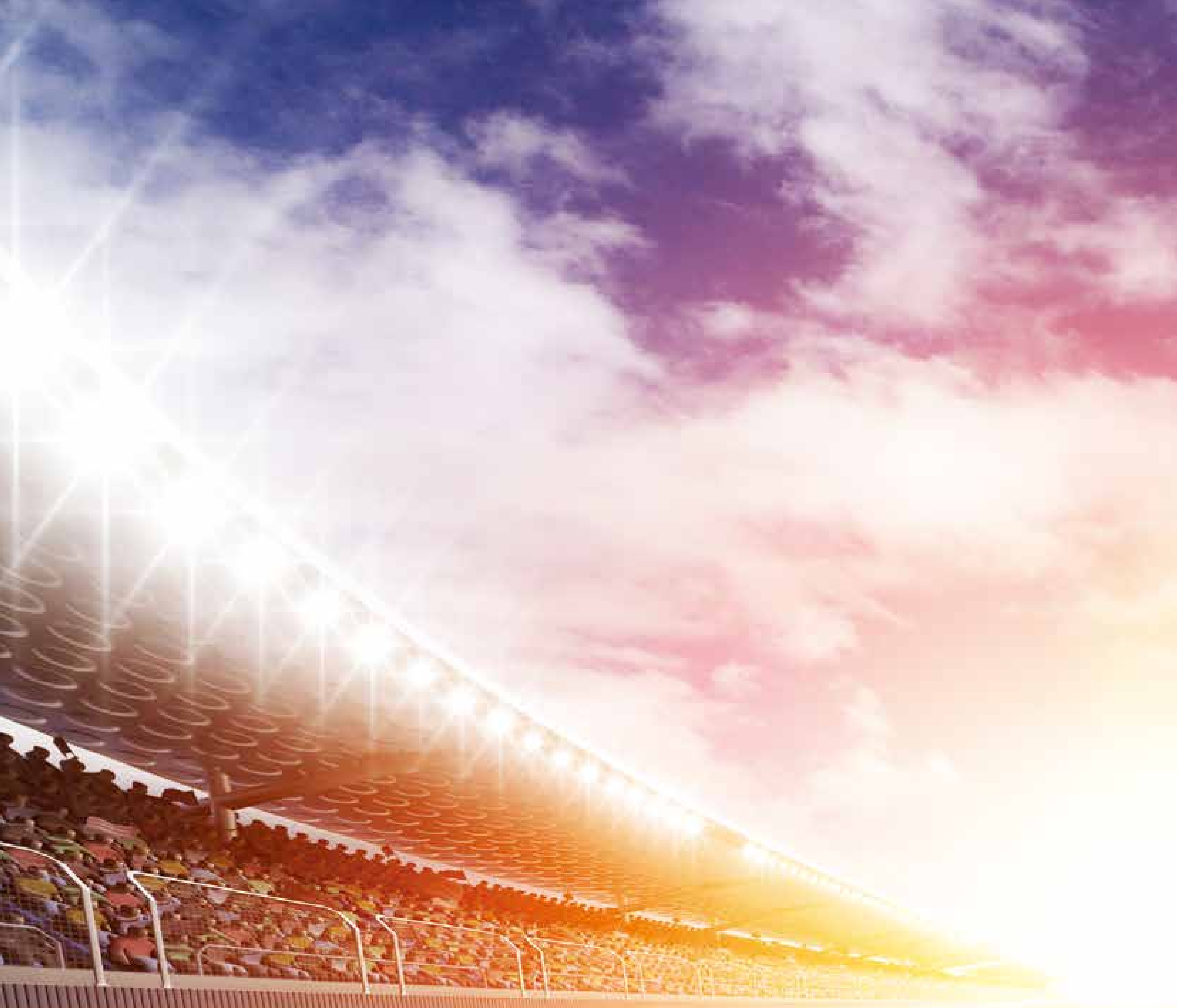
尚舜化工
SUNSINE

10 Illustrious Years

Annual Report 2017

CHINA SUNSINE CHEMICAL HOLDINGS LTD.



Contents

Corporate Profile

China Sunsine Chemical Holdings Ltd. ("China Sunsine") is a leading specialty chemical producer. It is the largest producer of rubber accelerators in the world and the largest producer of insoluble sulphur in the People's Republic of China ("PRC").

Our production facilities are located at Shanxian, Weifang and Dingtao in Shandong Province, the PRC. Our total production capacity is currently 152,000 tons per annum, and will be reaching 172,000 tons per annum in 2018, comprising 97,000 tons of rubber accelerators, 30,000 tons of insoluble sulphur and 45,000 tons of anti-oxidant. We also have a centralised heating plant at Shanxian which generates steams and electricity.

Our products are sold under the "Sunsine" brand (accredited as "Shandong Province Famous Brand"). Our customers are mainly the tire companies which rely on the automobile industry. We have over 1,000 customers around the world and continue to serve more than 2/3 of the Global Top 75 tire makers, such as Bridgestone, Michelin, Goodyear, Pirelli, Sumitomo, Yokohama, Hankook, Cooper, as well as PRC tire giants such as Hangzhou Zhongce, GITI Tire, Shanghai Double Coin Tyre etc.

As a chemical producer serving its global customers, China Sunsine continuously improves its manufacturing and environmental protection capabilities. We have achieved GB/T19001-2008/ ISO9001:2008 standard for quality, GB/T24001-2004/ ISO14001:2004 standard for environment, and GB/T28001-2011 /OHSAS18001:2007 standard for occupational health and safety management system.

China Sunsine's wholly-owned subsidiary, Shandong Sunsine Chemical was listed in the first batch of Champion Manufacturing Enterprise by the Ministry of Industry and Information Technology of China in January 2017.

China Sunsine was listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 5 July 2007.

Corporate Milestones

1977

Establishment of Shanxian Organic Chemical, a state-owned enterprise (SOE) which produced chemical reagents

1994

Commencement of the production of rubber accelerators

1998

Management-buyout of the SOE, renamed Shandong Shanxian Chemical

2006

-- Renamed Shandong Shanxian Chemical to Shandong Sunsine Chemical
-- Incorporation of China Sunsine Chemical in Singapore and prepared for IPO

2007

Listing of China Sunsine Chemical on the main board of the Singapore Exchange

2008

-- Commencement of the production of TMQ, an anti-oxidant product
-- Commencement of the production of insoluble sulphur, a vulcanising agent

Incorporation of Guangshun Heating Plant and commencement of generation of steam

2014

Commencement of the production of 6PPD, another anti-oxidant product

2012

2017

Listing of Shandong Sunsine Chemical in the first batch of National Champion Manufacturing Enterprise by the Ministry of Industry and Information Technology of China

2013

Incorporation of Shandong Sheng Tao Chemical

2010

Incorporation of Weifang Sunsine Chemical

风雨四十载

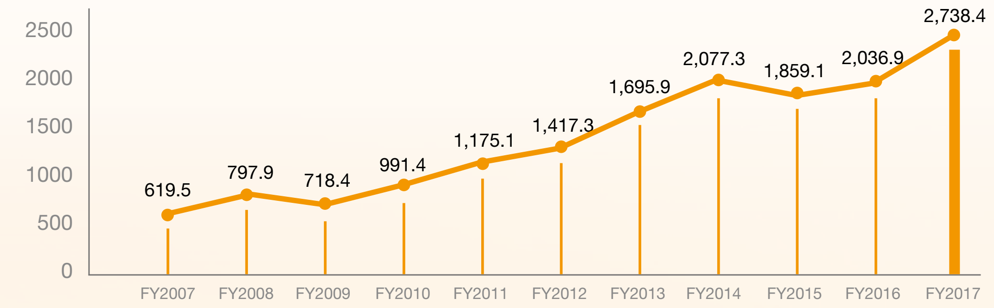
徐承秋

盐碱地里生，四大造化工。
风雨四十载，天机助长成。
慨叹草创艰，后继应传承。
改制尊民意，斗魔扶危倾。
狮岛寻新机，花开乘东风。
长长凝心育，坎坷聚力平。
华夏有美育，五洲结缘情。
继往顺天道，开来定枯荣。

Financial Highlights

Revenue

RMB' million

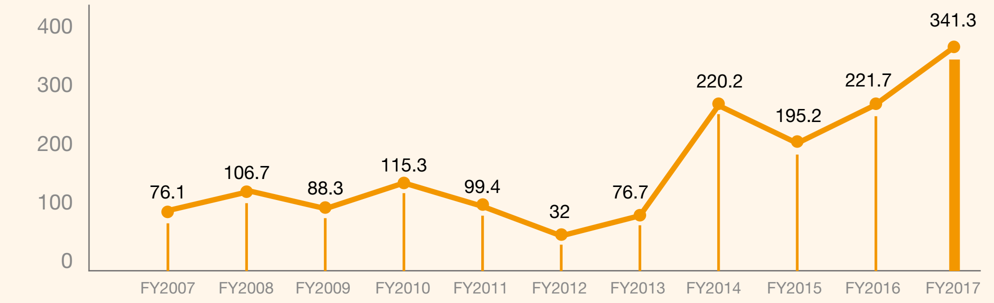


+ 16.0 %

CAGR (FY07-FY17)

Net Profit

RMB' million

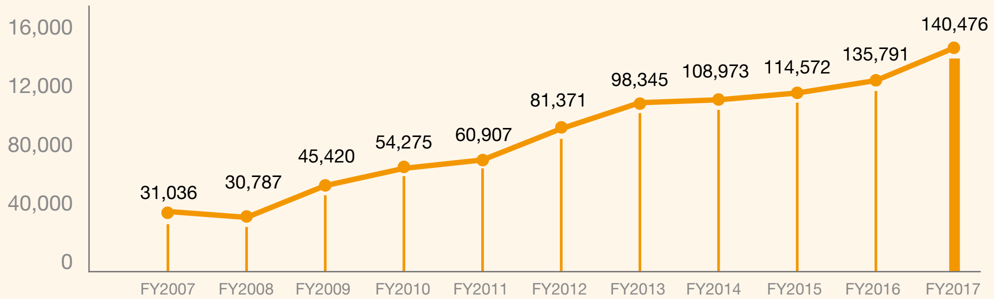


+ 16.2 %

CAGR (FY07-FY17)

Sales Volume

Tons

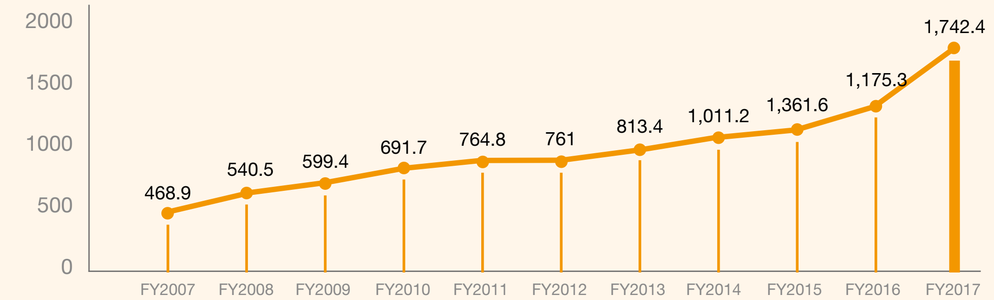


+ 16.3 %

CAGR (FY07-FY17)

Net Assets

RMB' million



+ 14.0 %

CAGR (FY07-FY17)

Financial Highlights

	2017	2016	2015 restated	2014	2013
(RMB' million)					
Total Assets	2,127.8	1,642.5	1,585.9	1,638.1	1,286.8
Total Liability	385.3	280.9	410.6	626.9	473.4
Shareholders' Equity	1,742.5	1,361.6	1,175.3	1,011.2	813.4
Cash and Cash Equivalent	499.6	275.9	341.3	122.8	107.8
Bank Borrowings	-	-	144.9	258.0	230.0
Treasury Shares	-	31.4	28.2	28.2	28.2
No of Shares ('million)					
No of Ordinary Shares	491.7	464.0	465.5	465.5	465.5
No of Treasury Shares	-	27.7	26.2	26.2	26.2
(RMB'million)					
Revenue	2,738.4	2,036.9	1,859.1	2,077.3	1,695.9
Gross Profit	788.1	540.4	492.0	567.4	308.0
Net Profit After Tax	341.4	221.7	195.2	220.2	76.7
Earnings before interest, tax, depreciation & amortisation (EBITDA)	565.1	407.4	390.6	406.8	206.7
Sales Volume (tons)					
Total Volume	140,476	135,791	114,572	108,973	98,345
Accelerator	83,335	82,767	76,090	76,089	72,710
Insoluble sulphur	22,283	20,031	15,417	12,102	11,948
Antioxidants	33,258	31,214	21,640	19,903	12,281
Others	1,600	1,779	1,425	879	1,406
Financial Analysis					
Gross Profit Margin (%)	28.8%	26.5%	26.5%	27.3%	18.2%
Net Profit Margin (%)	12.5%	10.9%	10.5%	10.6%	4.5%
EBITDA Margin (%)	20.6%	20.0%	21.0%	19.6%	12.2%
Current Ratio	3.7	3.7	2.4	1.7	1.7
Average YTD Trade Receivables Turnover(Days)	59	66	70	61	62
Average YTD Trade Payables Turnover (Days)	11	12	12	11	10
Average YTD Inventory Turnover (Days)	33	35	41	38	38
Return on Equity (%)	19.6%	16.3%	16.6%	21.8%	9.4%
Return on Asset (%)	16.0%	13.5%	12.3%	13.4%	6.0%
Gearing Ratio	-	-	0.12	0.26	0.28
Per Share Data					
NAV per Share (RMB cents)	354.4	293.4	252.5	217.2	174.7
EPS (RMB cents)	70.83	47.66	41.93	47.31	16.49
Proposed Dividend Per Share (SGD cents)	3.0	1.5	1.5	1.5	1.0

10-YEAR IS A MILESTONE OF OUR STORY, IT IS ALSO A NEW START OF OUR LONG JOURNEY.

Chairman's Statement

Group's revenue in FY2017 grew 34% to RMB2,738.4 million.

Net profit surged 54% to RMB341.3 million.

Both were new records.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China Sunsine Chemical Holdings Ltd. ("China Sunsine", together with its subsidiaries, collectively the "Group"), I am pleased to report that in the financial year ended 31 December 2017 ("FY2017") China Sunsine achieved impressive results that surpassed the performance of all previous years.

2017 is a joyous and meaningful year for the Group. We celebrated the 40th anniversary of the founding of our subsidiary, Shandong Sunsine Chemical Co., Ltd., and the 10th anniversary of listing of China Sunsine on the mainboard of the Singapore Exchange ("SGX"). After 40 years of endeavour, the Group has become a strong and sizeable entity. The listing, on 5 July 2007, opened a new chapter for China Sunsine to accelerate growth on steady and sustainable basis, and has led to adoption of good corporate governance practices that facilitate the pursuit of process standardisation and internationalisation.

