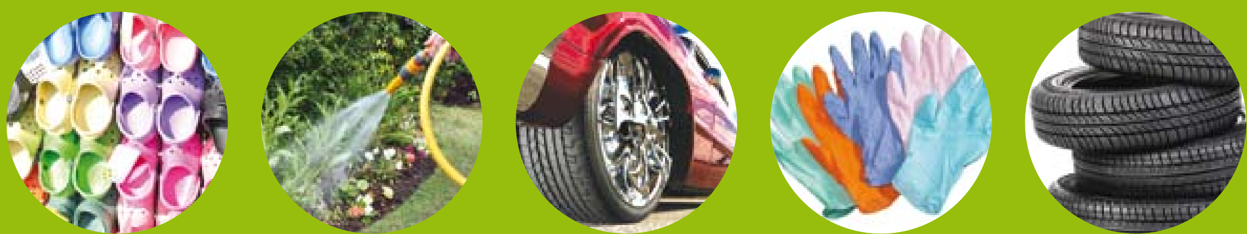
ANTI-OXIDANT

OTHER VULCANISING AGENTS

CURED RUBBER

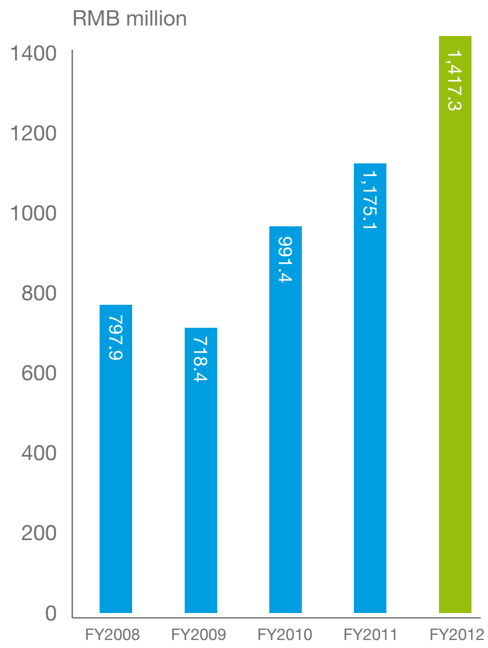
- Harder
- More durable
- Resistant to chemicals
- Smoother surface material

RUBBER PRODUCTS

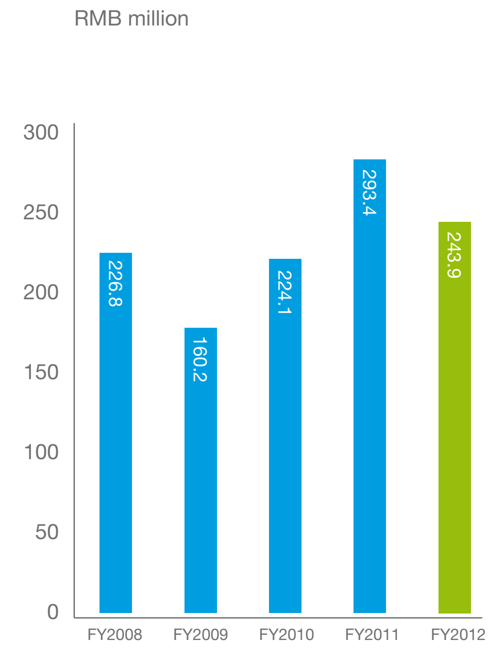


Financial Highlights

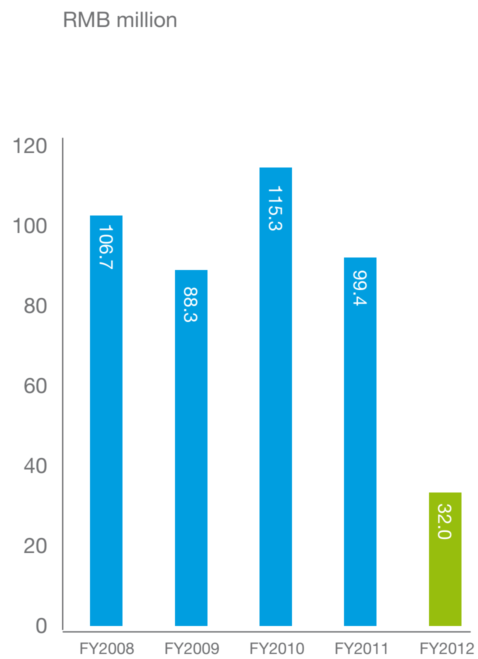
Revenue



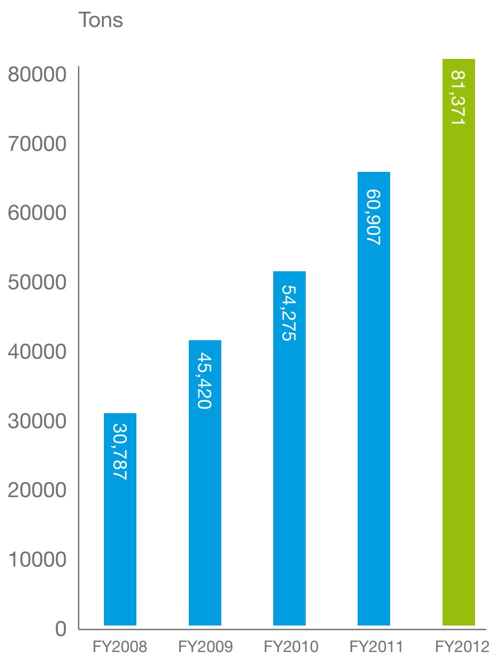
Gross Profit



Net Profit



Sales Volume



As At 31 December (RMB'million)	2012	2011 (restated)	2010	2009	2008
Total Assets	**1,126.0**	1,050.1	907.8	766.3	663.1
Total Liabilities	**365.0**	285.3	216.1	166.9	122.6
Shareholders' Equity	**761.0**	764.8	691.7	599.4	540.5
Cash + AFS Investment	**115.3**	133.0	180.1	232.2	238.4
Bank Borrowings	**200.0**	140.0	90.0	50.0	–
Treasury Shares	**28.2**	14.5	13.0	13.0	6.7
No. of Shares ('million)					
No. of Ordinary Shares	**465.5**	476.1	477.4	477.4	484.4
No. of Treasury Shares	**26.2**	15.6	14.3	14.3	7.3
For the Year (RMB'million)					
Revenue	**1,417.3**	1,175.1	991.4	718.4	797.9
Gross Profit	**243.9**	293.4	224.1	160.2	226.8
Net Profit After Tax	**32.0**	99.4	115.3	88.3	106.7
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**132.0**	199.6	162.3	129.3	148.1
Sales Volume (tons)					
Total Volume	**81,371**	60,907	54,275	45,420	30,787
Accelerator	**64,252**	50,148	46,343	40,196	29,805
Insoluble sulphur	**10,724**	7,873	4,413	3,468	464
Antioxidant	**5,183**	2,061	2,971	1,361	185
Others	**1,212**	825	548	395	333
Financial Analysis					
Gross Profit Margin (%)	**17.2%**	25.0%	22.6%	22.3%	28.4%
Net Profit Margin (%)	**2.3%**	8.5%	11.6%	12.3%	13.4%
EBITDA Margin (%)	**11.1%**	20.9%	16.4%	18.0%	18.6%
Current Ratio	**1.9**	2.1	2.5	3.3	3.9
Average YTD Trade Receivables Turnover (Days)	**67**	66	64	58	52
Average YTD Trade Payables Turnover (Days)	**15**	20	18	16	10
Average YTD Inventory Turnover (Days)	**45**	47	31	39	31
Return on Equity (%)	**4.2%**	13.0%	16.7%	14.7%	19.7%
Return on Asset (%)	**2.8%**	9.5%	12.7%	11.5%	16.1%
Debt/Equity Ratio	**0.26**	0.18	0.13	0.08	–
Per Share Data					
NAV per Share (RMB cents)	**163.5**	160.7	144.9	125.5	111.6
EPS (RMB cents)	**6.85**	20.84	24.14	18.41	21.77
Dividend Per Share (SGD cents)					
- Interim Dividend	**–**	–	–	1	1
- Final Dividend	**1**	1	1	1	–

Chairman's Statement

"Amidst the uncertainties in the global economy, which is affecting developing markets such as China, the Group was also faced with higher raw material and operating costs in FY2012. However, we managed to achieve relatively positive operating results and maintain our dividend at SGD0.01 per share in FY2012."

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 2012 ("**FY2012**") in the face of economic slowdown in both China and the global economy.

CONTINUE TO DELIVER MORE SALES VOLUME AND INCREASE MARKET SHARE

During 2012, China's economy had been experiencing slow growth due to its domestic woes and the uncertainties facing the global economy. China's GDP in 2012 grew at 7.8%, the slowest growth rate since 1999.

China, as the world's second largest economy, maintained its status as the world's largest automobile market in 2012. According to the *China Association of Automobile Manufacturers*, China's auto sales growth moderated to 3.2%. Its vehicle sales hit a record 19.31 million units in 2012. However, the rubber chemicals industry in China was operating in a challenging environment and facing various difficulties, such as overcapacity, higher raw material and operating costs and pricing pressure. Globally, while the US market had shown signs of recovery, the Euro zone economies continue to grapple with the debt crisis and austerity measures put in place to overcome the crisis, and thus slowing down global growth.

Fortunately, with over 55% of the world's top 75 tyre-makers as our customers, the Group was able to maintain its position as one of the leading rubber accelerator manufacturers in the world. In FY2012, the Group achieved another record year of sales volume. Sales volume across all categories increased due to the Group's ability to increase its capacity to meet the increased demand given its marketing and pricing strategy. The Group had increased its market share and further strengthened its position in such intensely competitive environment.

The Group's revenue increased 21% to RMB 1,417.3 million compared to RMB 1,175.1 million in FY2011. Total sales volume increased 34% to a record high of 81,371 tons in FY2012.

However, gross profit for the year decreased 17% to RMB 243.9 million as gross margin declined to 17.2% from 25% a year ago due to a relatively lower Average Selling Price ("ASP") coupled with higher raw material costs. Despite the increase in revenue, net profit dropped by 68% to RMB 32 million from RMB 99.4 million in FY2011 due to the decrease in gross profit and increase in operating expenses.

ACHIEVEMENTS

During the year, the Group completed a 4,000-ton MBTS plant and a 6,000-ton CBS plant at its Weifang facility. Thus the capacity for accelerator had reached 66,500 tons per annum. At its Shanxian new facility, the Group achieved a new milestone with its successful completion and testing of the 15,000-ton 6PPD plant which also produced its intermediary material 4ADPA.

In 2013, the Group plans to build a 4,000-ton plant to produce accelerator DPG at its Weifang Facility. This will further expand its total accelerator capacity to 70,500 ton by end of the year.

Weifang Facility

LOOKING AHEAD

The rubber chemicals industry has become more challenging to operate in due to the over-capacity situation and increasing operational cost structure in the PRC. Although economic data coming out of the PRC are showing signs of recovery in exports and industrial output, we remain cautious on the economic front due to the uncertainties ahead. However, leveraging on our proven track record, economies of scale, quality products, healthy cashflows and strong branding, the Group is confident it will be able to overcome all challenges.

In 2013, the Group plans to continue to adopt a diversified marketing strategy to improve its market share by acquiring new customers and strengthening its relationship with existing customers. It will continue to focus on the accelerators market while expanding sales of anti-oxidant 6PPD to its customers. Its sales team has been actively promoting 6PPD to its customers by sending samples for their accreditation. So far it has received accreditation from some PRC customers and is looking forward to receive more. In the meantime, the Group has also concentrated its efforts on technological innovation to provide quality products which will further strengthen its brand name. With rising operating costs, the Group will remain prudent in its spending and vigilant in managing its costs.

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.

ACKNOWLEDGEMENTS

Firstly, I would like to express my sincere appreciation to our loyal customers and suppliers who have accompanied us along the way, witnessing our growth and development. Without your unwavering support, we could not have achieved such performance.

On behalf of the Board of Directors, I also would like to take this opportunity to thank my fellow Board members, Management and all the staff for their hard work, dedication and contributions.

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
April 2013

"全球经济的不确定性影响了包括中国在内的这些发展中国家的经济，集团在2012财年也面临着原材料成本提高和运营成本增加等因素的影响。但是我们仍然在2012财年取得了正面的经济效益，并保持在2012财年派发每股0.01新元的股息。"

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2012年12月31日的财政年度（"2012财年"）仍然取得了盈利。

继续提高销售数量，市场份额进一步扩大

2012年，中国经济增长放缓，全球经济也面临着不确定性。中国2012年的总体经济增长为7.8%，是从1999年以来的最低增长率。

中国作为世界第二大经济体，在2012年仍保持着最大汽车市场的经济地位。据《中国汽车工业协会》统计，2012年中国的汽车销售增长了3.2%。2012年的汽车销售再创下历史新高，达1931万辆。然而，中国的橡胶助剂行业的运营环境面临着诸多困难，如产能过剩、原材料价格上涨、运营成本增加和销售价格压力等等。从全球市场来看，虽然美国经济有复苏的迹象，但是欧元区持续低迷，拖累了全球经济。

幸运的是，作为服务全球75强轮胎企业中超过55%客户的生产商，集团在橡胶促进剂行业继续保持领先地位，在2012财年的销售量更是创下新高。本年度，所有产品的销售量都有所增加，这主要是集团进一步扩大了产能以满足不断增长的市场需求；同时还继续实施多元化的市场策略，这使得我们在激烈的市场竞争中，市场占有率进一步提高，市场地位更加巩固。

集团2012财年营业收入与去年同比增长21%，从2011年的11.751亿元人民币提高到14.173亿元。总的销售数量也再创新高，提高了34%至81,731吨。然而，相对低的平均销售价格以及原材料价格提高，使得集团的毛利润率从前一年的25%下降到17%，因此，毛利润与2011财年相比减少了17%至2.439亿元。尽管营业收入增加，但由于毛利减少和运营成本加大，集团的净利润比2011财年的9940万元大幅下降了68%，至3200万元。

取得的成绩

本年度，在潍坊新建成了年产4,000吨的MBTS厂房和6,000吨的CBS厂房，这使得我们的促进剂产能达到了年产66,500吨。在单县新厂区，集团成功完成了15,000吨防老剂6PPD以及其中间产品4ADPA的厂房建设和试产。

集团计划今年在潍坊新厂再建设4,000吨的促进剂DPG厂房。这样，到今年年底，我们的促进剂产能将达到70,500吨。

展望未来

橡胶助剂行业由于产能过剩和成本提升使得市场竞争更为激烈。尽管中国的经济数据显示出口和工业产值有复苏的迹象，但是由于各种不确定因素的影响，经济前景依然不容乐观。然而，凭着良好的商业记录、规模效应、优质的产品、强健的财务状况和品牌实力，集团有信心将能够克服任何困难和挑战。

2013年，我们将继续采取多元化策略以进一步提高市场份额，发展新客户，巩固与现有客户的关系。我们继续专注于促进剂产品市场，同时也要拓展新的防老剂产品6PPD的市场。我们的销售队伍已经积极展开了6PPD产品的市场营销工作，将6PPD的样本发给客户进行认证。目前我们已经通过了几家中国客户的认证，并期待得到更多客户的认可。同时，我们也在努力加强技术革新，以提高产品质量，强化我们的品牌。关于运营成本上升问题，我们将有效地缩减开支，控制成本。

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

首先，我要诚挚感谢广大客户和供应商。你们一路陪伴着我们，见证了我们的努力和成长，没有你们的支持，集团将无法取得现在的成绩。

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，同时期待你们的继续支持。

徐承秋
执行主席
2013年4月

Operations & Financial Review

Our Financial Performance in FY2012

Amidst the uncertainties in the global economy, which is affecting developing markets such as China, the Group was also faced with higher raw material and operating costs in FY2012. The Group reported lower profits at RMB 32.0 million despite record sales volume and revenue. FY2012 revenue grew 21% to RMB 1,417.3 million from RMB 1,175.1 million in FY2011 due to higher sales volume offset by lower average selling price. Sales volume increased 34% to record 81,371 tons in FY2012 from 60,907 tons in FY2011. Overall average selling price (ASP) for all products decreased from RMB 19.3k in FY2011 to RMB 17.4k in FY2012 as the Group continued to adopt a competitive pricing strategy to capture a larger share of the market.

Analysis of Sales and Volume

	Sales Volume (Tons)			Sales (RMB' million)		
	FY2012	FY2011	Change	FY2012	FY2011	Change
Accelerators	64,252	50,148	28%	1,196.0	1,040.4	14%
Insoluble sulphur	10,724	7,873	36%	121.2	90.4	34%
Anti-oxidant	5,183	2,061	151%	76.9	27.1	50%
Others	1,212	825	51%	23.2	17.2	35%
Total	**81,371**	**60,907**	**34%**	**1,417.3**	**1,175.1**	**21%**
Domestic Sales	56,033	38,846	44%	902.5	686.4	32%
International Sales	25,338	22,061	15%	514.8	488.7	5%

Operations & Financial Review

4,000-ton MBTS Plant at Weifang


4,000-ton DPG Plant under construction at Weifang

Sales volume across all products increased due to the Group's ability to increase its production capacity to meet the increased demand given its marketing and pricing strategies. Maintaining its position as the market leader for accelerators in the PRC[1], the Group has further gained market share despite the slowdown in auto sales and the overcapacity situation facing the rubber chemicals industry in China. International sales volume increased mainly due to improved sales to the US market.

Gross profit decreased by 17% from RMB 293.4 million in FY2011 to RMB 243.9 million in FY2012 as the Gross Profit Margin (GPM) decreased 7.8 pts from 25.0% to 17.2%. The decrease in GPM was due to the reduction in ASP as well as increase in the cost of raw materials such as Aniline, the main raw material for accelerators. Average unit cost of Aniline had increased 9% in FY2012 as compared to FY2011 as the cost of its raw material, Benzene, increased due to increased demand. Towards the end of FY2012, the average unit cost of Aniline was at its highest since FY2011.

Other operating income decreased by 18% from RMB 10.9 million in FY2011 to RMB 8.9 million in FY2012 due to lower interest income and lower sales of scrap materials.

Selling and distribution expenses increased by 24% from 37.8 million in FY2011 to RMB 47.0 million in FY2012 which was in line with the increase in sales.