In the last 10 years, the Group's revenue, sales volume and net profit all increased by approximately 3.5 times. Production capacity increased from 32,000-ton p.a. in 2007 to 152,000-ton p.a., spread among five production facilities bases, namely, Shandong Sunsine, Weifang Sunsine, Sheng Tao Chemical, Guangshun Heating plant and Yongshun New District. From the single product group of rubber accelerators that was first introduced in 1994, our product range expanded to include insoluble sulphur, anti-oxidants and master batch. Both domestic and overseas markets have been expanding year after year. We now have more than 1,000 customers in over 40 countries and regions in Europe, America, and the Asia Pacific. We have forged strong strategic partnerships with 2/3 of the world's top 75 tyre makers. For many years, we have been the world's largest rubber accelerators producer and

Chairman's Statement

PRC's leading insoluble sulphur producer. "Sunsine" brand is widely acclaimed by our customers, as well as the rubber chemicals industry.

The Group continuously increases its investment in production technology, placing emphasis on integrating production, learning and research. A research centre was established to induct and nurture talented staff. We also focus on growing the enterprise on a sustainable, long-term basis, with environmental protection and workplace safety as priority. Advances in technology in these two areas are closely monitored. We have set a long-term plan to continuously invest in "Green Production" and environmental protection. All these efforts have enabled us to maintain market leadership amid intense competition and the stringent environmental protection requirements set by the government.

THE YEAR UNDER REVIEW

In 2017, Chinese government continued to implement stringent environmental protection regulations, and further strengthened the enforcement nationwide, which had led to stricter control on the Chinese chemical industry. The Group has proactively upgraded our technology and introduced innovation to ensure compliance. We had not only achieved a good balance in production and sales, but also achieved substantial growths.

The Group's revenue in FY2017 grew 34% to RMB2,738.4 million from the previous year. There were shortages in supply of rubber chemicals in 2017 as some producers who failed to meet the requirements of environmental protection laws and regulations faced either production stoppage or closure. With strong demand from downstream and rising raw material prices, the Group was able to raise its average selling price ("ASP") by 30% and increase sales volume by 3% year-on-year to another record high at 140,476 tons. This was the 9th consecutive year of sales volume growth since our IPO in 2007. Gross profit margin increased to 28.8% from 26.5% a year ago, giving rise to a 54% surge in group profit to RMB341.3 million, a new record.

Group's earnings per share in FY2017 was RMB70.83 cents and net assets value per share was RMB354.39 cents as at 31 December 2017. The financial position remained healthy, with net cash and bank balances of RMB499.6 million and no debt (the Group repaid all bank loans in FY2016).

These outstanding results were the outcome of the Group's circular strategy on production and sales volume – higher production leads to higher sales volumes, which in turn stimulates even higher production.

During the year, we carried out three expansion projects. Firstly, the testing of machineries at the new 10,000-ton accelerator TBBS production line at Yongshun New District in Shanxian was completed. Secondly, the construction of 10,000-ton capacity production line of insoluble sulphur located at Dingtao was completed. Trial-run application for these two projects to the relevant Government Authorities has been submitted and are now pending approval. Thirdly, the installation of one additional boiler and electricity generation system at Guangshun Heating Plant was completed. Machinery testing is underway to be followed by trial-run in the second quarter of 2018.

Chairman's Statement

All these projects will provide impetus and become new growth points for the Group.

In January 2017, China Sunsine was listed in the First Batch of National Champion Manufacturing Enterprise by the Ministry of Industry and Information Technology of China. This helped to enhance our Group's reputation and influence in the rubber chemical industry.

On 14 December 2017, the first-ever "Academician R&D Workstation" in the Chinese rubber chemical industry was inaugurated for China Sunsine to collaborate with experts from Tsinghua University and the Chinese Academy of Engineering. Under the guidance of experts, China Sunsine would be able to accelerate its integration of production, learning and research, achieve applications of scientific and technological achievements to economic results, and promote the transformation and upgrading of the rubber chemical industry to become "Green, Intelligent & Miniaturized".

The auto and tyre industries in China remained robust. 2017 was the nineth year in which China topped global auto sales. A record high of 28.88 million units were sold in 2017, 3.0% higher than the previous year (source: China Association of Automobile Manufacturers). Being the world's largest and with rising affluence, we believe China's auto market will maintain its steady growth in the next several years.

OUTLOOK AND PROSPECTS

We noted that Chinese Government implemented stringent environmental protection regulations and enforcement over the recent years. These had led to the consolidation of Chinese rubber chemical industry. As a leading rubber chemical producer, who places emphasis on environmental protection, and with its sizable production capacity, substantial cash, available land and ready infrastructure, the Group is able to scale up to meet the demand of the tyre industry.

Due to the greater importance placed on environmental protection and safety production in China, the inspection regime in these areas have become commonplace and prevalent. The Group expects the bigger players to make greater investments in environmental protection and safety production measures, to maximise their utilisation rate, and to improve their capacity through innovations. Some smaller players which have failed to meet the relevant regulations will also invest in environmental protection equipment in order to comply with the regulations, and may resume their production. All these will lead to a gradual normalisation of prices eventually.

In the coming years, the Group will focus on upgrading of technology and innovation, and will continue to invest in R&D, including collaborating with leading academics from prominent universities

Chairman's Statement

in China. We believe these should give us an edge over our competitors. High product quality, production scale, product range, cost advantage, environmental protection records and market leadership are the ingredients of sustainable growth.

I am very confident of our Group's performance in the future.

PROPOSED DIVIDEND

After reviewing the economic outlook and the Group's strong financial position, the Group adopted a dividend policy of paying out not less than 20% of the Group's consolidated net profit for FY2017 and FY2018.

The Group paid a one-tier tax exempt interim dividend of 0.5 Singapore cents per ordinary share on 18 August 2017. The Board of Directors has recommended a one-tier tax exempt final dividend of 2.5 Singapore cents per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting. Thus, the total dividend for FY2017 will be 3 Singapore cents in adherence to the dividend policy.

IN APPRECIATION

With the strong support from our shareholders and various stakeholders, and through our wavering endeavor over decades, we have grown to become a leader in the global rubber chemical industry. The Group has created and added value to our customers and shareholders.

Here, on behalf of the Board, I would like to express my sincere gratitude to our customers, business partners, suppliers and shareholders, who have trusted and supported us all these years. I also would like to thank all my fellow directors for your guidance and valuable suggestions. Last but not least, I would like to thank our management and staff for your dedication and diligence that helped transform China Sunsine into an outstanding enterprise.

10-year is a milestone of our story, it is also a new start of our long journey. Our core values- pursuit of business excellence without compromising our love and care for the living environment and our firm belief in corporate social responsibility- will continue to define and guide us as we scale greater heights in the future.

XU CHENGQIU
Executive Chairman
March 2018

主席致辞

四十载栉风沐雨

十年春华秋实

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”，连同其子公司合称“集团”）董事会，很高兴地向大家汇报，集团在截至2017年12月31日的财政年度（“2017财年”）取得了前所未有的骄人业绩。

2017年对集团来说是具有重要意义的大喜之年。在这一年，我们集团子公司——山东尚舜化工有限公司建厂四十周年，同时也是中国尚舜在新加坡交易所主板上市十周年。经过四十年来艰苦卓绝的奋斗，集团由小变大、由弱到强。2007年7月5日，中国尚舜成功上市，掀开了集团更加辉煌的一页，走上了快速、持续、健康发展的快车道。公司治理走上了标准化、规范化、国际化的道路。

十年来，集团营业收入、销售量和净利润与2007年相比都增长了约3.5倍；集团的生产规模从2007年的32,000吨扩大至152,000吨，并建立了山东尚舜、潍坊尚舜、盛陶化工、广舜热力和永舜新区等五大生产基地；从1994年生产促进剂开始，集团的产品种类已从促进剂，扩大到不溶性硫磺、防老剂和预分散体；中国和国际市场份额不断扩大，产品销往欧美、亚太等40多个国家和地区的1000多家客户，并与世界前75强中三分之二的轮胎制造商建立了战略合作关系；促进剂产品多年来一直保持全球领先地位，不溶性硫磺也保持中国领先地位，尚舜品牌形象在客户和助剂行业得到广泛赞誉。

集团加大技术投入，注重产、学、研结合，注重人才的引进和培养，建立了企业研发中心。我们也非常注重企业的健康持续发展，把环保、安全作为企业发展的第一要务，视为生命工程，高度关注环保前沿技术，在绿色工艺开发、环保安全方面做了长期的规划和持续的投入，这使得集团在激烈的竞争环境和对环保严格要求的大环境下脱颖而出，保持了领先的竞争优势。

年度业绩回顾

2017年，中国政府继续实施严格的环保政策，并加强督查的范围和力度，对化工行业进行了严格的控制和整改。集团高度重视、积极响应，加大环保投入，提升环保治理能力，促进了环保工作的创新升级，确保安全生产，不但做到了产销平衡，而且实现大幅增长。

主席致辞

集团2017财年的销售收入与2016财年相比增加了34%，至人民币27.384亿元。由于2017年严格的环保督查，一些未能达到环保要求的企业的生产被迫关停，造成市场供应短缺的局面；而下游需求强劲，再加上原材料价格上涨，使得集团的主要产品的销售价格不断攀升。集团的平均销售价格比前一年度提高了30%；同时，销售数量与上一年相比提高3%，再创新高达140,476吨，这是集团自2007年上市以来连续九年保持增长。全年平均毛利率也从一年前的26.6%提升至28.8%。因此，集团的2017财年净利润同比增加54%，达人民币3.413亿元，再创新高。

集团2017财年的每股净利为人民币70.83分；截至2017年12月31日每股净资产为人民币354.39分。集团的财务状况非常健康，净现金达人民币4.996亿元，无任何银行贷款（集团在2016财年已经偿还完全部银行贷款）。

取得如此辉煌的业绩，这主要归功于集团实施以产促销，以销促产的产销平衡策略。

在这一年里，我们的三大扩建项目取得重大进展。首先，在单县永舜新区首期10,000吨产能促进剂TBBS生产线的机器测试已经完成；其次，定陶10,000吨不溶性硫磺的生产线的建设已完工；目前这两个项目正等待政府部门的试产批复。另外，广舜热力厂新增一个锅炉和一台发电机组的扩建项目也已完成，预计2018年第二季度开始试产。

这些项目建成投产为集团的持续发展增强了后劲，将成为集团发展新的增长点。

集团的促进剂产品2017年1月被中国国家工信部授予制造业单项冠军示范企业，这大大提升了集团在助剂行业的信誉和影响力。

中国尚舜于2017年12月14日成立了院士工作站，与中国工程院和清华大学的教授和专家们展开一系列的科研合作。这是中国橡胶助剂行业第一家院士工作站。在专家的指导下，集团可以加速实现产学研结合、实现科技成果的转化，推动橡胶助剂行业向“绿色、智能、微型”化的转型升级。

中国的汽车和轮胎行业的发展保持强劲的发展势头。根据《中国汽车工业协会》的统计，中国2017年汽车销量持续强劲增长，同比增长3.0%，达到2888万辆，连续9年世界排名第一。作为全球最大的汽车市场，随着人民消费水平的提高，我们相信中国的汽车市场在未来几年仍然会保持平稳增长。

今后展望

我们看到，中国近几年实施的严格环保政策使得中国橡胶助剂行业的集中度进一步提高。作为一家领先的一直注重环保的橡胶助剂生产商，凭借产能规模、充足的资金、土地和基础设施，集团能够借助自身的优势来填补市场空缺，进一步领先发展。

随着中国对环保和安全问题越来越重视，我们预计今后安全及环保督查会走向常态化和制度化。同时，有实力的助剂企业会继续加大安全及环保投入，尽力发挥其现有的产能，并通过技术革新提高其产能。同时部分停产企业也会对安全环保设施进行投入，达到安全环保要求，以期恢复生产。因此助剂价格也将慢慢回归正常。

今后，我们将把促进产业技术升级作为工作重点，持续加大研发投资力度，充分发挥院士工作站作用，加强技术创新，保持行业领先地位。充分发挥公司质量、规模、品种、成本、环保、市场等综合的优势，实现公司的可持续发展。

我对集团今后的发展前景深具信心 。

股息建议

在考虑了经济发展前景和集团健康的财务状况之后，集团为2017和2018年度制定了分红政策，将不低于20%的净利润用来派发股息。

集团在2017年8月18日派发了每股0.5新分的免税中期股息。董事会再次建议派发每股2.5新分的免税终期股息，此建议将在来临的股东大会上讨论。因此，2017财年派发的总股息将为每股3新分，这与我们制定的分红政策相符。

衷心感谢

四十载栉风沐雨，十年春华秋实。

在各位股东和各界朋友的大力支持下，中国尚舜经过几十年的努力，不断发展壮大，成为了全球橡胶助剂行业的佼佼者，为客户和股东创造更大的价值。

在此，我代表董事会的全体成员，对我们的客户、商业伙伴、供应商和股东们表示衷心的感谢，感谢你们对集团的信任、支持和帮助，以及一路上的鼓励和陪伴！同时，我也要感谢我的董事会同仁的专业的指导和建议，以及公司管理层及员工的精益求精和认真负责的工作作风，因你们的辛勤付出，才成就了今天的中国尚舜！

十年是一个里程，更是一个新的开始。我们坚信，秉持踏实稳健、积极进取和回馈社会的宗旨，中国尚舜集团将勇攀高峰、再创辉煌！

徐承秋
执行主席
2018年3月

Operations & Financial Review

OUR FINANCIAL PERFORMANCE IN FY2017

In FY2017, frequent environmental inspections affected production of many rubber chemical producers, raw material prices also increased significantly. The Group had overcome these risks and turned them into opportunities to achieve an unprecedented set of results.

The revenue in FY2017 increased by 34% to RMB 2,738.4 million from RMB 2,036.9 million in FY2016, mainly due to the increase in both overall average selling price (ASP) and sales volume. ASP for rubber chemicals increased by 30% to RMB 19,398 per ton as compared to RMB 14,956 per ton in FY2016; and sales volume of rubber chemicals for FY2017 achieved a new record high of 140,476 tons, as compared to 135,791 tons in FY2016. The increase in both ASP and sales volume were mainly due to frequent environmental inspections affecting production of many other rubber chemical producers in PRC.

ANALYSIS OF SALES AND VOLUME

	Sales Volume (Tons)			Sales (RMB' million)		
	FY2017	FY2016	Change	FY2017	FY2016	Change
Rubber Chemicals						
Accelerators	83,335	82,767	1%	1,915.1	1,469.3	30%
Insoluble Sulphur	22,283	20,031	11%	239.7	192.3	25%
Anti-oxidant	33,258	31,214	7%	535.4	339.9	58%
Others	1,600	1,779	(10%)	34.8	29.4	18%
Total	140,476	135,791	3%	2,725.0	2,030.9	34%
Domestic Sales	95,560	91,728	4%	1,753.3	1,266.0	38%
International Sales	44,916	44,063	2%	971.7	764.9	27%
Heating Power	74,777	30,311	147%	12.2	4.8	154%
Hotel & Restaurant	-	-	n.m.	1.2	1.2	n.m.

n.m. – not meaningful

Operations & Financial Review

Due to reasons mentioned above, sales volume for Accelerators, Insoluble Sulphur and Anti-oxidant products in FY2017 increased by 1%, 11% and 7%, respectively. Sales volume for our Guangshun Heating plant also increased by 147% mainly due to more companies located in Shanxian Chemical Industrial Zone had started to use our steams generated.

Gross profit increased by 46% or RMB 247.7 million from RMB 540.4 million in FY2016 to RMB 788.1 million in FY2017, while Gross Profit Margin (GPM) also increased by 2.3 percentage points from 26.5% in FY2016 to 28.8% in FY2017, as a result of higher ASP.

Other operating income increased by RMB 10.2 million from a total of RMB 5.9 million in FY2016 to a total of RMB 16.1 million in FY2017 mainly due to higher interest income and more grants received from government agencies.

Other losses amounted to RMB 23.9 million, consisting mainly of foreign exchange losses.

Selling and distribution expenses increased by 4% or RMB 2.6 million from RMB 73.1 million in FY2016 to RMB 75.7 million in FY2017 due mainly to higher freight cost and higher salaries and bonuses given to sales personnel.

Administrative expenses increased by 32% or RMB 55.6 million from RMB 172.2 million in FY2016 to RMB 227.8 million in FY2017, due mainly to (i) higher staff incentive by RMB 20.6 million; (ii) higher R&D expenses by RMB 21.3 million; (iii) higher Safety Production cost by RMB 3.9 million; (iv) an allowance for impairment of property, plant and equipment (“PPE”) of RMB 1.9 million, as well as RMB 2.4 million written off of PPE were charged in FY2017; (v) a reversal of impairment for trade receivables of RMB 0.4 million recorded in FY2017 as compared to RMB 2.7 million recorded in FY2016. The net impact was an increase in administrative expenses of RMB 2.3 million; (vi) increase in entertainment expense by RMB 2.0 million due to the Company’s 10th Anniversary celebration; and (vii) increase in other administrative expenses by RMB 1.2 million.

Profit before tax (PBT) increased by 54% or RMB 167.4 million from RMB 309.5 million in FY2016 to RMB 476.9 million in FY2017 while Net profit attributable to shareholders also increased by 54% or RMB 119.7 million from RMB 221.7 million in FY2016 to RMB 341.4 million in FY2017 mainly due to the increase in sales revenue and gross profit.

Operations & Financial Review

FINANCIAL POSITION REVIEW

Property, plant and equipment increased by RMB 112.4 million from RMB 549.4 million to RMB 661.8 million mainly due to additions to property, plant and equipment, offset by depreciation charged.

Inventories increased by RMB 66.8 million from RMB 145.4 million to RMB 212.2 million mainly due to the increase in raw material prices.

Trade receivables increased by RMB 90.3 million from RMB 547.5 million to RMB 637.8 million. Trade receivables included notes receivables provided by trade debtors. These notes receivables are promissory notes issued by local banks with low risks of non-recoverability. As at 31 December 2017 and 31 December 2016, the notes receivables were RMB 176.2 million and RMB 150.2 million respectively. Excluding the notes receivables, the trade receivables attributable to trade debtors would have increased by RMB 64.3 million from RMB 397.3 million to RMB 461.6 million, mainly due to higher sales in 4Q2017 as compared to 4Q2016.

Trade payables increased by RMB 18.9 million from RMB 52.2 million to RMB 71.1 million mainly due to the increase in prices of raw materials purchased at the end of 4Q2017 as compared to 4Q2016.

Other payables increased by RMB 48.8 million from RMB 170.4 million to RMB 219.2 million mainly due to higher advance payments received from customers, as well as increased payable to suppliers for purchase of PPE.

CASH FLOW REVIEW

	FY2017 RMB' million	FY2016 RMB' million	Change RMB' million
Cash generated from operating activities	395.5	202.9	192.6
Cash used in investing activities	(205.1)	(79.6)	(125.5)
Cash generated from/(used in) financing activities	40.9	(188.6)	229.5
Net increase/(decrease) in cash and cash equivalents	231.3	(65.3)	296.6
Cash and bank balances at end of year per consolidated statement of cash flows	496.0	274.2	221.8

Operations & Financial Review

Net cash generated from operating activities increased by RMB 192.6 million from RMB 202.9 million in FY2016 to RMB 395.5 million in FY2017 mainly due to higher operating profit generated during the year.

Net cash used in investing activities increased by RMB 125.5 million from RMB 79.6 million in FY2016 to RMB 205.1 million in FY2017 mainly due to more additions to property, plant and equipment.

Net cash generated from financing activities increased by RMB 229.5 million from net cash used of RMB 188.6 million in FY2016 to net cash generated of RMB 40.9 million in FY2017 mainly due to the Company successfully placing out all its treasury shares to various investors for a net cash consideration of approximately S$17.5 million (equivalent to RMB 85.9 million), and the Group repaid all its outstanding bank loans in FY2016.

EXPANSION PROJECTS

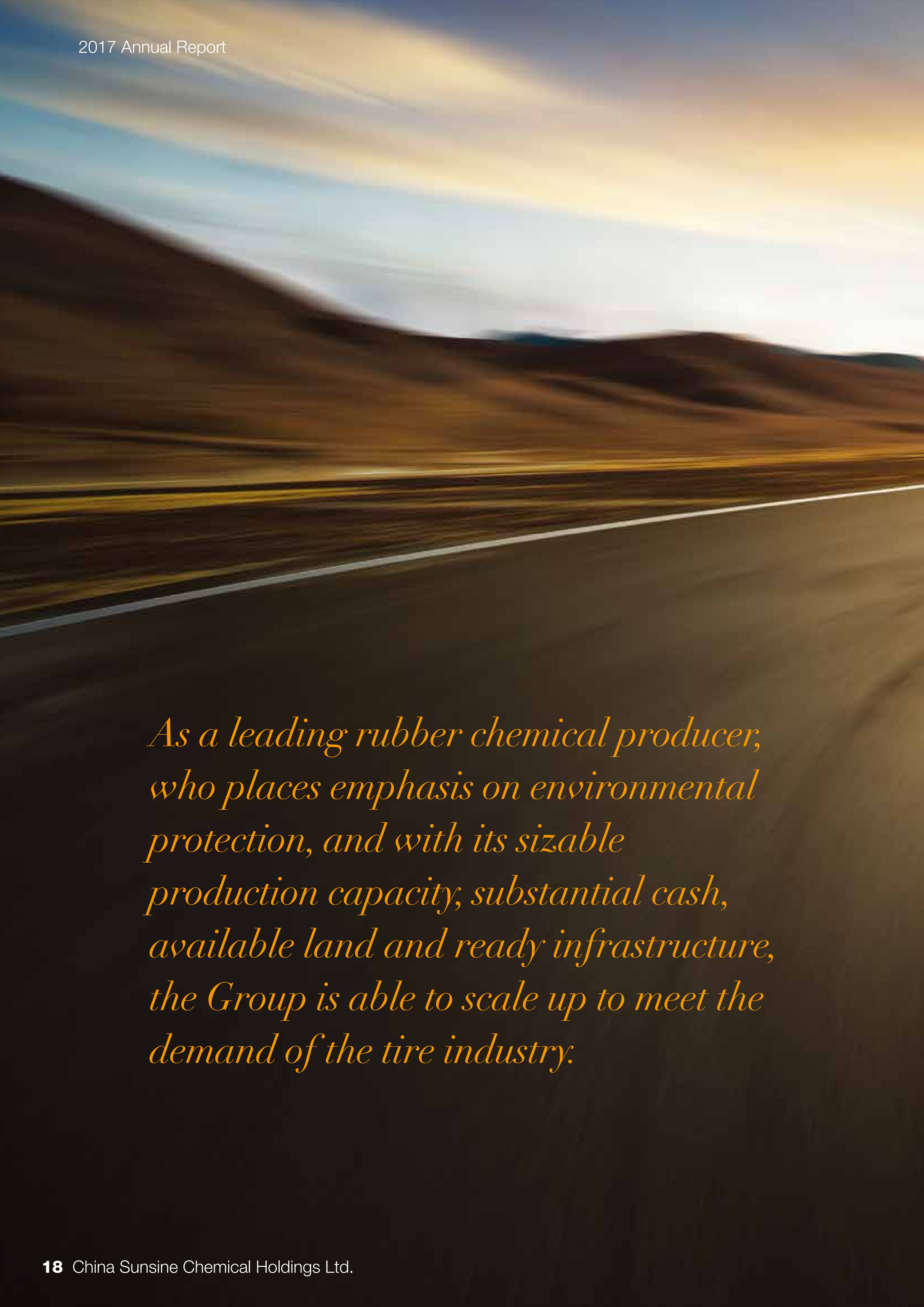
The construction and installation of machineries for our Phase 1, 10,000-ton TBBS production line was completed, and the Group is waiting for the approval from the relevant Government Authorities for the trial-run.

The expansion of 10,000-ton Insoluble Sulphur ("IS") production line in its Ding Tao factory has been completed. We have submitted the trial-run application to the relevant Government Authorities, and are now waiting for the approvals.

The construction of the expansion of Guangshun Heating Plant is completed, and is currently undergoing machinery testing. Management is confident to start the trial-run by 2Q2018.

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

Tons	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018[e]
Accelerators	70,500	87,000	87,000	87,000	87,000	97,000
Insoluble Sulphur	20,000	20,000	20,000	20,000	20,000	30,000
Anti-oxidant	25,000	45,000	45,000	45,000	45,000	45,000
Total	115,500	152,000	152,000	152,000	152,000	172,000



As a leading rubber chemical producer, who places emphasis on environmental protection, and with its sizable production capacity, substantial cash, available land and ready infrastructure, the Group is able to scale up to meet the demand of the tire industry.

Board of Directors

XU JUN | KOH CHOON KONG | LIU JING FU | XU CHENG QIU

Board of Directors

XU CHUN HUA LIM HENG CHONG BENNY TAN LYE HENG PAUL MA YING QUN

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 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

Group Chief Executive Officer

LIU JING FU is our Executive Director and was appointed as the Groups Chief Executive Officer in November 2013 to oversee the whole Group’s operations and be responsible for the overall strategic planning of the Group. Prior to this appointment, Mr Liu was the General Manager of the Group’s key subsidiary, Shandong Sunsine Chemical Co., Ltd. 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

XU JUN is our Executive Director and was appointed in November 2013 as the Vice-Chairman of Shandong Sunsine to assist our Chairman, Mr Xu Cheng Qiu, in the strategic planning, direction and overall management of the subsidiary. He joined the Group in 1998 as the head of the management department. In 2003, he was promoted to Assistant to 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

MA YING QUN is our Executive Director and was appointed in November 2013 as the General Manager of Shandong Sunsine. He is responsible for overseeing the management and operations of our China subsidiaries. He joined the production departments of Shanxian Sunsine in March 1999 and became Deputy General Manager in 2003. He managed 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.

Board Of Directors

LIM HENG CHONG BENNY
Lead Independent Director

LIM HENG CHONG BENNY is our Lead Independent Director. Mr Lim has been in legal practice for more than 20 years, and is presently a partner at Chris Chong & C T Ho LLP, 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 holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

XU CHUN HUA
Independent Director

XU CHUN HUA is our Independent Director. She has more than 40 years of experience in the rubber and rubber chemical industry. Ms Xu was the Principal of Qingdao Rubber Tyre EngineeringUniversity. 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

Mr Koh Choon Kong was appointed as our Non-Executive Director in November 2009, and re-designated as Independent Director in December 2012. He has more than 20 years of audit, accounting, corporate finance and business experience, and currently is part of the management team of the largest independent power producer (IPP) in Bangladesh, Summit Power International Limited. Mr Koh served as Group CFO of several SGX-listed corporations and worked in diverse organisations including Citicorp Investment Bank (Singapore) Limited, EtonHouse International, ICH Capital and Price Waterhouse. He 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 Chartered Accountant of Singapore, as well as a CFA charter holder.

TAN LYE HENG PAUL
Independent Director

TAN LYE HENG PAUL is our Independent Director. He was re-appointed on 12 June 2017. He is the managing director of CA TRUST PAC, a firm of Chartered 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 three other Singapore public listed companies. He holds a Master degree in Business Administration from University of Birmingham, UK. He is a fellow of the Association of Chartered Certified Accountants (ACCA) and the Institute of Singapore Chartered Accountants (ISCA) 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).

Key Executives


TONG YIPING


XU XIAN LEI


WANG BAOLI

TONG YIPING
Chief Financial Officer

TONG YIPING has been promoted as Chief Financial Officer in March 2016. He joined the Group as Group's Financial Controller in October 2013. Mr Tong is responsible for the overall financial operations of the Group as well as corporate secretarial matters. He has more than 15 years of experience as an accounting professional. Prior to joining the Company, Mr Tong was the Finance Manager of China Yuchai International Ltd, a company listed in New York Stock Exchange. Mr Tong is a fellow with the Association of Chartered Certified Accountants, and a member of Institute of Singapore Chartered Accountants. He obtained an honours bachelor degree in Accountancy from Oxford Brookes University, UK.

XU XIAN LEI
First Deputy General Manager

Mr Xu was appointed as Group's First Deputy General Manager in March 2017, assisting our Executive Director cum General Manager of Shandong Sunsine, Mr Ma Ying Qun, on the day-to-day operation of the China subsidiaries. Prior to that, he was Deputy General Manager of Shandong Sunsine, responsible for the finance operation of Shandong Sunsine, as well as monitoring the inventory process. Mr Xu graduated from Renmin University of China, majored in Business Administration. He has more than 13 years of experience in production, finance and management.

WANG BAOLI
General Manager Assistant

Wang Baoli was appointed as General Manager Assistant in charge of the Group's Sales and Marketing in January 2018. Prior to that, Mr Wang was the Finance Manager of the Group's subsidiary, Shandong Sunsine Chemical Co., Ltd., in charge of the finance matters as well as the control of the product selling prices and terms. He has more than 25 years' finance, sales control and management experiences since he joined the Group in 1992. Mr Wang was graduated from Shandong University of Finance and Economics and obtained Bachelor degree in Accounting.