Administrative expenses increased by 49% from RMB 87.7 million in FY2011 to RMB 130.9 million in FY2012 mainly due to:

- RMB 15.4 million of additional depreciation as the various common facilities such as office buildings and R&D centre in Shanxian and Weifang were completed in 2QFY2011;
- RMB 13.5 million of additional research and development expenses, of which RMB 9.3 million was related to the trial production of 6PPD;
- RMB 8.6 million of additional accruals for social insurance, namely retirement, medical, injury, unemployment and pregnancy insurance; and
- Additional operating expenses as the Group increased its production scale in Shanxian and Weifang facilities in FY2012.

[1] Source: China Rubber Industry Association

R&D Staffs at Work

Research & Development Centre and Office Building

Other operating expenses amounting to RMB 5.7 million mainly consisted of RMB 1.3 million realised exchange losses, and RMB 3.0 million donations to charitable organizations. For FY2011, other operating expenses amounting to RMB 28.3 million consisted mainly of RMB 6.1 million realised exchange losses and a RMB 18.3 million of plant and equipment impairment due to the closure of old facility in Shanxian City.

Profit before tax (PBT) decreased by 61% from RMB 144.8 million in FY2011 to RMB 56.7 million in FY2012 whilst **Net profit attributable to shareholders** decreased by 68% from RMB 99.4 million in FY2011 to RMB 32.0 million in FY2012 due to the decrease in GPM and increase in operating expenses which were partially offset by increase in revenue.

Financial Position Review

Property, plant and equipment decreased by RMB 23.6 million from RMB 422.9 million to RMB 399.3 million due to RMB 62.8 million of depreciation offset by additional purchases of capital equipment of RMB 39.2 million. As most of the construction projects were completed in FY2011 when the Group vacated the old facility in Shanxian and relocated to the new Shanxian facility, capital equipment purchase in FY2012 had reduced.

Inventories decreased by RMB 5.5 million from RMB 147.9 million to RMB 142.4 million mainly due to the reduced holding of certain finished goods as at 31 December 2012.

Trade receivables increased by RMB 126.6 million from RMB 276.9 million to RMB 403.5 million due to higher sales in 4QFY2012 compared to 4QFY2011. However, trade receivables included notes receivables provided by trade debtors which were promissory notes issued by the local banks. Consequently, the risks of non-recoverability of these notes receivables by local banks are significantly lower than those amounts owing by trade debtors. As at 31 December 2012 and 31 December 2011, the notes receivables were RMB 148.9 million and RMB 67.2 million, respectively. Excluding the notes receivables, the trade receivables from trade debtors would have increased by RMB 45.0 million from RMB 209.7 million to RMB 254.6 million.

Operations & Financial Review


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


10,000-ton Insoluble Sulphur workshop at Shanxian

Available-for-sales financial assets decreased by RMB 4.1 million from RMB 14.4 million to RMB 10.3 million due to the maturity of a SGD 1.0 million capital-protected investment in October 2012.

Other payables decreased by RMB 2.0 million from RMB 92.0 million to RMB 90.0 million as most of the outstanding payments to building contractors for the construction projects were settled. This was partially offset by higher accruals for social insurance.

Treasury shares increased by RMB 13.7 million from RMB14.5 million to RMB 28.2 million. The Company bought back 10,592,000 shares in FY2012 as compared to 1,261,000 in FY2011. For the coming 2013 Annual General Meeting, the Group will not renew its share buy-back mandate as it intends to conserve its working capital for operational requirements.

Net cash generated from operating activities decreased by RMB 77.9 million from RMB 87.9 million in FY2011 to RMB 10.0 million in FY2012 due to the RMB 58.2 million reduction in profit before tax and increase in receivables.

Cash Flow Review

	FY2012 RMB' million	FY2011 RMB' million	Change RMB' million
Cash generated from operating activities	10.0	87.9	(77.9)
Cash used in investing activities	37.8	153.4	(115.6)
Cash generated from financing activities	14.7	20.3	(5.6)
Net decrease in cash and cash equivalents	(13.1)	(45.2)	(32.1)
Cash and cash equivalents at end of year	105.0	118.6	(13.6)

Bank loans increased by RMB 60.0 million from RMB 140.0 million to RMB 200.0 million as higher working capital was required for the production of 6PPD as well as the increase in production of accelerators.

Net cash used in investing activities decreased by RMB 115.6 million from RMB 153.4 million in FY2011 to RMB 37.8 million in FY2012 due mainly to the reduced capital equipment purchase and absence of payment of land use rights in FY2012.

Sulphur Gas Recycle Facility at Weifang

Waste water treatment plant – Distillation Machine at Shanxian

Net cash generated from financing activities decreased by RMB 5.6 million from RMB 20.3 million in FY2011 to RMB 14.7 million in FY2012 as the RMB 10 million net increase in bank loan proceeds after repayments was offset by higher interest paid on loans taken and purchase of treasury shares.

Operations Review

During FY2012, the Group has completed the following projects:

- Successfully completed the trial production of 4ADPA[2], an intermediary material of 6PPD in March;
- Completed 4,000-ton MBTS plant at Weifang facility in March;
- Successfully completed the trial production of 6PPD in June. All major customers have been given samples for accreditation; and
- Completed 6,000-ton CBS plant and trial production at Weifang facility in June.

The Group has been liaising with major customers on the accreditation of 6PPD, some of which have given their accreditation. The Group will continue on the process of achieving successful accreditation for the rest of its customers.

Moving forward in FY2013, the Group intends to complete a new 4,000-ton DPG plant at Weifang facility in the third quarter.

Below is a summary of our estimated Annual Capacity[3] at the end of each financial year:

Tons	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013e
Accelerators	39,000	50,000	55,000	56,500	56,500	66,500	70,500
Insoluble Sulphur	5,000	5,000	8,000	10,000	10,000	10,000	10,000
Anti-oxidant	–	5,000	10,000	10,000	25,000	25,000	25,000
Total	**44,000**	**60,000**	**73,000**	**76,500**	**91,500**	**101,500**	**105,500**

2 Known as 4-Aminodiphenylamine
3 Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT

Board Of Directors

XU CHENG QIU
Executive Chairman

XU CHENG QIU is the Executive Chairman of our Group, responsible for the overall management, formulation and implementation of our business strategies. He has more than 30 years of experience in the rubber chemical industry. He joined our Group in 1977, when the predecessor of our subsidiary, Shanxian Chemical, was first established. In December 1998, Mr Xu, together with other employees, executed an MBO and he became the Executive Chairman and General Manager of Shanxian Chemical. He was 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 CPA TRUST PAC, Certified Public Accountants. 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 two other Singapore public listed companies. He holds a Master degree in Business Administration from University of Birmingham, UK. He is a fellow of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Singapore (ICPAS) and a full member of Singapore Institute of Directors (SID). He is also an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals (SIATP).

LIM HENG CHONG BENNY
Independent Director

LIM HENG CHONG BENNY is our Independent Director. Mr Lim is presently a partner at ChrisChong & CT Ho Partnership, where he focuses his practice on fund management and investment advisory matters, financial services regulatory compliance, and the structuring and establishment of Singapore and offshore funds. His other main areas of practice include corporate finance, mergers and acquisitions, cross-border joint ventures and investments, and regulatory compliance for listed companies and registered charities. Mr Lim obtained a Bachelor of Laws and a Master of Laws, both from the National University of Singapore, in 1996 and 2000, respectively. He is currently an independent director of two other listed companies in Singapore.

XU CHUN HUA
Independent Director

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

KOH CHOON KONG
Independent Director

KOH CHOON KONG is our Non-Executive Director since 15 November 2009, and was redesignated as an Independent Director on 5 December 2012. He is currently the Group Finance Director of EtonHouse International Education Group. Prior to this role, he has served as Group CFOs of various SGX-listed corporations - EMS Energy Limited, Fuxing China Group Limited, and China Sunsine Chemical which he helped bring through a successful IPO in 2007. He has more than 18 years of corporate finance, accounting and business experience. He is also currently serving as an Independent Non-Executive Director of Oriental Group Ltd, a manufacturer of steel 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 Chief Financial Officer in November 2009. Mr Yak is responsible for the accounting and finance matters of the Group. He has almost 16 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 25 years of experience in equipment technology and management. He rose through the ranks over the years from Section Chief to Assistant General Manager to his current position.

Corporate Governance Report

China Sunsine Chemical Holdings Ltd. (the "**Company**") is committed to maintaining a high standard of corporate governance to ensure greater transparency and protection of shareholders' interests. The board of directors of the Company (the "**Board**") is pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2005 (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. The Board has also considered certain corporate practices with reference to the revised Code of Corporate Governance 2012 issued on 2 May 2012, which is effective from financial year commencing on or after 1 November 2012.

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

<u>Board's Conduct of Affairs</u>

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

Corporate Governance Report

The Board meets 4 times a year and as warranted by particular circumstances. Telephonic attendance and conference at Board meetings are allowed under the Articles of Association of the Company. The number of Board and Board committee meetings held during FY2012, 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.

No new director was appointed by the Company during FY2012. The Company has an orientation program for all new Directors, and the Directors also have the opportunity to visit the Group's operating facilities in the People's Republic of China and meet with the Management to gain a better understanding of the Group's business operations. Directors who are first-time directors, or who have no prior experience as directors of a listed company, also undergo briefings on the roles and responsibilities as directors of a listed company.

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

Corporate Governance Report

Board Composition and Balance

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

The NC determines annually whether or not a director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. In addition, in deciding whether or not a director is independent, the NC also takes into consideration whether a director has business relationships with the Company or any of its related companies, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment with a view to the best interests of the Company. The NC is of the view that based on the Code's definition of an "independent director" and guidance as to relationships, the 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 4[(1)] 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 [(1)]	Independent Director	Member	–	–

(1) *Mr Koh Choon Kong was re-designated as Independent Non-Executive Director on 5 December 2012.*

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, 4 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, legal, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to be effective.

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

Corporate Governance Report

Chairman and Chief Executive Officer

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

Currently, the Executive Chairman of the Company is Mr Xu Cheng Qiu. Mr Xu is the founder of the Group and plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the day-to-day running of the Group as well as the exercise of control of the quality, quantity and timeliness of information flow between the Board and Management.

As Executive Chairman of the Board, Mr Xu bears responsibility for the effective working of the Board. He is responsible for, amongst others, ensuring that Board meetings are held when necessary, setting the Board meeting agenda to enable the Board to carry out its duties effectively and responsibly, taking a leading role to ensure and maintain a high standard of 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;

Corporate Governance Report

(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;

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(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 33	–	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 36	–	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 the directors at least 7 days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key 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.

Corporate Governance Report

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 agreements, to consider what compensation or commitments the directors' service agreement, 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.

Corporate Governance Report

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

The service agreements of all Executive Directors had expired on 31 December 2012 and were automatically renewed pursuant to the terms thereof, for a further period of 3 years with effect from 1 January 2013 and may be terminated by either party giving not less than six months' notice in writing.

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 agreements with the Company. They are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each independent director is paid a basic fee. In addition, independent directors who perform additional services through Board committees are paid an additional fee for such services. The 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.

Corporate Governance Report

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 FY2012

The level and mix of each of the directors' remuneration, and that of each of the key executives (who are not also directors) for FY2012, are set out in the bands as follows:

Remuneration Band & Name of Directors	Salary	Bonus	Director's fees	Other benefits	Total
	%	%	%	%	%
S$350,000 and above					
Nil					
S$250,000 to below S$350,000					
Xu Cheng Qiu	74	26			100
Below S$250,000					
Liu Jing Fu	99	1	–	–	100
Xu Jun	93	7	–	–	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	80	20	–	100
Li Song	94	6	–	100
Fan Chang Lin	94	6	–	100
Geng He Ping	94	6	–	100

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Executive Officers in the annual report.

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 FY2012. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2012. 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, all of whom are independent directors (1):

Tan Lye Heng Paul	–	Chairman
Lim Heng Chong Benny	–	Member
Xu Chun Hua	–	Member
Koh Choon Kong (1)	–	Member

(1) *Mr Koh Choon Kong was re-designated as Independent Non-Executive Director on 5 December 2012.*

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;

Corporate Governance Report

(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.

At the Extraordinary General Meeting of the Company held on 31 October 2012, the Company's shareholders approved the appointment of Nexia TS Public Accounting Corporation ("**Nexia TS**") as the external auditors of the Company, in place of the resigning auditors, Messrs Paul Wan & Co. The Company had confirmed that Rules 712 and 715 of the Listing Manual had been complied with in relation to the appointment of Nexia TS.

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.

Corporate Governance Report

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 2012.

In July 2010, the Singapore Exchange Limited and the Accounting and Corporate Regulatory Authority jointly issued the publication "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" which aims to enhance audit quality in Singapore by providing guidance to ACs in their evaluation of their external auditors, especially during the appointment, reappointment and rotation of statutory auditors.

Accordingly, the AC evaluated the performance of the external auditors, Nexia TS, based on the key indicators of audit quality set out in the publication, and upon such evaluation, recommended to the Board of Directors that Nexia TS be nominated for reappointment as external auditors of the Company at the forthcoming AGM 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. As of to-date, there were no reports received through such mechanism.

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 Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

The Company has on 3 July 2009 set up a Risk Management Advisory Committee (“**RMAC**”) to , oversee the

Corporate Governance Report

Group's risk management framework and policies, 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 is headed by the Executive Chairman of the Company, together with 5 key executives (including a director and the Chief Financial Officer), whose names are set out below:

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

In order to ensure and maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, an Enterprise Risk Management ("**ERM**") programme has been implemented to identify, prioritise, assess, manage and monitor key risks faced by the Group. The risk management system covers, *inter alia*, financial, operational, compliance and information technology controls of the Group. The key risks identified are deliberated by Management, and reported to the RMAC. The RMAC will follow up on the actions required to be taken by the Management to mitigate such risks. The RMAC also reviews the adequacy and effectiveness of the ERM programme periodically, and reports its findings to the Board at least once a year or as and when new significant risks are identified.

To ensure that its internal control and risk management systems are adequate and effective, the Company is assisted by various independent professional service providers. The Company's internal and external auditors conduct an annual review of the adequacy and effectiveness of the Company's internal controls. Any material non-compliance or failures in internal control, and recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect, and holds regular discussions with Management to ensure the timely and proper implementation of such recommendations. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls and risk management processes of the Group are not satisfactory for the type and size of business conducted.

Based on the internal control and risk management systems established and maintained by the Group, and work conducted by the internal and external auditors as set out in their respective reports, the Board, with the concurrence of AC, is of the opinion that 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 as at 31 December 2012.

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

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.

Corporate Governance Report

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) 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 2012.

(G) MATERIAL CONTRACTS

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

Corporate Governance Report

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name of Director	Age	Board Appointment Executive/ Non-Executive/ Independent	Date Last Appointed	Date Last Re-election	Current Directorship in other Listed Companies	Past Directorship in other Listed Companies
Xu Cheng Qiu	69	Executive Chairman	11 October 2006	29 April 2010	None	None
Liu Jing Fu	61	Executive Director	18 May 2007	30 April 2012	None	None
Xu Jun	43	Executive Director	18 May 2007	30 April 2012	None	None
Ma Ying Qun	39	Executive Director	18 May 2007	26 April 2011	None	None
Koh Choon Kong	42	Non-Executive Director	15 November 2009	29 April 2010	- Oriental Group Ltd	None
Tan Lye Heng Paul	48	Lead Independent Director	18 May 2007	26 April 2011	- Sin Ghee Huat Corporation Ltd. - Serial System Ltd	- Second Chance Properties Ltd.
Lim Heng Chong Benny	42	Independent Director	18 May 2007	26 April 2011	- Ziwo Holdings Ltd - Sysma Holdings Limited	None
Xu Chun Hua	70	Independent Director	18 May 2007	30 April 2012	-Xingda International Holdings Limited	None

Corporate Governance Report

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters	17-29
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	33
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	25-27
Guideline 9.1 Composition of remuneration committee	24
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

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Relevant Guidelines or Principles	Page Reference in this Annual Report
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	27
Guideline 9.4 Details of employee share schemes	27
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

Directors' Report

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the balance sheet of the Company as at 31 December 2012.

Directors

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

Xu Cheng Qiu
Liu Jing Fu
Xu Jun
Ma Ying Qun
Tan Lye Heng Paul
Lim Heng Chong Benny
Xu Chun Hua
Koh Choon Kong (re-designated as Independent Non-Executive Director on 5 December 2012)

Arrangements to Enable Directors to Acquire Shares and Debentures

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

Directors' Interests in Shares or Debentures

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2012	At 1.1.2012	At 31.12.2012	At 1.1.2012
The Company				
(No. 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
Immediate and Ultimate Holding Company				
Success More Group Ltd				
(No. of ordinary shares)				
Xu Cheng Qiu*	7,427	7,427	–	–
Xu Jun	812	812	–	–

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

Directors' Report

The directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

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 he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share Options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

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

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

Audit Committee

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

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

All members of the Audit Committee were independent non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, 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 balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

Directors' Report

Independent Auditor

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

On behalf of the directors

Xu Cheng Qiu Director	Liu Jing Fu Director

28 March 2013

Statement by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 42 to 82 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 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

28 March 2013

Independent Auditor's Report

To the Members of China Sunsine Chemical Holdings Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 82, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2012, the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that 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 balance sheet 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 the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for financial year ended on that date.

Other matter

The financial statements for the preceding financial year were reported on by an independent auditor other than Nexia TS Public Accounting Corporation. The independent auditor's report dated 12 March 2012 issued by the predecessor independent auditor on the financial statements for the financial year ended 31 December 2011 was unqualified.

Independent Auditor's Report

To the Members of China Sunsine Chemical Holdings Ltd.