Key Executives

MA YUE BIN
Deputy General Manager

Ma Yue Bin was appointed as Group's Deputy General Manager to oversee the whole Group's production in Mar 2016. He also oversees the operation of the Group's subsidiary, Shengtao Chemical. He joined the Group in 1986 and has over 25 years of experience in production, operation and management. From Sept 1995 to June 1998, he took the correspondence course of Shandong Economic Management Institute.

MIAO JING
Chief Engineer

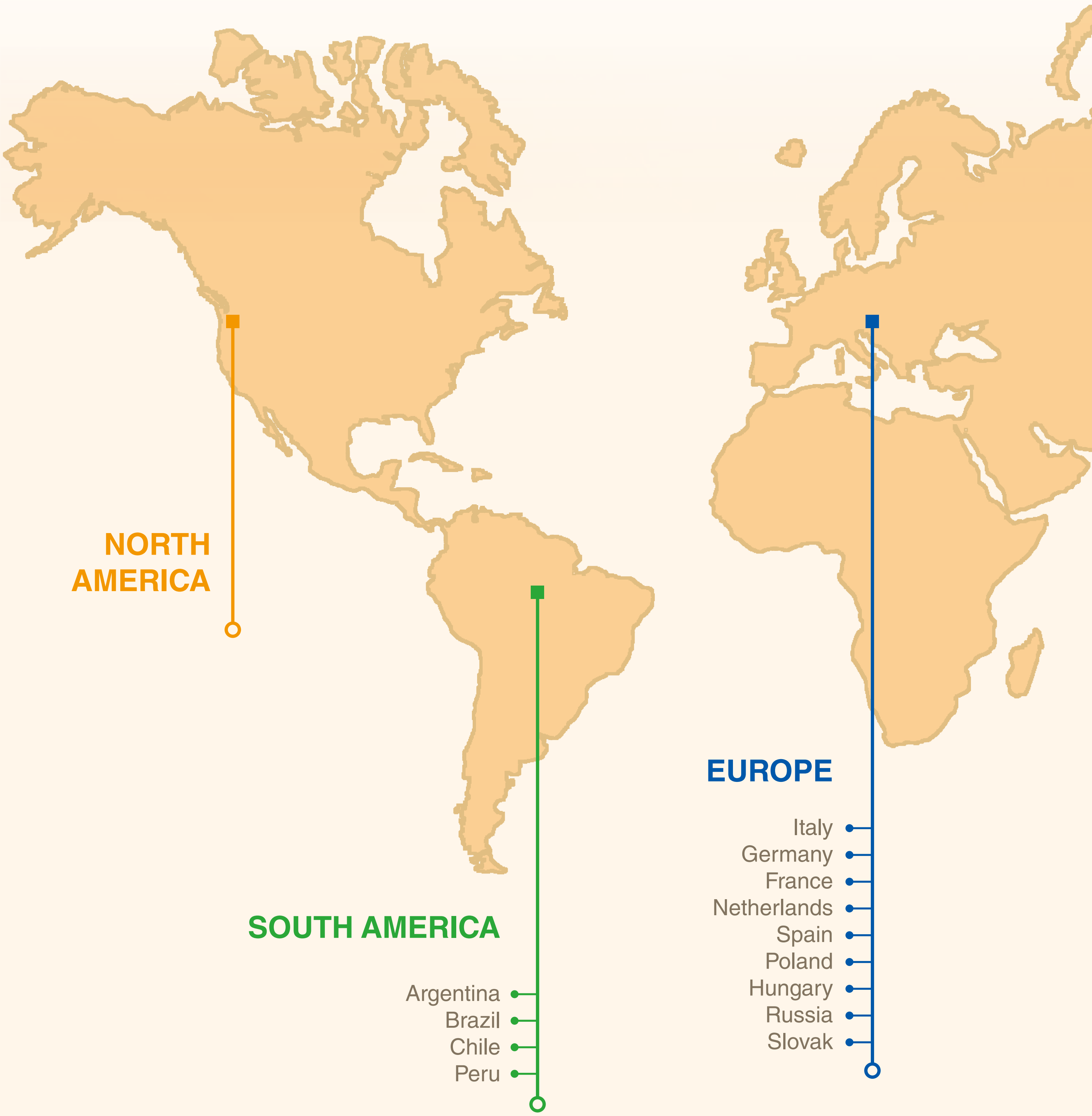
Miao Jing was appointed as Chief Engineer in charge of the Group's R&D and Quality Assurance functions. Prior to that, she was the Deputy General Manager of Group's subsidiary, Shandong Sunsine, in charge of production of Anti-oxidant segment. Mdm Miao joined the Group since 2003. Before joining the Group, Mdm Miao had been working in R&D Department of Shandong Sinorgchem for 8 years. She graduated from Beijing Chemical University and has more than 20 years experience in production, technology and management.

LIU DE MING
Deputy General Manager

Liu De Ming was appointed as Group's Deputy General Manager in Mar 2016. Mr Liu was also concurrently appointed as the General Manager of the Group's subsidiary, Weifang Sunsine, to oversee the whole operation of Weifang Sunsine. Prior to that, he was as the Deputy General Manager of Weifang Sunsine. Mr Liu joined the Group in 1995 since his graduation from Beijing Chemical University. Mr Liu has more than 30 years of working experiences in production, technology and management.

Our Core Values- Pursuit Of Business Excellence Without Compromising Our Love And Care For The Living Environment And Our Firm Belief In Corporate Social Responsibility- Will Continue To Define And Guide Us As We Scale Greater Heights In The Future.

Global Markets



ASIA-PACIFIC

- India
- Korea
- Japan
- Malaysia
- Thailand
- Indonesia
- Vietnam
- Australia
- New Zealand

Over
1,000
customers globally

Serving more than
2/3
of the Global Top 75 tire makers

1/3
output exported

Superior Products We Offer

NATURAL /
SYNTHETIC RUBBER

- Sticky
- Soft
- Brittle
- Deteriorates quickly

INSOLUBLE
SULPHUR

RUBBER ACCELERATORS

VULCANISATION
CURING
PROCESS

ANTI-OXIDANT

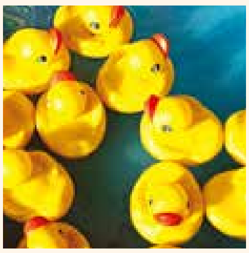
OTHER
VULCANISING
AGENTS

CURED RUBBER

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

RUBBER PRODUCTS





Group Structure

Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Singapore Office
112 Robinson Road
#11-01 Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
E-mail: info@ChinaSunsine.com
Website: www.ChinaSunsine.com

China Main Offices
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 and CEO*
Xu Jun *Executive Director*
Ma Ying Qun *Executive Director*
Lim Heng Chong Benny *Lead Independent Director*
Xu Chun Hua *Independent Director*
Koh Choon Kong *Independent Director*
Tan Lye Heng Paul *Independent Director*

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

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

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

JOINT COMPANY SECRETARIES
Dai Lingna
Tong Yiping *FCCA CA (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
DBS Bank Ltd

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road, #02-00
Singapore 068898

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

Director-in-charge:
Philip Tan Jing Choon
(Appointed since financial year ended 31 December 2017)

Corporate Governance Report

China Sunsine Chemical Holdings Ltd. (the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the "**Group**") 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 2012 (the "**Code**") where it is applicable and practical to the Group, save for Guidelines 2.4 (9 year board tenure), 8.4 (reclaim incentives), 9.5 (employee share schemes) and 16.1 (absentia voting) of the Code. Where there is any deviation, appropriate explanation has been provided within this report.

This report outlines the Company's corporate governance processes and structure that were in place throughout the financial year, with specific reference to the principles and guidelines of the Code and the best practices issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). 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

The Board's Conduct of Affairs

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

Role of the Board

The Board assumes responsibility for stewardship of 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 Management, approve the nominations of the Board of Directors and appointment of key management personnel, as may be recommended by the Nominating Committee;

(e) review and endorse the framework of remuneration for the Board and key management personnel 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 and Board committee meetings are allowed under the Constitution of the Company. The number of Board and Board committee meetings held for the period from 1 January 2017 to 31 December 2017, 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 out of 4	N.A.	N.A.	N.A.
Liu Jing Fu	4 out of 4	N.A	N.A.	N.A.
Xu Jun	4 out of 4	N.A.	N.A.	N.A.
Ma Ying Qun	4 out of 4	N.A.	N.A.	N.A.
Lim Heng Chong Benny	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Xu Chun Hua	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Koh Choon Kong	4 out of 4	4 out of 4	1 out of 1	1 out of 1
Tan Lye Heng Paul(1)	2 out of 4	2 out of 4	N.A.	N.A.

Note:

(1) Mr Tan Lye Heng Paul was appointed as Independent Director and member of the AC, NC and RC on 12 June 2017. From 12 June 2017 to 31 December 2017, there were only 2 AC and Board meetings held.

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.

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 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.

All newly appointed Directors will receive a formal letter from the Company setting out the duties and responsibilities as a Director, along with an information pack containing the Company's annual report, Constitution, respective Board committees' terms of reference (where applicable), as well as a template director's disclosure form pertaining to his/her obligations in relation to disclosure of interests in securities and conflict of interests.

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 Singapore Companies Act (Chapter 50) ("**Companies Act**") and listing rules of the SGX-ST, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board through the NC examines and reviews its structure, size and composition annually, taking into account the scope and nature of the Company's operations. 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 and Chief Executive Officer	–	–	–
Xu Jun	Executive Director	–	–	–
Ma Ying Qun	Executive Director	–	–	–
Lim Heng Chong Benny	Lead Independent Director	Member	Chairman	Member
Xu Chun Hua	Independent Director	Member	Member	Chairman
Koh Choon Kong	Independent Director	Chairman	Member	Member
Tan Lye Heng Paul(1)	Independent Director	Member	Member	Member

Note:

(1) Mr Tan Lye Heng Paul was appointed as Independent Director and member of the AC, NC and RC on 12 June 2017.

The Board presently comprises 8 directors, of whom 4 are independent directors. The present composition of the Board complies with the Code's guidelines that the independent directors should make up at least half of the Board where the Executive Chairman is part of the management team and not an independent director. The Board is thus able to exercise objective judgment on corporate affairs independently.

The Board is of the view that its current structure, size and composition is appropriate for effective decision-making, and provides balance and diversity of expertise, gender and knowledge of the Company's business. 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 function effectively. In addition, the NC has noted that the Board comprises one female director out of a total of eight directors, in recognition of the importance and value of gender diversity. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The NC conducts a review to determine annually whether or not a director is independent, adopting 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. The Code also recommends that the independence of any director who has served more than 9 years from the date of his first appointment be subject to particularly rigorous review, taking into account the need for progressive refreshing of the Board. In assessing the independence of each Independent Director, the NC noted that Mr Lim Heng Chong Benny, Ms Xu Chun Hua and Mr Tan Lye Heng Paul were first appointed on 18 May 2007. Mr Tan Lye Heng Paul stepped down as Lead Independent Director on 26 April 2016, and was appointed as Independent Director on 12 June 2017. Accordingly, they have served beyond 9 years from the date of their first appointment.

Corporate Governance Report

The NC carried out the aforesaid review on the independence of each Independent Director in February 2018 (with each Independent Director abstaining from deliberation in respect of the review of his/her independence) based on the respective Independent Directors' self-declaration of interest in the Company and its related corporations, and his/her confirmation of independence and non-conflict of interest. In particular, the NC also took into account the actual performance of Mr Lim Heng Chong Benny, Ms Xu Chun Hua and Mr Tan Lye Heng Paul on the Board and Board committees, and their Individual Director Self-assessment of their contributions to the effectiveness of the Board, and was of the view that each of them has at all times exercised independent judgment in the best interests of the Company in the discharge of his/her director's duties and should therefore continue to be deemed an Independent Director, notwithstanding that they have served more than 9 years on the Board.

The Board does not impose any limit on the length of service of independent directors. The Board recognises the contributions of its independent directors who over time, have developed significant insights into and knowledge of the Group's business strategy and operations, and who are able to continue to provide valuable contributions to the Board. The Board also values the external experience of each of the independent directors, whose expertise in their respective fields of work adds diversity of views and depth to discussions.

Having reviewed the NC's recommendation, the Board has determined that each of Mr Lim Heng Chong Benny, Ms Xu Chun Hua and Mr Tan Lye Heng Paul has continued to demonstrate strong independence in character and judgment in the manner in which he/she has discharged his/her responsibilities as a director of the Company. Each of them has continued to express his/her viewpoints, debated issues, sought clarifications where necessary, objectively scrutinised and challenged Management, and ask tough strategic and operational questions.

Each independent director had also abstained from deliberations in respect of the assessment on his/her own independence. Taking into account the views of the NC and the annual confirmation from each of the independent directors of his/her independence, the Board considers each of the independent directors to be independent and will be able to exercise independent judgment in the best interest of the Company in discharging their duties as independent directors.

The Independent Non-Executive Directors constructively challenge Management's assumptions, help develop proposals on strategy, and assess performance of Management, in the best interest of the Group. During the financial year ended 31 December 2017 ("**FY2017**"), the Independent Non-Executive Directors meet regularly without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

To ensure an appropriate balance of power, increased accountability and a clear division of the roles and responsibilities between the Chairman and the Chief Executive Officer ("**CEO**"), the position of the Chairman and CEO are held by separate individuals.

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 overall strategic planning and growth of the Group. He also exercises control over 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 agendas 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 Management on all operational matters.

Mr Liu Jing Fu is the CEO and Executive Director of the Company. He is not an immediate family member of the Executive Chairman, Mr Xu Cheng Qiu. He has a wealth of experience in the rubber chemicals industry. As CEO, Mr Liu is responsible for the overall management and day-to-day operations of the Group.

In line with the recommendations in the Code, Mr Lim Heng Chong Benny has been appointed as 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.

Led by the Lead Independent Director, the independent directors meet regularly without the presence of Management to discuss matters such as the changes that they would like to see in the Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings. After such meetings, the Lead Independent Director will provide feedback to the Executive Chairman and the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of 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
Koh Choon Kong	–	Member
Xu Chun Hua	–	Member
Tan Lye Heng Paul	–	Member (Appointed on 12 June 2017)

Role of the NC

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-appointment of directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board.

The principal functions of the NC include the following:

(a) to make recommendations to the Board on all Board appointments, including re-nominations having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour);

(b) to review the independence of the directors annually;

(c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;

(d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

(e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

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

(g) to assess the effectiveness of the Board as a whole, and the contribution by each director to the effectiveness of the Board.

The NC has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr Lim Heng Chong Benny, Mr Koh Choon Kong, Ms Xu Chun Hua and Mr Tan Lye Heng Paul are independent.

Corporate Governance 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.

As recommended by the Code, the Board has also adopted a maximum limit that each director should hold not more than 5 listed company board representations to address competing time commitments when directors serve on multiple boards. The NC believes a director's commitment and contributions to the Company, and his attendance at and contributions during Board and Board committee meetings are relevant factors to be taken into consideration in assessing whether a director has adequately discharged his duties.

The Company currently has no alternate directors on its Board. The Board is of the view that the appointment of alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. An alternate director, when appointed, should be subject to the same criteria and process for selection of directors, and be appropriately qualified.

Process for appointment of new directors

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

(a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;

(c) The NC assesses suitability of short-listed candidates and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and

(d) The NC makes recommendations to the Board for approval.

Criteria for appointment of new directors

All new appointments are subject to the recommendation of the NC based on, *inter alia*, the following objective criteria:

(a) Integrity;

(b) Independent mindedness;

(c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;

(d) Able to commit time and effort to carry out duties and responsibilities effectively;

(e) Experience in the relevant field of business of the Company or industries in which it operates; and

(f) Financially literate.

Corporate Governance Report

Re-appointment of directors

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 Constitution, 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. In addition, a newly appointed director must also submit himself or herself for re-election at the AGM immediately following his or her appointment.

The NC has reviewed and recommended the re-election of Mr Liu Jing Fu and Mr Koh Choon Kong who will be retiring by rotation under Article 104 of the Constitution of the Company, and the re-election of Mr Tan Lye Heng Paul, who will cease to hold office at the forthcoming AGM in accordance with Article 114 of the Constitution of the Company.

The Directors who are seeking re-election at the forthcoming AGM have no relationship including immediate family relationships with the other Directors, the Company or its 10% shareholders.

The Board has accepted the above recommendations and the aforesaid Directors will be offering themselves for re-election at the forthcoming AGM.

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

(a) pages 22 – 23 – Academic and professional qualifications;

(b) page 52 – Date of first appointment as director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies, and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(c) pages 56 – 57 – Shareholding in the Company and its related corporations.

Board Performance

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

The assessment of the Board and the Board committees provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him/her to discharge his/her 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/her 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 by rotation 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.

Corporate Governance Report

Evaluation processes

(a) *Board and Board committees*

Each Board member is required to complete a Board and Board Committees 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 and Board committees discharge their respective 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 management personnel, 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, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 management personnel who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance.

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

The Company Secretaries administer, attend and prepare minutes of Board proceedings. They assist 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 as required) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and Listing Manual of the SGX-ST ("**Listing Manual**") are complied with. They also assist 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 Secretaries are subject to the approval of the Board as a whole.

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
Koh Choon Kong	–	Member
Lim Heng Chong Benny	–	Member
Tan Lye Heng Paul	–	Member (Appointed on 12 June 2017)

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, CEO, directors and key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, salaries, allowances, bonuses, options, share-based incentives, 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 agreements, 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.

The recommendations of the RC would be submitted to the Board for endorsement. 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.

Corporate Governance Report

The RC has access to expert advice in the field of executive remuneration outside the Company with regards to remuneration matters wherever necessary. The RC should ensure that existing relationships, if any, between any of its directors or the Company and its appointed remuneration consultants, will not affect the independence and objectivity of the remuneration consultants. In FY2017, the Company did not seek any expert advice outside the Company on remuneration of its Directors.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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. The RC reviews and approves the remuneration package, determine the overall annual increment and bonus for each of the Executive Directors and key management personnel.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies, as well as the costs of living in the cities the Company operates in. As part of its review, the RC ensures that the performance related elements of remuneration form a significant and appropriate part of the total remuneration package of executive directors and key management personnel, and is designed to align the directors' and key management personnel's interests with those of shareholders and link rewards to corporate and individual performance, taking into account industry benchmarks. 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.

Each of the executive directors has entered into a service agreement with the Company for a period of 3 years with effect from 1 January 2014, and the terms of their respective service agreements were recommended by the RC, and approved by the Board. Pursuant to the terms thereof, the service agreements will be renewed automatically on a year-to-year basis and may be terminated by either party giving not less than six (6) months' notice in writing. Each of the key management personnel were issued a letter of appointment, the terms of which were reviewed by the RC, and approved by the Board. The RC is satisfied that the termination clauses set out in the service agreements and the letters of appointment are fair and reasonable to the parties, and are not overly generous.

The Company has not adopted the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company will review the feasibility of having such contractual provisions in future renewals of service agreements and/or employment contracts of its Executive Directors and key management personnel as recommended by the Code.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, 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 as 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 AGM.

Remuneration policy in respect of executive directors and other key management personnel

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.

For the purpose of assessing the performance of Executive Directors and other key management personnel, key performance targets are clearly set out at the beginning of each financial year. These targets include, where applicable, revenue, gross profit margin, net profit after tax, return on shareholders' equity, total shareholders return (i.e. dividend plus share price movement over the year), and safety production and environmental protection related targets.

Level and mix of remuneration of the directors, key management personnel (who are not also directors or the CEO) for FY2017

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors or the CEO) for FY2017, are set out as follows:

Name of Directors and CEO	Salary	Bonus	Director's fees	Other benefits	Total Remuneration	
	%	%	%	%	%	S$'000
Xu Cheng Qiu	5	95	–	–	100	7,326
Liu Jing Fu	98	2	–	–	100	112
Xu Jun	98	2	–	–	100	88
Ma Ying Qun	96	2	–	2	100	108
Lim Heng Chong Benny	–	–	100	–	100	50
Xu Chun Hua	–	–	100	–	100	45
Koh Choon Kong	–	–	100	–	100	45
Tan Lye Heng Paul[(1)]	–	–	100	–	100	30

Corporate Governance Report

Remuneration Band & Name of Executive Officers	Salary	Bonus	Other benefits	Total
	%	%	%	%
S$250,000 and below S$500,000				
Nil				
Below S$250,000				
Tong Yiping	80	12	8	100
Xu Xian Lei	93	4	3	100
Xu Yu Fu(2)	96	2	2	100
Miao Jing	93	4	3	100
Liu De Ming	93	3	4	100
Ma Yue Bin	94	3	3	100

Notes:

(1) Mr Tan Lye Heng Paul was appointed as Independent Director and Member of the AC, NC and RC of the Company on 12 June 2017.

(2) Mr Xu Yu Fu resigned as Deputy General Manager in charge of the Group's Sales and Marketing with effect from 31 January 2018.

The Company has not disclosed the exact amount of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The aggregate remuneration paid to key management personnel (who are not Directors or the CEO) in FY2017 is S$510,000.

Except as disclosed, no employee of the Company or its subsidiaries is an immediate family member of any director or CEO or a controlling shareholder of the Company and whose remuneration exceeded S$50,000 for FY2017. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The Company has no share option plans for FY2017. Accordingly, no share option has been granted to the above directors or key management personnel. The Company may consider to have such a scheme to align the interests of key executives with that of shareholders, improving performance and achieving sustainable growth for the Company.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO or the top five key management personnel (who are not directors or the CEO).

(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, public webcast, media and analyst briefings.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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. Management also reviews all significant control policies and procedures and highlights all significant matters to the Board. The Board oversees 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 Group's risk management framework and policies, review the Group's business, financial and operational risks, and to advise 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 executives (including a director and the Chief Financial Officer ("**CFO**")), whose names are set out below:

Xu Cheng Qiu	–	Chairman
Ma Ying Qun	–	Member
Tong Yiping	–	Member
Xu Xian Lei	–	Member
Li Song	–	Member
Zhang Jia Feng	–	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 was developed with the assistance of the Company's previous internal auditor, Messrs MS Risk Management Pte Ltd, and has been implemented to identify, prioritise, assess, manage and monitor key risks faced by the Group. In 2015, the Company appointed a new internal auditor, Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd., which refreshed the ERM programme to identify new risks, if any. 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, which is responsible for the effective implementation of risk management strategy, policies and processes within the framework of the ERM programme. The RMAC will also follow up on the actions required to be taken by Management to mitigate such identified 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 has also requested its internal auditor to take such identified risks into consideration in drawing up the annual internal audit plan. The Company's internal auditor also assists the Company to conduct an annual review of the adequacy and effectiveness of the Company's internal controls. The external auditor, during the conduct of their normal audit procedures, may also report on matters relating to 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 control and risk management processes of the Group are inadequate or ineffective, or there are non-compliance of the Company's system of internal control and processes.

Based on the internal control and risk management systems established and maintained by the Group, the work conducted by the internal and external auditors as set out in their respective reports, the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, and the report of the

Corporate Governance Report

RMAC to the Board, the Board, with the concurrence of AC, is of the opinion that the system of internal control and risk management procedures maintained by Management are adequate and effective to meet the needs of the Company in addressing the financial, operational, compliance and information technology risks to the Company and the Group as at 31 December 2017.

The Board has also received a letter of assurance from the CEO and the CFO confirming, *inter alia*, that:

(a) the financial records of the Company for FY2017 have been properly maintained, and the financial statements give a true and fair view of the Company's operations and finances for FY2017; and

(b) the Company's risk management and internal control systems are effective.

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.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC currently comprises the following directors, all of whom are independent non-executive directors:

Koh Choon Kong	–	Chairman
Lim Heng Chong Benny	–	Member
Xu Chun Hua	–	Member
Tan Lye Heng Paul	–	Member (Appointed on 12 June 2017)

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

The primary functions of the AC include the following:

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

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

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

(d) to review the significant financial reporting issues and judgments 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 auditor the nature and scope of the audit before the audit commences;

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

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

(j) to recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, and approve the terms of engagement and remuneration payable to the external auditor;

(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 auditor;

(m) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

(n) to undertake such other functions and duties as may be required by statute or the Listing Manual and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition, the AC has independent access to the internal and external auditors, who report independently their findings and recommendations to the AC. The AC met with the internal and external auditors, without the presence of Management, at least once during the year. The AC also undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor. The aggregate amount of fees paid to the external auditor for FY2017 is S$184,000. No non-audit fees were paid to the external auditor for financial year ended 31 December 2017 which may affect their independence. The Company has complied with the requirements of Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms.

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 and external auditors' 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, compliance and information technology 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.

The AC is briefed by the external auditor of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report.

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, re-appointment and rotation of statutory auditors.

Accordingly, the AC evaluated the performance of the external auditor, Messrs Nexia TS Public Accounting Corporation ("**Nexia TS**"), based on the key indicators of audit quality set out in the publication, and upon such evaluation, recommended to the Board that Nexia TS be nominated for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

Corporate Governance Report

None of the members of the AC were partners of Nexia TS within the last 12 months or has any financial interest in Nexia TS.

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 or civil 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 findings of interested person transactions ("**IPTs**"), if any, during AC meetings.

Internal Audit

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

The role of the internal auditor 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 Messrs Baker Tilly Consultancy (Singapore) Pte. Ltd. (the "**Internal Auditor**"), which is staffed with professionals with relevant qualifications and experience. The Internal Auditor has unrestricted direct access to the AC. The AC approves the hiring, removal, evaluation and compensation of the head of the Internal Auditor, who meets the professional standards set out in the Code.

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

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

The AC also reviews annually the adequacy and effectiveness of the internal audit function, and is satisfied that it is adequately resourced and has appropriate standing within the Company.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure.

Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

A registered shareholder who is not a relevant intermediary (as defined in the Companies Act) and who is unable to attend may choose to appoint up to two proxies to attend and vote on his behalf. Pursuant to the Companies Act, the Central Provident Fund Board and relevant intermediaries may appoint more than two proxies.

At general meetings, the appointed independent scrutineer will explain to the shareholders the rules, including the poll voting procedures that govern such general meetings.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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.

The Company has an investor relations ("**IR**") manager who communicates with its shareholders, analysts and potential investors regularly and attends to their queries. Together with the CFO, the IR manager also manages the dissemination of corporate information to the public as well as institutional investors, and promotes relations with and act as liaison for such parties. The contact details of the CFO and IR manager are provided in the Company's website and in its press releases.

The Board establishes and maintains regular dialogue with its shareholders through analyst briefings and at general meetings. The AGM of the Company is the principal forum for dialogue and interaction with all shareholders as elaborated in Principle 16 below. The Company holds quarterly briefings for shareholders on its financial results after each release of its results announcement, and shareholders are invited to participate, communicate and exchange their views with the Directors and CFO.

During the year, the Company has established a dividend policy for FY2017 and the financial year ending 31 December 2018. The dividend policy will be based on a payout ratio of not less than 20% of the Group's consolidated net profit after tax, excluding non-recurring, one-off and exceptional items. The dividend payments, whether in the form of final dividends or interim dividends, will be subject to the availability of the Company's retained earnings, the Group's financial position, capital expenditure requirements, future expansion or investment plans, and other relevant factors as may be determined by the Board.

The Company has recommended a final dividend at S$0.025 per ordinary share for FY2017.

Corporate Governance Report

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Notices of general meetings are despatched to shareholders, together with the annual report or circulars within the time period prescribed by the regulations. 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. Shareholders are invited to put forth any questions they may have on the motions tabled and to be decided upon. All directors, in particular, the chairman of each Board committee, are required to be present at general meetings of shareholders to address shareholders' questions. The external auditor is also present at such meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

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.

At the forthcoming AGM, the Company will put all resolutions to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. A scrutineer will also be appointed to count and validate the votes cast at the forthcoming AGM. The detailed results of the poll voting showing the number of votes casted for and against each resolution and the respective percentages will be announced accordingly at the AGM.

The results of general meetings are also disclosed by way of Company announcement on the SGX-ST. 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 for their inspection 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 Management who may possess unpublished material price-sensitive information of the Group.

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

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

Corporate Governance Report

(F) 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 or she 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 IPTs conducted during FY2017.