Report on Other Legal and Regulatory Requirements

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

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Director-in-charge: Chin Chee Choon
(Appointed since financial year ended 31 December 2012)

Singapore

28 March 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	4	1,417,282	1,175,089
Cost of sales		(1,173,408)	(881,702)
Gross profit		243,874	293,387
Other gains - net	7	8,899	10,890
Expenses			
- Distribution and marketing		(47,023)	(37,776)
- Administrative		(136,552)	(115,993)
- Finance	8	(12,462)	(5,654)
Profit before income tax		56,736	144,854
Income tax expense	9	(24,729)	(45,425)
Net profit		32,007	99,429
Other comprehensive income/(loss):			
Available-for-sale financial assets			
- Fair value gains		347	–
- Reclassification		(614)	–
Currency translation differences arising from consolidation		1,216	491
Other comprehensive income, net of tax		949	491
Total comprehensive income		32,956	99,920
Net profit attributable to:			
Equity holders of the Company		32,007	99,429
Total comprehensive income attributable to:			
Equity holders of the Company		32,956	99,920
Earnings per share for profit attributable to equity holder of the Company (RMB cents per share)			
Basic and diluted earnings per share	10	6.85	20.84

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

Balance sheets

As at 31 December 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)	Group 1 January 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
ASSETS						
Current assets						
Cash and cash equivalents	11	104,956	118,642	165,088	5,642	16,831
Available-for-sale financial assets	12	10,347	4,901	–	10,347	4,901
Trade and other receivables	13	442,935	319,667	305,112	10,488	20,496
Inventories	14	142,364	147,875	77,319	–	–
		700,602	591,085	547,519	26,477	42,228
Non-current assets						
Available-for-sale financial assets	12	–	9,495	15,036	–	9,495
Investment in subsidiaries	15	–	–	–	350,010	350,010
Property, plant and equipment	16	399,280	422,900	328,119	–	–
Intangible assets	17	26,167	26,662	17,138	–	–
		425,447	459,057	360,293	350,010	359,505
Total assets		1,126,049	1,050,142	907,812	376,487	401,733
LIABILITIES						
Current liabilities						
Trade and other payables	18	136,474	137,598	118,570	4,590	5,222
Deferred grants	19	–	629	1,583	–	–
Borrowings	20	200,000	140,000	90,000	–	–
Current income tax liabilities	9	28,536	7,033	5,982	2,654	2,699
		365,010	285,260	216,135	7,244	7,921
Total liabilities		365,010	285,260	216,135	7,244	7,921
NET ASSETS		761,039	764,882	691,677	369,243	393,812
Capital and reserves attributable to equity holders of the Company						
EQUITY						
Share capital	21	313,471	313,471	313,471	313,471	313,471
Treasury shares	21	(28,197)	(14,535)	(12,992)	(28,197)	(14,535)
Other reserves	22	111,717	95,024	65,115	(4,921)	(5,872)
Retained profits	23	364,048	370,922	326,083	88,890	100,748
Total equity		761,039	764,882	691,677	369,243	393,812

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	Share capital RMB'000	Treasury shares RMB'000	Currency translation reserve RMB'000	Fair value reserve RMB'000	Merger reserve RMB'000	Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
2012										
Beginning of financial year (as restated)		313,471	(14,535)	(6,477)	293	305	63,960	36,943	370,922	764,882
Purchase of treasury shares	21	–	(13,662)	–	–	–	–	–	–	(13,662)
Transfer to statutory and voluntary reserves		–	–	–	–	–	7,872	7,872	(15,744)	–
Dividends relating to 2011 paid	24	–	–	–	–	–	–	–	(23,137)	(23,137)
Total comprehensive income/ (loss) for the year		–	–	1,216	(267)	–	–	–	32,007	32,956
End of financial year		313,471	(28,197)	(5,261)	26	305	71,832	44,815	364,048	761,039
2011										
Beginning of financial year		313,471	(12,992)	(6,968)	293	305	49,251	22,234	326,083	691,677
Purchase of treasury shares	21	–	(1,543)	–	–	–	–	–	–	(1,543)
Transfer to statutory and voluntary reserves		–	–	–	–	–	14,709	14,709	(29,418)	–
Dividend relating to 2010 paid	24	–	–	–	–	–	–	–	(25,172)	(25,172)
Total comprehensive income for the year (as previously reported)		–	–	491	–	–	–	–	88,468	88,959
Effect of prior year adjustments	29	–	–	–	–	–	–	–	10,961	10,961
Total comprehensive income for the year (as restated)		–	–	491	–	–	–	–	99,429	99,920
End of financial year (as restated)		313,471	(14,535)	(6,477)	293	305	63,960	36,943	370,922	764,882

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Cash flows from operating activities			
Net profit		32,007	99,429
Adjustments for:			
- Income tax expense		24,729	45,425
- Amortisation and depreciation		63,343	32,502
- Impairment of intangibles assets	5	–	4,825
- Loss on write off/disposal of property, plant and equipment	5	–	7,816
- Impairment of property, plant and equipment	5	–	10,527
- (Written back)/allowance for impairment of trade and other receivables	5	(535)	111
- Reversal of impairment of property, plant and equipment	5	–	(6,616)
- Net gain on disposal of available-for-sale financial assets	7	(614)	–
- Interest income		(1,170)	(1,582)
- Interest expense		12,462	5,654
- Unrealised currency translation losses		586	1,160
		130,808	199,251
Change in working capital			
- Cash deposits restricted in use released from banks		874	1,103
- Inventories		5,511	(70,556)
- Trade and other receivables		(122,733)	(14,667)
- Trade and other payables		(1,123)	17,043
Cash generated from operations		13,337	132,174
Income tax paid		(3,387)	(44,252)
Net cash provided by operating activities		9,950	87,922
Cash flows from investing activities			
Additions to property, plant and equipment	16	(43,821)	(142,048)
Additions to intangible assets		(36)	(12,920)
Proceeds from disposal of available-for-sale financial assets		4,901	–
Interest received		1,170	1,582
Net cash used in investing activities		(37,786)	(153,386)
Cash flows from financing activities			
Dividend paid to equity holders of the Company		(23,137)	(25,172)
Grants received	19	4,000	2,640
Proceeds from short-term borrowings		350,000	110,000
Repayment of short-term borrowings		(290,000)	(60,000)
Purchase of treasury shares	21(b)	(13,662)	(1,543)
Interest paid		(12,462)	(5,654)
Net cash provided by financing activities		14,739	20,271
Net decrease in cash and cash equivalents		(13,097)	(45,193)
Cash and cash equivalents			
Beginning of financial year		84,661	130,004
Effects of currency translation on cash and cash equivalents		285	(150)
End of financial year	11	71,849	84,661

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

These financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2013.

1 General information

China Sunsine Chemical Holdings Ltd (the "Company") is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and 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 set out in Note 15.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from the date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional 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 accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2 Summary of significant accounting policies (Cont'd)

2.2 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial or operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceased.

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

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary comprises of 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 values 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, with limited exceptions, measured initially at their fair value at the acquisition date.

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

The excess of (i) the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.2 Group accounting (Cont'd)

(a) *Subsidiaries (Cont'd)*

(iii) Disposals

When a change in the Group 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 previously 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 Standard.

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

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

2.3 Investments in subsidiaries

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

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

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

2 Summary of significant accounting policies (Cont'd)

2.4 Property, plant and equipment (Cont'd)

(b) Depreciation

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

	Useful lives
Plant and machinery	4 to 10 years
Buildings	12 to 20 years
Motor vehicles	5 to 8 years
Office equipment	5 years

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

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

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 amounts of the asset.

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5 Intangible assets

Land use rights

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.6 *Impairment of non-financial assets*

Property, plant and equipment
Intangible assets
Investments in subsidiaries

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

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

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

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

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

2.7 *Financial assets*

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" and "Cash and cash equivalents" on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.7 *Financial assets (Cont'd)*

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.7 Financial assets (Cont'd)

(e) Impairment (Cont'd)

(ii) Available-for-sale financial assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve 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.

2.8 Inventories

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

2.9 Leases

The Group leases offices under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.10 Trade and other payables

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

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

2.11 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowing acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

2 Summary of significant accounting policies (Cont'd)

2.11 Borrowing costs (Cont'd)

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the acquisition, construction or production of qualifying assets that are financed by general borrowings.

2.12 Borrowings

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

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

2.13 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating leases.

2.14 Government grants

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

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

Where the grant relates to an asset, the fair value of the grant is recognised as deferred capital grant on the balance sheet.

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

2.15 Revenue recognition

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

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.15 Revenue recognition (Cont'd)

(i) Sale of goods

Revenue from these sales is recognised when a Group has delivered the products to locations specified by its customers; the customers have accepted the products and the collectability of the related receivables are reasonably assured.

(ii) Interest income

Interest income, including income arising from financial instruments, is recognised using the effective interest method.

2.16 Employee compensation

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

(a) Defined contribution plans

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

(b) Pension benefits

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.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

2 Summary of significant accounting policies (Cont'd)

2.17 Income taxes (Cont'd)

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

2.18 Share capital and treasury shares

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Translation of Group entities' financial statements

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Directors whose members are responsible for allocating resources and assessing performance of the operating segments. The Group has only one operating segment and operates only in PRC.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (Cont'd)

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Fair value estimation of financial assets and liabilities

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

2.23 Dividends to Company's shareholders

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

3 Critical accounting estimates, assumptions and judgements

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

(a) Income taxes

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 2012 is RMB 28,536,000 (2011: RMB7,033,000) as disclosed in Note 9.

4 Revenue

	Group	
	2012	2011
	RMB'000	RMB'000
Sales of rubber chemicals	1,417,282	1,175,089

Notes to the Financial Statements

For the financial year ended 31 December 2012

5 Expenses by nature

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
		(Restated)
Purchases of inventories	1,102,836	900,639
Amortisation of intangible assets (Note 17)	531	556
Depreciation of property, plant and equipment (Note 16)	62,812	31,946
Impairment of property, plant and equipment (Note 16)	–	10,527
Reversal of impairment of property, plant and equipment (Note 16)	–	(6,616)
(Write back)/Allowance for impairment of trade and other receivables	(535)	111
Impairment of intangible assets (Note 17)	–	4,825
Total amortisation, depreciation and impairment	62,808	41,349
Employee compensation (Note 6)	109,327	85,341
Port charges	13,959	12,565
Transportation expense	23,901	17,094
Auditor fees paid/payable to		
- Auditor of the Company	582	531
- Other auditor	22	41
Total audit fees	604	572
Fees paid/payable to auditor of the Company for non-audit services	158	92
Directors' fees	607	825
Changes in inventories	5,511	(70,556)
Loss on write off/disposal of property, plant and equipment	–	7,816
Other expenses	37,272	39,734
Total cost of sales, distribution and marketing, administrative and other expenses	1,356,983	1,035,471

6 Employee compensation

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Salaries and wages	86,117	71,981
Employer's contribution to defined contribution plans including Central Provident Fund	23,210	13,360
	109,327	85,341

Notes to the Financial Statements

For the financial year ended 31 December 2012

7 Other gains - net

	Group	
	2012	2011
	RMB'000	RMB'000
Interest income		
- available-for-sale financial assets	305	316
- bank deposits	865	897
- loans to third parties	–	687
Profit on sale of scrap materials	6,434	8,052
Waiver of debt from trade and other payables	432	228
Grants	11	40
Reclassification from other comprehensive income (Note 22 (b) (ii))	614	–
Others	238	670
	8,899	10,890

8 Finance expenses

	Group	
	2012	2011
	RMB'000	RMB'000
Interest expense on bank borrowings	12,462	5,654

9 Income tax

(a) Income tax expense

	Group	
	2012	2011
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
- Profit from current financial year:		
- Current income tax - PRC	24,729	43,801
- Under provision in prior financial years:		
- Current income tax - PRC	–	1,624
	24,729	45,425

Notes to the Financial Statements

For the financial year ended 31 December 2012

9 Income tax (Cont'd)

(a) Income tax expense (Cont'd)

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

	Group	
	2012 RMB'000	2011 RMB'000 (Restated)
Profit before income tax	56,736	144,854
Tax calculated at rate of 17% (2011: 17%)	9,645	24,625
Effects of:		
- Different tax rates in other countries	7,638	13,927
- Expenses not deductible for tax purposes	6,168	3,976
- Income not subject to tax	(62)	–
- Utilisation of previously unrecognised tax losses	(155)	(54)
- Foreign withholding tax	748	278
- Deferred income tax assets not recognised	636	1,049
- Other	111	–
Tax charge	24,729	43,801

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of RMB31,795,000 (2011: RMB27,736,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore.

(b) Movement in current income tax liabilities

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Beginning of financial year	7,033	5,982	2,699	2,543
Currency translation differences	161	(122)	161	(122)
Income tax paid	(3,387)	(44,252)	(1,066)	–
Tax expense in current year	24,729	43,801	860	278
Under provision in prior financial years	–	1,624	–	–
End of financial year	28,536	7,033	2,654	2,699

Notes to the Financial Statements

For the financial year ended 31 December 2012

10 Earnings per share

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

	2012	2011 (Restated)
Net profit attributable to equity holders of the Company (RMB'000)	32,007	99,429
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	467,282	477,189
Basic earnings per share (RMB cents)	6.85	20.84

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

11 Cash and cash equivalents

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	104,956	111,125	5,642	9,314
Short-term bank deposits	–	7,517	–	7,517
	104,956	118,642	5,642	16,831

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

	Group	
	2012 RMB'000	2011 RMB'000
Cash and bank balances (as above)	104,956	118,642
Less: Cash restricted in use	(33,107)	(33,981)
Cash and cash equivalents as per consolidated statements of cash flow	71,849	84,661

Cash restriction in use represents bank balances held by bankers for the issuances of letter of credit.

Notes to the Financial Statements

For the financial year ended 31 December 2012

12 Available-for-sale financial assets

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of financial year	14,396	15,036	14,396	15,036
Currency translation differences	505	(640)	505	(640)
Fair value gains recognised in other comprehensive income (Note 22)	347	–	347	–
Disposals	(4,901)	–	(4,901)	–
End of financial year	10,347	14,396	10,347	14,396
Less: Current portion	(10,347)	(4,901)	(10,347)	(4,901)
Non-current portion	–	9,495	–	9,495

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

		Group		Company	
		2012	2011	2012	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Quoted securities with banks					
- #1	(i)	–	4,901	–	4,901
- #2	(ii)	10,347	9,495	10,347	9,495
		10,347	14,396	10,347	14,396
Fair value of quoted securities with banks		10,347	14,396	10,347	14,396

(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 was 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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

13 Trade and other receivables

	Group		Company	
	2012 RMB'000	2011 RMB'000 (Restated)	2012 RMB'000	2011 RMB'000
Notes receivables	148,880	67,170	–	–
Trade receivables				
- Non-related parties	254,740	210,213	–	–
Less: Allowance for impairment of trade receivables	(47)	(532)	–	–
Trade receivables - net	254,693	209,681	–	–
Non-trade receivables				
- Subsidiaries	–	–	10,468	20,435
- Non-related parties	39,208	39,635	20	61
	39,208	39,635	10,488	20,496
Less: Allowance for impairment of non-trade receivables – non-related parties	(50)	(100)	–	–
	39,158	39,535	10,488	20,496
Deposits	–	100	–	–
Prepayment	204	3,181	–	–
	442,935	319,667	10,488	20,496

Movement of allowance for impairment of other receivables:

	Group	
	2012 RMB'000	2011 RMB'000
Beginning of financial year	100	210
Allowance written-back	(50)	(110)
End of financial year	50	100

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The allowance for impairment of trade and other receivables was written back as the debtors had made payments.

Notes to the Financial Statements

For the financial year ended 31 December 2012

14 Inventories

	Group 2012 RMB'000	Group 2011 RMB'000 (Restated)
Raw materials	69,326	78,195
Finished goods	70,578	67,209
Packing materials	2,460	2,471
	142,364	147,875

The cost of inventories recognised as an expense and included in "cost of sales" amounts to RMB1,173,408,000 (2011: RMB881,701,000).

15 Investment in subsidiaries

	Company 2012 RMB'000	Company 2011 RMB'000
Equity investments at cost		
Beginning and end of financial year	350,010	350,010

Details of significant subsidiaries are:

Name of subsidiaries	Principal activities	Country of business/ incorporation	Equity holding 2012 %	Equity holding 2011 %
<u>*Held by Company*</u>				
Sunsine International Trading Pte Ltd [(a)]	Trading in chemical products and general wholesale trade (dormant)	Singapore	100	100
Shandong Sunsine Chemical Co.,Ltd [(b)]	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur	PRC	100	100
<u>*Held by Subsidiaries*</u>				
Weifang Sunsine Chemical Co., Ltd [(c)]	Manufacturing and sale or rubber chemicals, including rubber accelerators	PRC	100	100

(a) In the process of deregistration.

(b) Audited by ShanDong ZhongDa Certified Public Accounts Co.,Ltd for local statutory purposes. For the purposes of preparing the consolidated financial statements of the Group, these financial statements have been audited by Nexia TS Public Accounting Corporation.

(c) Audited by WeiFang Lixin Certified Public Accounts Co.,Ltd for local statutory purposes. For the purposes of preparing the consolidated financial statements of the Group, these financial statements have been audited by Nexia TS Public Accounting Corporation.

16 Property, plant and equipment

Group	Plant and machinery RMB'000	Building RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets Under construction RMB'000	Total RMB'000
2012						
Cost						
Beginning of financial year	245,145	126,177	6,715	8,168	181,486	567,691
Addition	11,838	5,129	1,037	692	25,125	43,821
Grants received (Note 19)	–	–	–	–	(4,629)	(4,629)
Reclassification	107,588	74,734	–	315	(182,637)	–
Written-off	(47,317)	–	–	–	–	(47,317)
End of financial year	317,254	206,040	7,752	9,175	19,345	559,566
Accumulated depreciation						
Beginning of financial year	123,367	16,228	3,100	2,096	–	144,791
Depreciation charge (Note 5)	47,119	13,387	777	1,529	–	62,812
Written-off	(47,317)	–	–	–	–	(47,317)
End of financial year	123,169	29,615	3,877	3,625	–	160,286
Net book value						
End of financial year	194,085	176,425	3,875	5,550	19,345	399,280

Group	Plant and machinery RMB'000	Building RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets Under construction RMB'000	Total RMB'000
2011						
Cost						
Beginning of financial year	192,895	93,142	4,756	2,088	154,495	447,376
Addition	5,765	13,690	2,026	5,952	114,615	142,048
Grants received (Note 19)	–	–	–	–	(3,594)	(3,594)
Reclassification	46,485	37,417	–	128	(84,030)	–
Disposal/written-off	–	(18,072)	(67)	–	–	(18,139)
End of financial year	245,145	126,177	6,715	8,168	181,486	567,691
Accumulated depreciation and impairment losses						
Beginning of financial year	96,668	19,023	2,365	1,201	–	119,257
Depreciation charge (Note 5)	22,788	7,464	799	895	–	31,946
Disposal/written-off	–	(10,259)	(64)	–	–	(10,323)
Impairment charged (Note 5)	10,527	–	–	–	–	10,527
Impairment reversed (Note 5)	(6,616)	–	–	–	–	(6,616)
End of financial year	123,367	16,228	3,100	2,096	–	144,791
Net book value						
End of financial year	121,778	109,949	3,615	6,072	181,486	422,900

Notes to the Financial Statements

For the financial year ended 31 December 2012

16 Property, plant and equipment (Cont'd)

During the financial year ended 31 December 2010, at the request of the local government for commercial area development purpose, Shandong Sunsine Chemical Co.,Ltd has completed the relocation of the factories from Facility 1 to Facility 2 in Shanxian. Buildings at Facility 1 have been written off and full impairment has been provided for machineries. Subsequently, there were some machineries that were reused or reassembled for Facility 2 and Facility 3 at Shanxian and Wei Fang respectively. Thus impairment was reversed accordingly in financial year 2011. Remaining machineries of Facility 1 were subsequently written off in FY2012.