(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 of First Appointment	Date of Last Reappointment	Current Directorship / Chairmanship in other Listed Companies & Other Principal Commitments	Past (three years) Directorship in other Listed Companies
Xu Cheng Qiu	74	Executive Chairman	11 October 2006	27 April 2016	None	None
Liu Jing Fu	66	Executive Director and CEO	18 May 2007	28 April 2015	None	None
Xu Jun	48	Executive Director	18 May 2007	28 April 2017	None	None
Ma Ying Qun	44	Executive Director	18 May 2007	28 April 2017	None	None
Lim Heng Chong Benny	47	Lead Independent Director	18 May 2007	27 April 2016	Other Principal Commitments - Chris Chong & C T Ho LLP	- Sysma Holdings Limited - BM Mobility Ltd. (f.k.a. Ziwo Holdings Ltd.)
Xu Chun Hua	75	Independent Director	18 May 2007	27 April 2016	Other Principal Commitments - China Rubber Industry Association Rubber Chemical Commission	None
Koh Choon Kong	47	Independent Director	15 November 2009	28 April 2015	Other Principal Commitments - Summit Power International Limited	Oriental Group Ltd.
Tan Lye Heng Paul	53	Independent Director	18 May 2007	12 June 2017	Directorship in other Listed Companies - Sin Ghee Huat Corporation Ltd. - Serial System Ltd - Second Chance Properties Ltd Other Principal Commitments - CA Trust PAC - CA Trust Taxation Pte. Ltd.	None

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	33-48
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	34
Guideline 1.5 The type of material transactions that require board approval under guidelines	34
Guideline 1.6 The induction, orientation and training provided to new and existing directors	34
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	35-36
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	35-36
Guideline 3.1 Relationship between the Chairman and CEO where they are immediate family members	36
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	37
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	38
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	38-39
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	39
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	39-40

Corporate Governance Report

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	41
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company	42
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	43-44
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	43-44
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	43
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	44
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000	44
Guideline 9.5 Details and important terms of employee share schemes	44
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	42-44

Corporate Governance Report

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	45-46
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	46-47
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	47
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	48
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	47-48
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	49-50
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	49

Directors' Statement

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

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 63 to 107 are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by consolidated financial statements; 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.

Directors

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

Xu Cheng Qiu
Liu Jing Fu
Xu Jun
Ma Ying Qun
Lim Heng Chong Benny
Xu Chun Hua
Koh Choon Kong
Tan Lye Heng Paul (Appointed on 12 June 2017)

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

(a) 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		**Holdings in which director is deemed to have an interest**	
	At 31.12.2017	At 1.1.2017 or date of appointment if later	**At 31.12.2017**	At 1.1.2017 or date of appointment if later
China Sunsine Chemical Holdings Ltd.				
(No. of ordinary shares)				
Xu Cheng Qiu [(a)(b)]	**–**	2,869,000	**296,511,550**	293,642,550
Liu Jing Fu	**720,000**	720,000	**–**	–
Lim Heng Chong Benny	**100,000**	100,000	**–**	–
Koh Choon Kong [(c)]	**950,000**	950,000	**3,226,000**	3,226,000
Tan Lye Heng Paul	**150,000**	150,000	**–**	–

Directors' interests in shares or debentures (continued)

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment if later	**At 31.12.2017**	At 1.1.2017 or date of appointment if later
Immediate and Ultimate Holding Corporation - Success More Group Ltd				
(No. of ordinary shares)				
Xu Cheng Qiu [(a)]	**7,427**	7,427	**–**	–
Xu Jun	**812**	812	**–**	–

(a) 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 Section 7 of the Singapore Companies Act, is deemed to have an interest in the Company and its Subsidiary Corporations.

(b) The addition in the deemed interests of Xu Cheng Qiu arises from shares held by the nominees, UOB Kay Hian Pte. Ltd.

(c) The deemed interests of Koh Choon Kong arises from shares held by the nominees, DBS Nominee (Private) Limited.

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

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 subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations 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:

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

Directors' Statement

For the financial year ended 31 December 2017

Audit Committee (continued)

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. 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 2017 before their submission to the Board of Directors.

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.

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

21 March 2018

Independent Auditor's Report

To the Members of China Sunsine Chemical Holdings Ltd.

Report on the Audit of the Financial Statements

Our opinion

We have audited the accompanying financial statements of China Sunsine Chemical Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 107.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment
(Refer to Note 16 to the financial statements)

As at 31 December 2017, the carrying amount of property, plant and equipment was RMB661,833,000 which accounted for 31% of the Group's total assets.

Management assessed that there is objective evidence or indication that certain assets may be impaired and carried out an impairment exercise on those assets during the financial year. The impairment made was based on the valuation performed by an independent valuer. The valuation process involved significant judgement in determining the appropriate valuation methodologies to be used, and in estimating the underlying inputs and assumptions to be applied.

An impairment loss of RMB1,910,000 has been recorded to reduce the carrying amounts of property, plant and equipment to their estimated recoverable amount.

Independent Auditor's Report

To the Members of China Sunsine Chemical Holdings Ltd.

Key Audit Matter (continued)

How our audit addressed the Key Audit Matter:

In obtaining sufficient audit evidence, the following procedures were carried out:

- Evaluated the objectivity, independence and expertise of the independent valuer.
- Critically evaluated whether the valuation methodology used to determine the recoverable amount of non-financial assets complies with the requirements of FRS 36 *Impairment of Assets.*
- Evaluated the appropriateness of the inputs and assumptions used, taking into consideration the auditor's overall knowledge of the business and the results of other audit procedures.
- Reviewed management's disclosures in the consolidated financial statements.

We found the valuer to be objective, independent and competent. The valuation methodology used are in line with generally accepted market practices and the estimates and assumptions used in the valuation methodology are reasonable. We also found the disclosures in the consolidated financial statements to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

To the Members of China Sunsine Chemical Holdings Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine the matter that was of most significance in the audit of the financial statements of the current financial year and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 has been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Philip Tan Jing Choon.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
21 March 2018

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**2,738,403**	2,036,862
Cost of sales		**(1,950,258)**	(1,496,458)
Gross profit		**788,145**	540,404
Other income	7	**16,116**	5,891
Other (losses)/gains	8	**(23,879)**	12,781
Expenses			
- Distribution and marketing		**(75,720)**	(73,074)
- Administrative		**(227,776)**	(172,158)
- Finance	9	**–**	(4,365)
Profit before income tax		**476,886**	309,479
Income tax expense	10(a)	**(135,519)**	(87,773)
Net profit		**341,367**	221,706
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains arising from consolidation		**115**	925
Other comprehensive income, net of tax		**115**	925
Total comprehensive income		**341,482**	222,631
Net profit attributable to:			
Equity holders of the Company		**341,367**	221,706
Total comprehensive income attributable to:			
Equity holders of the Company		**341,482**	222,631
Earnings per share for net profit attributable to equity holders of the Company (RMB cents per share)			
Basic and diluted earnings per share	11	**70.83**	47.66

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

Balance Sheets

As at 31 December 2017

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**499,629**	275,897	**3,981**	21
Trade and other receivables	13	**712,896**	629,241	**149,540**	29,684
Inventories	14	**212,150**	145,414	**–**	–
		1,424,675	1,050,552	**153,521**	29,705
Non-current assets					
Investments in subsidiary corporations	15	**–**	–	**350,010**	350,010
Property, plant and equipment	16	**661,833**	549,426	**–**	–
Intangible assets	17	**41,277**	42,503	**–**	–
		703,110	591,929	**350,010**	350,010
Total assets		**2,127,785**	1,642,481	**503,531**	379,715
LIABILITIES					
Current liabilities					
Trade and other payables	18	**290,302**	222,660	**37,587**	16,631
Deferred grants	19	**703**	–	**–**	–
Current income tax liabilities	10(b)	**94,279**	58,211	**1,199**	1,151
		385,284	280,871	**38,786**	17,782
Total liabilities		**385,284**	280,871	**38,786**	17,782
NET ASSETS		**1,742,501**	1,361,610	**464,745**	361,933
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	**313,471**	313,471	**313,471**	313,471
Treasury shares	20	**–**	(31,350)	**–**	(31,350)
Other reserves	21	**389,693**	271,442	**50,417**	(4,325)
Retained profits	22	**1,039,337**	808,047	**100,857**	84,137
Total equity		**1,742,501**	1,361,610	**464,745**	361,933

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2017

	Note	Share capital	Treasury shares	Currency translation reserve	Merger reserve	Capital reserve	Statutory common reserve	Voluntary common reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017										
Beginning of financial year		**313,471**	**(31,350)**	**(4,639)**	**305**	**–**	**151,397**	**124,379**	**808,047**	**1,361,610**
Total comprehensive income for the financial year		–	–	115	–	–	–	–	341,367	341,482
Transfer to statutory and voluntary reserves		–	–	–	–	–	31,755	31,754	(63,509)	–
Sale of treasury shares	20	–	31,350	–	–	54,627	–	–	–	85,977
Dividend relating to 2016 paid	23	–	–	–	–	–	–	–	(46,568)	(46,568)
End of financial year		**313,471**	**–**	**(4,524)**	**305**	**54,627**	**183,152**	**156,133**	**1,039,337**	**1,742,501**
2016										
Beginning of financial year		**313,471**	**(28,197)**	**(5,564)**	**305**	**–**	**129,352**	**102,334**	**663,603**	**1,175,304**
Total comprehensive income for the financial year		–	–	925	–	–	–	–	221,706	222,631
Transfer to statutory and voluntary reserves		–	–	–	–	–	22,045	22,045	(44,090)	–
Purchase of treasury shares	20	–	(3,153)	–	–	–	–	–	–	(3,153)
Dividend relating to 2015 paid	23	–	–	–	–	–	–	–	(33,172)	(33,172)
End of financial year		**313,471**	**(31,350)**	**(4,639)**	**305**	**–**	**151,397**	**124,379**	**808,047**	**1,361,610**

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Net profit		**341,367**	221,706
Adjustments for:			
- Income tax expense	10(a)	**135,519**	87,773
- Amortisation, depreciation and impairment	5	**91,899**	95,982
- Loss on disposal of property, plant and equipment	8	**571**	523
- Write-off of property, plant and equipment		**2,443**	–
- Interest income	7	**(3,653)**	(2,416)
- Finance expenses	9	**–**	4,365
- Unrealised currency translation losses		**9,604**	4,046
		577,750	411,979
Change in working capital			
- Inventories		**(66,736)**	(3,905)
- Trade and other receivables		**(83,655)**	(132,515)
- Trade and other payables		**67,642**	12,322
Cash generated from operations		**495,001**	287,881
Income tax paid	10(b)	**(99,470)**	(85,025)
Net cash generated from operating activities		**395,531**	202,856
Cash flows from investing activities			
Additions to property, plant and equipment	16	**(208,953)**	(82,587)
Disposal of property, plant and equipment		**212**	598
Interest received		**3,653**	2,416
Net cash used in investing activities		**(205,088)**	(79,573)
Cash flows from financing activities			
Cash deposits restricted in use (pledged in)/released from banks		**(1,905)**	50
Proceeds from sale of treasury shares	20	**85,977**	–
Purchase of treasury shares	20	**–**	(3,153)
Proceeds from notes payables/bank borrowings		**53,500**	20,000
Repayment of notes payables/bank borrowings		**(53,500)**	(167,997)
Interest paid		**–**	(4,365)
Government grants received	19	**3,350**	–
Dividends paid to equity holders of the Company	23	**(46,568)**	(33,172)
Net cash generated from/(used in) financing activities		**40,854**	(188,637)
Net increase/(decrease) in cash and cash equivalents		**231,297**	(65,354)
Cash and cash equivalents			
Beginning of financial year		**274,217**	339,522
Effects of currency translation on cash and cash equivalents		**(9,470)**	49
End of financial year	12	**496,044**	274,217

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

1 General information

China Sunsine Chemical Holdings Ltd. (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The registered office and the principal place of business is located at 112 Robinson Road, #11-01, Singapore 068902.

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

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiary corporations are set out in Note 15 to the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRSs") 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 FRSs 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 to the financial statements.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRSs and Interpretations of FRSs ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRS.

The adoption of these new or amended FRSs 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2 Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services 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:

(a) Sale of rubber chemicals

Revenue from these sales is recognised when the Group has delivered the products to locations specified by its customers and the customers have accepted the products.

(b) Provision of heating power

Revenue from the provision of heating power is recognised when heating power is delivered to consumers.

(c) Hospitality income

Hospitality income is recognised on an accrual basis, upon rendering of the relevant services. Hospitality income includes fees from usage of the convention centres and hotel rooms, income earned from the sales of food and beverages as well as other miscellaneous income.

(d) Interest income

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

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 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 receivable 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.

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

2 Significant accounting policies (continued)

2.4 Group accounting

Subsidiary corporations

(a) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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

(b) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

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 values 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 (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill. If the amount in (b) exceeds the aggregate amounts specified in (a), the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2 Significant accounting policies (continued)

2.4 Group accounting (continued)

Subsidiary corporations (continued)

(b) Acquisitions (continued)

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve.

(c) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation 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 profits 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 subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

2 Significant accounting policies (continued)

2.5 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.

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

(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.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

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

(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 entity 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 within “other gains and losses”.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2 Significant accounting policies (continued)

2.6 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 35 years and 50 years respectively, which is the shorter of their estimated useful lives and periods of contractual rights.

2.7 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

Property, plant and equipment
Intangible assets
Investments in subsidiary corporations

Property, plant and equipment, intangible assets and investments in subsidiary corporations 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 units ("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 Significant accounting policies (continued)

2.9 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 13) and "cash and cash equivalents" (Note 12) on the statements of financial position.

(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 previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

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

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

The Group assesses at each reporting 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) Impairment (continued)

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 impairment allowance 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.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting 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.

2.12 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 (or 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.

2.13 Fair value estimation of financial assets and liabilities

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

2 Significant accounting policies (continued)

2.14 Leases

The Group leases land use rights, properties and 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.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.15 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.

2.16 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 reporting 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 an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations 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 reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting 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.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2 Significant accounting policies (continued)

2.17 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) Defined contribution plans – retirement benefits

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary corporations of the Group ("PRC Subsidiary Corporations") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC Subsidiary Corporations 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 undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiary Corporations. The only obligation of the PRC Subsidiary Corporations 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 when incurred.

2.18 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 subsidiary corporations 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 exchange differences resulting 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 reporting 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.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

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.

2 Significant accounting policies (continued)

2.18 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

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

(ii) income and 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.

2.19 Segment reporting

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

2.20 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. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.21 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 transaction 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 profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, 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.

2.22 Dividends to Company's shareholders

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Critical accounting estimates, assumptions and judgements

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

Impairment of property, plant and equipment

Based on FRS 36 - Impairment of Assets, property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the financial year, the Group carried out a valuation exercise on certain property, plant and equipment due to presence of impairment indicators. As a result of that exercise, the Group recognised an impairment charge of RMB1,910,000 (2016: Nil) on those property, plant and equipment.

The recoverable amount of the property, plant and equipment was determined by an independent external valuer. In performing the impairment assessment of the carrying amount of the property, plant and equipment, significant judgements were used to estimate the depreciated replacement costs of those assets, based on their physical inspection of the condition of the property, plant and equipment.

The carrying amounts of the Group's property, plant and equipment at the balance sheet date amounted to $661,833,000 (2016: $549,426,000).