17 Intangible assets

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
		(Restated)
Land use rights		
Cost		
Beginning of financial year	34,068	19,163
Additions (as previously reported)	–	15,955
Additions	36	–
Effect of prior year adjustments	–	(1,050)
	36	14,905
End of financial year	34,104	34,068
Accumulated amortisation and impairment losses		
Beginning of financial year	7,406	2,025
Amortisation charge (Note 5)	531	556
Impairment charged (Note 5)	–	4,825
End of financial year	7,937	7,406
Net book value		
End of financial year	26,167	26,662

Land use rights relate to the following parcels of lands:

Location	**Period**	**Land area (sq m)**
Facility 1[(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

Notes to the Financial Statements

For the financial year ended 31 December 2012

17 Intangible assets (Cont'd)

Location	Period	Land area (sq m)
Facility 2		
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 2 June 2056)	162,087.00
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 22 April 2058)	133,855.00
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian(2)	NA	86,667.10
		382,609.10
Facility 3 (3)		
Bin Hai Economic Development Area, Weifang(ii)	50 years (expiring on 14 March 2061)	187,852.00

(1) In financial year 2011, at the request of the local government for commercial area development purpose, the subsidiary at Shanxian namely Shandong Sunshine Chemical Co.,Ltd has completed the relocation of the factories from Facility 1 to Facility 2. As there is no immediate economic value of the vacated facilities, all the land use rights on Facility 1 have been fully impaired in financial year 2011.

(2) 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.

(3) 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.

18 Trade and other payables

	Group		Company	
	2012 RMB'000	2011 RMB'000 (Restated)	2012 RMB'000	2011 RMB'000
Trade payables - Non-related parties	46,476	45,529	–	–
Non-trade payables- Non-related parties	35,692	56,071	262	239
Accruals for operating expenses	54,306	35,998	4,328	4,983
	136,474	137,598	4,590	5,222

Notes to the Financial Statements

For the financial year ended 31 December 2012

19 Deferred grants

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of financial year	629	1,583
Amount received from governmental agencies	4,000	2,640
Recognised during the financial year (Note 16)	(4,629)	(3,594)
End of financial year	–	629

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.

20 Bank borrowings

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings	200,000	140,000	–	–

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	70,000	80,000	–	–
6 – 12 months	130,000	60,000	–	–
	200,000	140,000	–	–

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 which bears effective interest at 6.00% (2011:6.56%).

Notes to the Financial Statements

For the financial year ended 31 December 2012

21 Share capital and treasury shares

(a) Share capital

	No. of ordinary shares	Amount SGD'000	Amount RMB'000
Group and Company			
2012			
Beginning and end of financial year	491,694,000	62,649	313,471
2011			
Beginning and end of financial year	491,694,000	62,649	313,471

(b) Treasury shares

	No. of ordinary shares	Amount SGD'000	Amount RMB'000
Group and Company			
2012			
Beginning of financial year	15,598,000	(3,059)	(14,535)
Treasury shares purchased	10,592,000	(2,733)	(13,662)
End of financial year	26,190,000	(5,792)	(28,197)
2011			
Beginning of financial year	14,337,000	(2,748)	(12,992)
Treasury shares purchased	1,261,000	(311)	(1,543)
End of financial year	15,598,000	(3,059)	(14,535)

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 10,592,000 (2011: 1,261,000) of its shares in the open market. The total amount paid to acquire the shares was SGD 2,733,000 (2011: SGD 311,000) and this was presented as a component within shareholders' equity.

Notes to the Financial Statements

For the financial year ended 31 December 2012

22 Other reserves

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
(a) Composition:				
Merger reserve	305	305	–	–
Fair value reserve	26	293	26	293
Statutory common reserve	71,832	63,960	–	–
Voluntary common reserve	44,815	36,943	–	–
Currency translation reserve	(5,261)	(6,477)	(4,947)	(6,165)
	111,717	95,024	(4,921)	(5,872)

(b) Movements:

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
(i) Merger reserve				
Beginning and end of financial year	305	305	–	–
(ii) Fair value reserve				
Beginning of financial year	293	293	293	293
Available-for-sale financial assets				
- Fair value gains (Note 12)	347	–	347	–
Reclassification to profit or loss (Note 7)	(614)	–	(614)	–
End of financial year	26	293	26	293
(iii) Statutory common reserve				
Beginning of financial year	63,960	49,251	–	–
Transfer from retained profits	7,872	14,709	–	–
End of financial year	71,832	63,960	–	–
(iv) Voluntary common reserve				
Beginning of financial year	36,943	22,234	–	–
Transfer from retained profits	7,872	14,709	–	–
End of financial year	44,815	36,943	–	–
(v) Currency translation reserve				
Beginning of financial year	(6,477)	(6,968)	(6,165)	(5,740)
Net currency translation differences of financial statements of holding company	1,216	491	1,218	(425)
End of financial year	(5,261)	(6,477)	(4,947)	(6,165)

Other reserves are non-distributable.

22 Other 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.

Statutory and Voluntary 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.

23 Retained profits

Retained profits of the Group and the Company are distributable.

Notes to the Financial Statements

For the financial year ended 31 December 2012

24 Dividend

	Group 2012 RMB'000	Group 2011 RMB'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of SGD0.01 (2011: SGD0.01) per share	23,137	25,172

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 financial year 2013. These one-tier tax exempt dividends are subject to approval by the shareholders at the forthcoming 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 (equivalent to RMB24,030,000).

25 Commitments

(a) Capital commitments

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

	Group 2012 RMB'000	Group 2011 RMB'000
Property, plant and equipment	4,521	2,516

(b) Operating lease commitments – where the Group is a lessee

The Group leases office from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are analysed as follows:

	Group and Company 2012 RMB'000	Group and Company 2011 RMB'000
Not later than one year	43	99
Between one and five years	–	33
	43	132

Notes to the Financial Statements

For the financial year ended 31 December 2012

26 Related party transactions

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

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Wages and salaries	3,758	5,359
Employer's contribution to defined contribution plans	104	85
	3,862	5,444

Included in the above is total compensation to directors of the Company amounting to RMB2,067,000 (2011: RMB4,290,000).

27 Financial risk management

Financial risk factors

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

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

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

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

(a) Market risk

(i) *Currency risk*

The Group operates in PRC. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). The currencies giving rise to this risk are primarily United States dollars and Euro 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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

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

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

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
31 December 2012					
Financial Assets					
Cash and cash equivalents and financial assets, available-for-sale	87,189	6,998	5,127	15,989	115,303
Trade and other receivables	382,400	58,073	2,238	20	442,731
Receivable from inter-company	131,073	–	–	10,468	141,541
	600,662	65,071	7,365	26,477	699,575
Financial Liabilities					
Trade and other payables	117,846	14,038	–	4,590	136,474
Borrowings	200,000	–	–	–	200,000
Payables to inter-company	131,073	–	–	10,468	141,541
	448,919	14,038	–	15,058	478,015
Net financial assets	151,743	51,033	7,365	11,419	221,560
Net non-financial assets/ (liabilities)	542,133	–	–	(2,654)	539,479
Net assets	693,876	51,033	7,365	8,765	761,039
Currency profile including non-financial assets and liabilities	(693,876)	–	–	(8,765)	(702,641)
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	51,033	7,365	–	58,398

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

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

	RMB RMB'000	USD RMB'000	EUR RMB'000	SGD RMB'000	Total RMB'000
31 December 2011					
Financial Assets					
Cash and cash equivalents and financial assets, available-for-sale	94,235	7,277	290	31,236	133,038
Trade and other receivables	253,255	60,967	2,203	61	316,486
Receivable from inter-company	130,835	–	–	20,435	151,270
	478,325	68,244	2,493	51,732	600,794
Financial Liabilities					
Trade and other payables	111,716	20,660	–	5,222	137,598
Borrowings	140,000	–	–	–	140,000
Payables to inter-company	130,835	–	–	20,435	151,270
	382,551	20,660	–	25,657	428,868
Net financial assets	95,774	47,584	2,493	26,075	171,926
Net non-financial assets/ (liabilities)	595,655	–	–	(2,699)	592,956
Net assets	691,429	47,584	2,493	23,376	764,882
Currency profile including non-financial assets and liabilities	(691,429)	(72)	–	(23,367)	(714,868)
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	47,512	2,493	9	50,014

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

If the USD, EUR and SGD change against the RMB by 2%(2011: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follow:

	Increase/(decrease)			
	Group		Company	
	2012	2011	2012	2011
	Profit after tax	Profit after tax	Profit after tax	Profit after tax
	RMB'000	RMB'000	RMB'000	RMB'000
USD against RMB				
- Strengthened	765	713	–	–
- Weakened	(765)	(713)	–	–
EUR against RMB				
- Strengthened	110	37	–	–
- Weakened	(110)	(37)	–	–

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. If the interest rates had increased/decreased by 10%, the effect on net profit will be RMB9,900,000 (2011: RMB6,930,000) higher/lower on the borrowing.

(iii) *Price risks*

The Group is exposed to equity securities price risk arising from these investments classified as available-for-sale. These securities are quoted securities with banks.

If prices for quoted securities with banks had changed by 10% (2011: 10%) with all other variables including tax rate being held constant, the effect on total comprehensive income and equity will be RMB 858,810 (2011: RMB1,194,868) higher/lower.

The Group is exposed to the market price for its principal raw materials which relate mainly to aniline. If prices for aniline had increased/decreased by 10% (2011: 10%) with all other variables including tax rate being held constant the effect on net profit will be RMB24,285,000 (2011: RMB23,565,000) higher/ lower.

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(b) Credit risk

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group's Executive Chairman based on on-going credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by directors. The trade receivables of the Group comprise of 1 debtor (2011: 2 debtors) that individually represented more than 5% of trade receivables.

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

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

	2012 **RMB'000**	**2011** **RMB'000**
By geographical areas		
PRC	176,338	142,503
Overseas market	78,402	67,810
	254,740	210,313
By types of customers		
Non-related companies	254,740	210,313
	254,740	210,313

(i) *Financial assets that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

	2012 RMB'000	2011 RMB'000
Past due < 3 months	11,300	8,020
Past due 3 to 6 months	1,073	147
Past due over 6 months	2	533
	12,375	8,700

Trade receivables that are past due have not been impaired as the Group has received the payments from customers after financial year end.

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:-

	2012 RMB'000	2011 RMB'000
Trade receivables	47	532
Less: Allowance for impairment of receivable	(47)	(532)
	–	–

	2012 RMB'000	2011 RMB'000
Beginning of financial year	(532)	(311)
Allowance made	(47)	(222)
Written back	532	1
End of financial year	(47)	(532)

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

27 Financial risk management (Cont'd)

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

(d) Capital risk

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

The gearing ratio is calculated as net debts divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2012 RMB'000	2011 RMB'000
Net debt	231,518	158,956
Total equity	761,039	764,882
Total capital	992,557	923,838
Gearing ratio	0.23	0.17

The Group and the Company has no externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Financial risk management (Cont'd)

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

(ii) 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

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group and Company			
2012			
Available-for-sales financial assets	10,347	–	–
2011			
Available-for-sales financial assets	14,396	–	–

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

	Group	
	2012 RMB'000	2011 RMB'000
Revenue		
PRC	902,443	686,393
Rest of Asia	304,520	309,829
America	107,756	91,137
Europe	44,653	50,200
Other countries	57,910	37,530
	1,417,282	1,175,089

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

29 Prior year adjustments

The prior year adjustments arise from the following:

– Intercompany transactions relating to purchases were wrongly eliminated against inventories at consolidation level. This elimination is inconsistent with FRS27 – Consolidated and Separate Financial Statements.

– The cost of the land use right was overprovided in previous financial year and the revised amount is to reflect the actual amount based on the contract signed with the local government. Adjustment was provided according to FRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

– Posting error where the adjustment to inventory was wrongly posted as other receivables. Adjustment was provided in accordance to FRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

As a result, certain line items have been amended on the face of the consolidated statement of comprehensive income, balance sheet and consolidated statement of cash flows of the Group. The adjustment affecting changes in equity are reflected in the Consolidated Statement of Changes in Equity.

	As previously reported RMB'000	Prior year adjustments RMB'000	As restated RMB'000
2011			
Consolidated statement of comprehensive income			
Cost of sales	892,663	(10,961)	881,702
Profit before income tax	133,893	10,961	144,854
Net profit	88,468	10,961	99,429
2011			
Balance sheet			
Trade and other receivables	319,444	223	319,667
Trade and other payables	138,648	(1,050)	137,598
Intangible assets	27,712	(1,050)	26,662
Inventories	137,137	10,738	147,875
Consolidated statement of cash flows			
Net cash provided by operating activities	90,489	(2,567)	87,922
Net cash used in investing activities	156,103	(717)	155,386
Net cash provided by financing activities	20,271	–	20,271

Notes to the Financial Statements

For the financial year ended 31 December 2012

30 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 Company's accounting periods beginning on or after 1 January 2013 or later periods and which the Company has not early adopted:

- Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- FRS 19 (Revised) – Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (Revised) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (Revised) – Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 – Financial Instruments: Offsetting of Financial Liabilities and Assets (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 (New) – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 (New) – Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 (New) – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- FRS 113 (New) – Fair Value Measurements (effective for annual periods beginning on or after 1 January 2013)

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 Company in the period of their initial adoption.

Statistics of Shareholdings

As at 19 March 2013

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 of Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
No. of ordinary shares held				
1 – 999	1	0.06	536	0.00
1,000 – 10,000	679	43.95	4,060,000	0.87
10,001 – 1,000,000	839	54.31	65,265,862	14.02
More than 1,000,000	26	1.68	396,177,602	85.11
Grand Total	**1,545**	**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	17,504,000	3.76
3.	CHIA KEE KOON	11,695,000	2.51
4.	ASTRONOMIC CAPITAL GROUP INC	11,257,762	2.42
5.	BANK OF SINGAPORE NOMINEES PTE LTD	8,203,000	1.76
6.	XU XIANLEI	7,639,000	1.64
7.	2G CAPITAL PTE LTD	5,850,000	1.26
8.	DBS NOMINEES PTE LTD	4,464,900	0.96
9.	STONE ROBERT ALEXANDER	4,000,000	0.86
10.	UOB KAY HIAN PTE LTD	2,966,000	0.64
11.	XU CHENGQIU	2,869,000	0.62
12.	TIAN TIAN	2,756,000	0.59
13.	MAYBANK KIM ENG SECURITIES PTE LTD	2,540,390	0.55
14.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,530,000	0.54
15.	MAYBANK NOMINEES (SINGAPORE) PTE LTD	2,356,000	0.51
16.	CIMB SECURITIES (SINGAPORE) PTE LTD	1,992,000	0.43
17.	YAN TANGFENG	1,756,000	0.38
18.	WARREN CAPITAL PTE LTD	1,605,000	0.34
19.	HAN WEIDONG	1,530,000	0.33
20.	TONG KOK YIN (TANG GUOXIAN)	1,515,000	0.33
	TOTAL	**388,671,602**	**83.51**

Statistics of Shareholdings

As at 19 March 2013

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at **19 March 2013**, approximately 35.2% 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 of Annual General Meeting

To the Members of China Sunsine Chemical Holdings Ltd.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be held at FTSE Room, 9th Floor, Capital Tower, 168 Robinson Road, Singapore 068912 on 29 April 2013 at 10.00 am 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 2012, 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 2012. **(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 Xu Cheng Qiu; and **(Resolution 3)**

   (ii) Mr Koh Choon Kong; **[See Explanatory Note 1]** **(Resolution 4)**

4. To re-appoint Ms Xu Chun Hua pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the conclusion of this Annual General Meeting until the next annual general meeting. **[See Explanatory Note 2]** **(Resolution 5)**

5. To approve the amount of S$160,000 proposed as Directors' fees for the financial year ended 31 December 2012 (2011: S$160,000). **(Resolution 6)**

6. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. 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:

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

   (a) "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:

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

Notice of Annual General Meeting

To the Members of China Sunsine Chemical Holdings Ltd.

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

(b) (notwithstanding the authority conferred by this 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 3]**

Notice of Annual General Meeting

To the Members of China Sunsine Chemical Holdings Ltd.

By Order Of The Board

YAK THIAN HUAT DAVE
HO CHEE TONG
Joint Company Secretaries

Singapore, 12 April 2013

EXPLANATORY NOTES:

1. Mr Koh Choon Kong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, and will be considered independent for the purposes of Rule 704(8) of the listing manual of the SGX-ST.

2. Ms Xu Chun Hua will, upon re-appointment 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.

3. The Ordinary Resolution 8 proposed in item 8 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.

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 7 May 2013, 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 29 April 2013.

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 6 May 2013 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 6 May 2013, 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 17 May 2013.

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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 Meeting Room FTSE Room, 9th Floor, Capital Tower, 168 Robinson Road, Singapore 068912 on 29 April 2013 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 determine 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 2012, 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 2012		
3	Re-election of Mr Xu Cheng Qiu as a Director		
4	Re-election of Mr Koh Choon Kong as a Director		
5	Re-appointment of Ms Xu Chun Hua as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50		
6	Approval of the payment of Directors' fees of S$160,000 for the financial year ended 31 December 2012		
7	Re-appointment of Messrs Nexia TS Public Accounting Corporation 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		

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

Dated this ________ day of ____________ 2013

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

____

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

Notes:

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

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

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

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

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

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

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

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

Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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

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

BOARD OF DIRECTORS

Xu Cheng Qiu *Executive Chairman*
Liu Jing Fu *Executive Director*
Xu Jun *Executive Director*
Ma Ying Qun *Executive Director*
Tan Lye Heng Paul *Lead Independent Director*
Lim Heng Chong Benny *Independent Director*
Xu Chun Hua *Independent Director*
Koh Choon Kong *Independent 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

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
100 Beach Road Shaw Tower, #30-00
Singapore 189702
Tel: +65 6534 5700
Fax: +65 6534 5766

Director-in-charge: Chin Chee Choon
(Appointed since financial year ended 31 December 2012)

尚舜化工
SUNSINE

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore on 28 June 2006)
(Company Registration Number: 200609470N)
112 Robinson Road #12-04
Singapore 068902
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