4 Revenue

	Group	
	2017	2016
	RMB'000	RMB'000
Sale of rubber chemicals	**2,725,041**	2,030,876
Provision of heating power	**12,151**	4,764
Hospitality income	**1,211**	1,222
	2,738,403	2,036,862

5 Expenses by nature

	Group	
	2017	2016
	RMB'000	RMB'000
Purchases of inventories	**1,648,972**	1,227,798
Amortisation of intangible assets (Note 17)	**1,226**	1,161
Depreciation of property, plant and equipment (Note 16)	**88,763**	94,821
Impairment of property, plant and equipment (Note 16)	**1,910**	–
Total amortisation, depreciation and impairment	**91,899**	95,982
Reversal of impairment of trade and other receivables, net (Note 25(b)(ii))	**(412)**	(2,740)
Directors' fees	**832**	626
Employee compensation (Note 6)	**227,183**	195,590
Fees on audit services paid/payable to		
- Auditor of the Company	**898**	754
- Other auditor	**73**	44
Total audit fees	**971**	798
Freight charges	**43,998**	40,460
Port charges	**13,710**	13,639
Research expense	**18,679**	–
Utilities	**187,188**	89,557
Write off of property, plant and equipment	**2,443**	–
Other expenses	**85,027**	83,885
Changes in inventories	**(66,736)**	(3,905)
Total cost of sales, distribution and marketing costs, and administrative expenses	**2,253,754**	1,741,690

6 Employee compensation

	Group	
	2017	2016
	RMB'000	RMB'000
Salaries and wages	**205,692**	173,821
Employer's contribution to defined contribution plans including Central Provident Fund	**21,491**	21,769
	227,183	195,590

Notes to the Financial Statements

For the financial year ended 31 December 2017

7 Other income

	Group	
	2017	2016
	RMB'000	RMB'000
Interest income on bank deposits	**3,653**	2,416
Gain/(loss) on sale of scrap materials	**863**	(291)
Government grants	**10,171**	3,766
Others	**1,429**	–
	16,116	5,891

8 Other (losses)/gains

	Group	
	2017	2016
	RMB'000	RMB'000
Currency exchange (losses)/gains – net	**(23,297)**	12,603
Loss on disposal of property, plant and equipment	**(571)**	(523)
Others	**(11)**	701
	(23,879)	12,781

9 Finance expenses

	Group	
	2017	2016
	RMB'000	RMB'000
Interest expense on bank borrowings	**–**	4,357
Interest expense on bill discounting	**–**	8
	–	4,365

10 Income taxes

(a) Income tax expense

	Group	
	2017	2016
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
- Current income tax - People's Republic of China	**134,534**	87,383
Under provision in prior financial years:		
- Current income tax - People's Republic of China	**985**	390
	135,519	87,773

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

	Group	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**476,886**	309,479
Tax calculated at tax rate of 25% (2016: 25%)	**119,222**	77,370
Effects of:		
- different tax rates in other countries	**(5,246)**	(1,675)
- expenses not deductible for tax purposes	**11,508**	7,007
- foreign withholding tax	**2,290**	1,999
- deferred income tax assets not recognised	**6,760**	2,722
- under provision of tax in prior financial years	**985**	390
- other	**–**	(40)
Tax charge	**135,519**	87,773

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 RMB114,429,000 (2016: RMB73,552,000) at the reporting 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. The tax losses have no expiry date.

Deferred income tax liabilities of approximately RMB46,924,000 (2016: RMB36,195,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries (established in PRC) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future.

Notes to the Financial Statements

For the financial year ended 31 December 2017

10 Income taxes (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of financial year	**58,211**	55,418	**1,151**	975
Currency translation differences	**19**	45	**19**	45
Income tax paid	**(99,470)**	(85,025)	**(2,261)**	(1,868)
Tax expense	**134,534**	87,383	**2,290**	1,999
Under provision in prior financial year	**985**	390	**–**	–
End of financial year	**94,279**	58,211	**1,199**	1,151

11 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.

	2017	2016
Net profit attributable to equity holders of the Company (RMB'000)	**341,367**	221,706
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**481,921**	465,145
Basic and diluted earnings per share (RMB cents)	**70.83**	47.66

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

12 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**371,236**	149,847	**3,981**	21
Short-term bank deposits	**128,393**	126,050	**–**	–
	499,629	275,897	**3,981**	21

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

	Group	
	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents (as above)	**499,629**	275,897
Less: Bank deposits pledged	**(3,585)**	(1,680)
Cash and cash equivalents per consolidated statement of cash flows	**496,044**	274,217

Bank deposits are pledged in relation to the security granted for the issuance of letters of credit.

Notes to the Financial Statements

For the financial year ended 31 December 2017

13 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Notes receivables	**176,213**	150,185	**–**	–
Trade receivables				
- Non-related parties	**474,019**	410,191	**–**	–
Less: Allowance for impairment of trade receivables (Note 25(b)(ii))	**(12,433)**	(12,845)	**–**	–
Trade receivables - net	**461,586**	397,346	**–**	–
Non-trade receivables				
- Subsidiary corporations	**–**	–	**149,335**	29,659
- Non-related parties	**18,085**	30,455	**205**	25
	18,085	30,455	**149,540**	29,684
Advances to suppliers	**55,725**	50,412	**–**	–
Prepayments	**1,287**	843	**–**	–
	712,896	629,241	**149,540**	29,684

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

14 Inventories

	Group	
	2017	2016
	RMB'000	RMB'000
Raw materials	**142,085**	99,556
Finished/trading goods	**70,065**	45,858
	212,150	145,414

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB1,582,236,000 (2016: RMB1,223,893,000).

15 Investments in subsidiary corporations

	Company	
	2017	2016
	RMB'000	RMB'000
Equity investments at cost		
Beginning and end of financial year	**350,010**	350,010

15 Investments in subsidiary corporations (continued)

The Group had the following subsidiary corporations as at 31 December 2017 and 2016:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2017	2016
			%	%
Held by Company				
Shandong Sunsine Chemical Co.,Ltd [(a),(b)]	Manufacturing and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur	People's Republic of China	**100**	100
Held by Shandong Sunsine Chemical Co.,Ltd				
Weifang Sunsine Chemical Co., Ltd [(b)]	Manufacturing and sale or rubber chemicals, including rubber accelerators	People's Republic of China	**100**	100
Shandong Sheng Tao Chemical Co., Ltd [(b)]	Manufacturing and sale or rubber chemicals, including insoluble sulphur	People's Republic of China	**100**	100
Shanxian Sunsine Hotel Management Co., Ltd [(c)]	Hotel investment and management (dormant)	People's Republic of China	**100**	100
Shanxian Guangshun Heating Co., Ltd [(b)]	Production and supply of heating power, including preparation and implementation of the project	People's Republic of China	**100**	100
Held by Shanxian Sunsine Hotel Management Co., Ltd				
Shandong Fulong Villa Co., Ltd[(b)]	Hotel and restaurant	People's Republic of China	**100**	100

(a) Audited by Shan Dong He Hua United Certified Public Accounts for local statutory purposes.

(b) For the purposes of preparing the consolidated financial statements of the Group, these financial statements have been audited by Shanghai Nexia TS Certified Public Accountants.

(c) The company was dormant during the financial year.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

Significant restrictions

Cash and short-term deposits of RMB495,648,000 (2016: RMB275,876,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Notes to the Financial Statements

For the financial year ended 31 December 2017

16 Property, plant and equipment

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Group						
2017						
Cost						
Beginning of financial year	594,172	382,333	9,758	18,853	49,919	1,055,035
Additions	28,835	6,636	406	2,733	170,343	208,953
Grants received (Note 19)	–	–	–	–	(2,647)	(2,647)
Disposals	(4,784)	(31)	–	(553)	–	(5,368)
Written off	–	(49)	(6)	(174)	(2,430)	(2,659)
Reclassification	21,458	45,069	59	–	(66,586)	–
End of financial year	639,681	433,958	10,217	20,859	148,599	1,253,314
Accumulated depreciation and impairment losses						
Beginning of financial year	376,536	112,149	4,723	12,201	–	505,609
Depreciation charge (Note 5)	61,771	23,507	1,008	2,477	–	88,763
Impairment (Note 5)	–	–	–	–	1,910	1,910
Disposals	(4,052)	(9)	–	(524)	–	(4,585)
Written off	–	(39)	(3)	(174)	–	(216)
End of financial year	434,255	135,608	5,728	13,980	1,910	591,481
Net book value						
End of financial year	**205,426**	**298,350**	**4,489**	**6,879**	**146,689**	**661,833**

Notes to the Financial Statements

For the financial year ended 31 December 2017

16 Property, plant and equipment (continued)

	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Group						
2016						
Cost						
Beginning of financial year	562,736	377,050	8,812	17,280	10,483	976,361
Additions	23,452	4,631	3,037	663	50,804	82,587
Disposals	(1,376)	(5)	(2,091)	(441)	–	(3,913)
Reclassification	9,360	657	–	1,351	(11,368)	–
End of financial year	594,172	382,333	9,758	18,853	49,919	1,055,035
Accumulated depreciation and impairment losses						
Beginning of financial year	309,275	89,348	5,269	9,688	–	413,580
Depreciation charge (Note 5)	68,107	22,806	1,007	2,901	–	94,821
Disposals	(846)	(5)	(1,553)	(388)	–	(2,792)
End of financial year	376,536	112,149	4,723	12,201	–	505,609
Net book value						
End of financial year	**217,636**	**270,184**	**5,035**	**6,652**	**49,919**	**549,426**

17 Intangible assets

	Group	
	2017 **RMB'000**	2016 RMB'000
Land use rights		
Cost		
Beginning and end of financial year	**53,287**	53,287
Accumulated amortisation and impairment losses		
Beginning of financial year	**10,784**	9,623
Amortisation charge (Note 5)	**1,226**	1,161
End of financial year	**12,010**	10,784
Net book value	**41,277**	42,503

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

17 Intangible assets (continued)

Land use rights are related to the following parcels of land:

Location	Period	Land area (sq m)
Facility 1		
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 5 Sep 2056)	162,087
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 31 Oct 2059)	89,109
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA(1)	110,514
Intersection of Beiyuan Road and East Outer Ring Road, Shanxian	NA(1)	45,187
		406,897
Facility 2		
Bin Hai Economic Development Area, Weifang	50 years (expiring on 13 Mar 2061)	187,852
Facility 3		
Zhuji County, Changjiang Road North, Chenji, Dingtao	50 years (expiring on 2 Sep 2064)	59,942
Zhuji County, Changjiang Road North, Chenji, Dingtao	NA(2)	126,725
		186,667
Facility 4		
Economic and Technological Development Zone, Shanxian	50 years (expiring on 26 Dec 2063)	46,175
Economic and Technological Development Zone, Shanxian	NA(3)	80,492
		126,667
Facility 5		
Fulong Lake, Fugang Village, Shanxian	35 years (expiring on 7 Sep 2050)	33,618

(1) The land for Facility 1 is where Shandong Sunsine Chemical Co., Ltd's ("Shandong Sunsine") chemical factories are built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Sunsine has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(2) The land for Facility 3 is where Shandong Sheng Tao Chemical Co., Ltd's ("Shandong Sheng Tao") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Shandong Shengtao has obtained construction permission from the local authority of Dingtao County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

(3) The land for Facility 4 is where Shanxian Guangshun Heating Co., Ltd's ("Guangshun") factory is built. However, its full rights to the properties (comprising building and land) is subject to the grant of the land use rights for the land on which the buildings are erected. Guangshun has obtained construction permission from the local authority of Shanxian County in prior financial year but has yet to receive the land use rights certificates as at the date of authorisation of these financial statements.

Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group has obtained the right to use through contractual arrangement with the local government agency.

Notes to the Financial Statements

For the financial year ended 31 December 2017

18 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables - Non-related parties	**71,118**	52,230	**–**	–
Non-trade payables - Non-related parties	**79,238**	61,833	**38**	82
Accruals for operating expenses	**139,946**	108,597	**37,549**	16,549
	290,302	222,660	**37,587**	16,631

19 Deferred grants

	Group	
	2017	2016
	RMB'000	RMB'000
Beginning of financial year	**–**	–
Amount received from government agencies	**3,350**	–
Deducted against the carrying amount of the assets (Note 16)	**(2,647)**	–
End of financial year	**703**	–

Deferred grants relate to government grants received from government agencies for the recognition of the contribution toward national building as well as the research activities undertaken by the Group's subsidiary in the People's Republic of China.

20 Share capital and treasury shares

(a) Share capital

	No. of ordinary shares	Amount	
		SGD'000	RMB'000
Group and Company			
2017			
Beginning and end of financial year	491,694,000	62,649	313,471
2016			
Beginning and end of financial year	491,694,000	62,649	313,471

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 regards to the Group's residual assets.

Notes to the Financial Statements

For the financial year ended 31 December 2017

20 Share capital and treasury shares (continued)

(b) Treasury shares

	No. of ordinary shares	Amount SGD'000	Amount RMB'000
Group and Company			
2017			
Beginning of financial year	27,653,000	(6,447)	(31,350)
Treasury shares sold	(27,653,000)	6,447	31,350
End of financial year	**–**	**–**	**–**
2016			
Beginning of financial year	26,190,000	(5,792)	(28,197)
Treasury shares purchased	1,463,200	(655)	(3,153)
End of financial year	**27,653,200**	**(6,447)**	**(31,350)**

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

In 2016, the Company acquired 1,463,200 shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was RMB3,153,000 and this was presented as a component within shareholders' equity.

In 2017, the Company sold 27,653,000 treasury shares to various investors. The cost of the treasury shares sold amounted to RMB31,350,000. The total consideration (net of expense) for the treasury shares issued amounted to S$17,500,000 (equivalent to RMB 85,977,000). Accordingly, a gain on sale of treasury shares of RMB54,627,000 was recognised in the capital reserve (Note 21(b)(ii).

21 Other reserves

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
(a) Composition:				
Merger reserve	**305**	305	**–**	–
Capital reserve	**54,627**	–	**54,627**	–
Statutory common reserve	**183,152**	151,397	**–**	–
Voluntary common reserve	**156,133**	124,379	**–**	–
Currency translation reserve	**(4,524)**	(4,639)	**(4,210)**	(4,325)
	389,693	271,442	**50,417**	(4,325)

21 Other reserves (continued)

(b) Movements:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
(i) Merger reserve				
Beginning and end of financial year	**305**	305	**–**	–
(ii) Capital reserve				
Beginning of financial year	**–**	–	**–**	–
Gain on sale of treasury shares	**54,627**	–	**54,627**	–
End of financial year	**54,627**	–	**54,627**	–
(iii) Statutory common reserve				
Beginning of financial year	**151,397**	129,352	**–**	–
Transfer from retained profits	**31,755**	22,045	**–**	–
End of financial year	**183,152**	151,397	**–**	–
(iv) Voluntary common reserve				
Beginning of financial year	**124,379**	102,334	**–**	–
Transfer from retained profits	**31,754**	22,045	**–**	–
End of financial year	**156,133**	124,379	**–**	–
(v) Currency translation reserve				
Beginning of financial year	**(4,639)**	(5,564)	**(4,325)**	(5,250)
Net currency translation differences of financial statements of holding company	**115**	925	**115**	925
End of financial year	**(4,524)**	(4,639)	**(4,210)**	(4,325)

Other reserves are non-distributable.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Other reserves (continued)

Merger reserve

The merger reserve arose 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 2007.

Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency.

Statutory and Voluntary reserves

According to the Company Law of People's Republic of China ("PRC") and Articles of Association of PRC Subsidiary Corporations, the subsidiary corporations are required to provide the following statutory reserves which are appropriated from the net profit as reported in the PRC statutory financial statements:

(i) <u>Statutory common reserve</u>

A company is required to transfer 10% of the net profit as reported in its PRC statutory financial statements to statutory common reserve annually, 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) <u>Voluntary common reserve</u>

In accordance with the relevant laws and regulations in the People's Republic of China, the subsidiary corporation is allowed to appropriate a minimum of 10% of the net profit reported in the statutory accounts to the voluntary common reserve which serves as staff welfare fund until the balance of such reserve reached 50% of its registered share capital.

The amount to be set aside is determined by the Board of Directors annually in accordance with the relevant regulations. This reserve cannot be used for purposes other than those for which is created and is not distributable as cash dividends.

22 Retained profits

(a) Retained profits of the Group and the Company are distributable.

(b) Movement in retained profits for the Company is as follows:

	Company	
	2017	2016
	RMB'000	RMB'000
Beginning of financial year	**84,137**	98,367
Net profit	**63,288**	18,942
Dividends paid (Note 23)	**(46,568)**	(33,172)
End of financial year	**100,857**	84,137

23 Dividends

	Group	
	2017	2016
	RMB'000	RMB'000
Ordinary dividends (Note 22)		
Final dividends paid in respect of the previous financial year of SGD 0.015 (2016: SGD 0.015) per share	**34,546**	33,172
Interim dividends paid in respect of the current financial year of SGD 0.005 (2016: SGD nil) per share	**12,022**	–
	46,568	33,172

At the Annual General Meeting on 26 April 2018, a final dividend of SGD 0.025 per share amounting to SGD12,292,350 (equivalent to approximately RMB60,025,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2018.

24 Commitments

(a) Capital commitments

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

	Group	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	**29,024**	38,096

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

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**1,282**	1,334	**–**	50
Between one and five years	**–**	1,282	**–**	–
	1,282	2,616	**–**	50

Notes to the Financial Statements

For the financial year ended 31 December 2017

25 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any 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 Group. The Board of Directors establishes the detailed 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 People's Republic of China ("PRC"). Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Euro ("EUR").

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

Currently, the PRC government imposes control over foreign currencies. Chinese Renminbi ("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.

25 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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
At 31 December 2017					
Financial assets					
Cash and cash equivalents	187,300	306,570	1,740	4,019	499,629
Trade and other receivables	531,048	122,240	2,392	204	655,884
Receivables from inter-company	100,961	–	–	149,335	250,296
	819,309	428,810	4,132	153,558	1,405,809
Financial liabilities					
Trade and other payables	(247,912)	(4,803)	–	(37,587)	(290,302)
Payables to inter-company	(100,961)	–	–	(149,335)	(250,296)
	(348,873)	(4,803)	–	(186,922)	(540,598)
Net financial assets/(liabilities)	470,436	424,007	4,132	(33,364)	865,211
Add: Net non-financial assets/ (liabilities)	878,489	–	–	(1,199)	877,290
Net assets	1,348,925	424,007	4,132	(34,563)	1,742,501
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(470,436)	–	–	33,401	(418,338)
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	**–**	**424,007**	**4,132**	**37**	**428,176**

Notes to the Financial Statements

For the financial year ended 31 December 2017

25 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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
At 31 December 2016					
Financial assets					
Cash and cash equivalents	93,154	163,763	2,071	16,909	275,897
Trade and other receivables	461,357	112,876	3,728	25	577,986
Receivables from inter-company	84,850	–	–	29,659	114,509
	639,361	276,639	5,799	46,593	968,392
Financial liabilities					
Trade and other payables	(206,030)	–	–	(16,630)	(222,660)
Payables to inter-company	(84,850)	–	–	(29,659)	(114,509)
	(290,880)	–	–	(46,289)	(337,169)
Net financial assets	348,481	276,639	5,799	304	631,223
Add: Net non-financial assets/ (liabilities)	731,538	–	–	(1,151)	730,387
Net assets	1,080,019	276,639	5,799	(847)	1,361,610
Less: Net financial assets denominated in the respective entities' functional currencies	(348,481)	–	–	(16,584)	(365,065)
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	**–**	**276,639**	**5,799**	**(16,280)**	**266,158**

25 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, EUR and SGD change against the RMB by 6% (2016: 7%), 7% (2016: 3%) and 2% (2016: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follow:

	Increase/(decrease)	
	2017	2016
	Net profit	Net profit
	RMB'000	RMB'000
USD against RMB		
- Strengthened	**19,080**	14,524
- Weakened	**(19,080)**	(14,524)
EUR against RMB		
- Strengthened	**217**	130
- Weakened	**(217)**	(130)
SGD against RMB		
- Strengthened	**1**	(610)
- Weakened	**(1)**	610

(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.

For the financial year ended 31 December 2017, the Group is not exposed to significant cash flow and fair value interest rate risk as the Group's exposure on interest rate risk is primarily from short-term bank deposits placed.

Notes to the Financial Statements

For the financial year ended 31 December 2017

25 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major class of financial assets of the Group is 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 ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by directors.

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 statement of financial position.

The trade receivables of the Group comprise of one debtor (2016: one debtor) that individually represented more than 5% of trade receivables.

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

	2017	2016
	RMB'000	RMB'000
By geographical areas		
People's Republic of China	**317,128**	273,949
Overseas market	**144,458**	123,397
	461,586	397,346

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

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(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:

	2017	2016
	RMB'000	RMB'000
Past due < 3 months	**8,249**	29,117
Past due 3 to 6 months	**69**	10
	8,318	29,127

The Group believes that the trade receivables that are past due but not impaired are collectible, based on historical payment behaviour and credit-worthiness of the customers.

25 Financial risk management (continued)

(b) Credit risk (continued)

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

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

	2017	2016
	RMB'000	RMB'000
Trade receivables	**12,433**	12,845
Less: Allowance for impairment of receivables	**(12,433)**	(12,845)
	–	–
Beginning of financial year	**(12,845)**	(15,996)
Allowance made	**(1,774)**	(1,618)
Allowance utilised	**–**	411
Reversal of allowance made	**2,186**	4,358
End of financial year (Note 13)	**(12,433)**	(12,845)

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

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

Liquidity risk is the risk that the Group 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 balance sheet date, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

25 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000
Group	
At 31 December 2017	
Trade and other payables	**290,302**
At 31 December 2016	
Trade and other payables	222,660
Company	
At 31 December 2017	
Trade and other payables	**37,587**
At 31 December 2016	
Trade and other payables	16,631

(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.

Management monitors capital based on a gearing ratio. 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 total equity plus net debt.

	Group		**Company**	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Net debt	**–**	–	**33,606**	16,610
Total equity	**1,742,501**	1,361,610	**464,745**	361,933
Total capital	**1,742,501**	1,361,610	**498,351**	378,543
Gearing ratio	**–**	–	**7%**	4%

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

25 Financial risk management (continued)

(e) Fair value measurements

The carrying amounts of receivables and payables are assumed to approximate their fair values due to their short term to maturity.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans and receivables	**1,155,513**	853,883	**153,521**	29,705
Financial liabilities measured at amortised cost	**290,302**	222,660	**37,587**	16,631

26 Related party transactions

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

	Group	
	2017	2016
	RMB'000	RMB'000
Salaries and wages	**39,728**	18,816
Employer's contribution to defined contribution plans including Central Provident Funds	**124**	121
	39,852	18,937

Included in the above is total compensation to directors of the Company amounting to RMB37,356,000 (2016: RMB16,720,000).

27 Segment information

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

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

Other segments included investment holding in Singapore and hotel and restaurant in People's Republic of China. These are not included within the reportable operating segments as the segments do not meet the quantitative thresholds required by FRS 108 for reportable segments. The results of these operations are included in the "Others" column.

Notes to the Financial Statements

For the financial year ended 31 December 2017

27 Segment information (continued)

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

	Rubber Chemicals RMB'000	Heating Power RMB'000	Others RMB'000	Total RMB'000
2017				
Sales				
Total segment sales	3,340,253	110,916	1,799	3,452,968
Inter-segment sales	(615,212)	(98,765)	(588)	(714,565)
Sales to external parties	2,725,041	12,151	1,211	2,738,403
Adjusted EBITDA	592,932	13,740	(41,540)	565,132
Depreciation	(75,319)	(12,018)	(1,426)	(88,763)
Amortisation	(680)	(127)	(419)	(1,226)
Segment assets	1,881,925	199,477	46,383	2,127,785
Segment assets include:				
Additions to property, plant and equipment	142,375	46,578	20,000	208,953
Segment liabilities	272,594	50,273	62,417	385,284
2016				
Sales				
Total segment sales	2,584,498	76,892	3,822	2,665,212
Inter-segment sales	(553,622)	(72,128)	(2,600)	(628,350)
Sales to external parties	2,030,876	4,764	1,222	2,036,862
Adjusted EBITDA	416,190	10,391	(19,171)	407,410
Depreciation	(81,598)	(11,888)	(1,335)	(94,821)
Amortisation	(619)	(123)	(419)	(1,161)
Segment assets	1,438,458	175,906	28,117	1,642,481
Segment assets include:				
Additions to property, plant and equipment	77,194	3,215	2,178	82,587
Segment liabilities	232,824	27,222	20,825	280,871

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

27 Segment information (continued)

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

(a) Reconciliations

(i) *Segment profits*

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	2017	2016
	RMB'000	RMB'000
Adjusted EBITDA for reportable segments	**565,132**	407,410
Depreciation	**(88,763)**	(94,821)
Amortisation	**(1,226)**	(1,161)
Impairment loss	**(1,910)**	–
Finance expenses	**–**	(4,365)
Interest income	**3,653**	2,416
Profit before income tax	**476,886**	309,479

(b) Geographical Segment

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

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
People's Republic of China	**1,766,651**	1,271,981	**703,110**	591,929
Rest of Asia	**652,833**	512,320	**–**	–
America	**126,776**	121,207	**–**	–
Europe	**147,854**	117,707	**–**	–
Other countries	**44,289**	13,647	**–**	–
	2,738,403	2,036,862	**703,110**	591,929

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

28 New or revised accounting standards and interpretations

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted.

Description	*Effective for annual periods beginning on or after*
FRS 109: Financial Instruments	1 Jan 2018
FRS 115: Revenue from Contracts with Customers	1 Jan 2018
Amendments to FRS 28: Investments in Associates and Joint Ventures	1 Jan 2018
Amendments to FRS 40: Transfers of Investment Property	1 Jan 2018
Amendments to FRS 101: First-Time Adoption of Financial Reporting Standards	1 Jan 2018
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
INT FRS 122: Foreign Currency Transactions and Advance Consideration	1 Jan 2018
FRS 116: Leases	1 Jan 2019
Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 Jan 2019
Amendments to FRS 109: Prepayment Features with Negative Compensation	1 Jan 2019
INT FRS 123: Uncertainty over Income Tax Treatments	1 Jan 2019
Amendments to FRS 103: Business Combinations	1 Jan 2019
Amendments to FRS 111: Joint Arrangements	1 Jan 2019
Amendments to FRS 12: Income Taxes	1 Jan 2019
Amendments to FRS 23: Borrowing Costs	1 Jan 2019
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	Note (a)

(a) The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The amendments allowing the overlay approach are applicable when an entity first apply FRS 109.

28 New or revised accounting standards and interpretations (continued)

- FRS 109 Financial Instruments

  FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

  FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

  Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

  FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

  There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

  The new standard also introduces expanded disclosure requirements and changes in presentation.

  The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 109 and the management does not expect significant adjustments to the Group's financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2017

28 New or revised accounting standards and interpretations (continued)

- FRS 115 Revenue from Contracts with Customers

  FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

  Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 115 and the management does not expect significant adjustments to the Group's financial statements.

- FRS 116 Leases

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

  The new standard also introduces expanded disclosure requirements and changes in presentation. The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 116.

  As at the balance sheet date, the Group has non-cancellable operating lease commitments of RMB1,282,000 (Note 24). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Notes to the Financial Statements

For the financial year ended 31 December 2017

29 Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The management does not expect significant adjustments to the Group's financial statements arising from the adoption of SFRS(I) on the Group's financial statements.

30 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Sunsine Holdings Ltd. on 21 March 2018.

Statistics of Shareholdings

As at 16 March 2018

SHARE CAPITAL

Number of Issued Shares	: 491,694,000
Number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings[1])	: 491,694,000
Number of Treasury Shares	: 0
Number of Subsidiary Holdings	: 0
Percentage of Treasury Shares and Subsidiary Holdings	: 0.00%[2]
Class of Shares	: Ordinary Shares
Voting Rights (excluding Treasury Shares and Subsidiary Holdings)	: One vote per share

Notes:

(1) "Subsidiary Holdings" means any Issued Shares of the Company held by its subsidiaries (as referred to in the Companies Act, Chapter 50 of Singapore).

(2) Percentage calculated against the number of Issued Shares (excluding Treasury Shares and Subsidiary Holdings).

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
No. of ordinary shares held				
1 - 99	36	0.00	1	0.08
100 - 1,000	63,336	0.01	92	7.34
1,001 - 10,000	3,455,300	0.70	619	49.36
10,001 - 1,000,000	45,604,796	9.28	514	40.99
1,000,001 and above	442,570,532	90.01	28	2.23
Grand Total	**491,694,000**	**100.00**	**1,254**	**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	59.72
2	CHIA KEE KOON	21,631,000	4.40
3	DBS NOMINEES PTE LTD	21,425,684	4.36
4	UOB KAY HIAN PTE LTD	16,403,362	3.34
5	CITIBANK NOMINEES SINGAPORE PTE LTD	14,675,840	2.98
6	DB NOMINEES (SINGAPORE) PTE LTD	12,110,100	2.46
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	6,953,500	1.41
8	OCBC SECURITIES PRIVATE LTD	6,342,800	1.29
9	XU XIANLEI	4,903,200	1.00
10	RAFFLES NOMINEES (PTE) LTD	4,689,900	0.95
11	MAYBANK KIM ENG SECURITIES PTE LTD	3,874,651	0.79
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,873,700	0.79
13	LEOW EK HUA	3,015,700	0.61
14	LEE YOW FEE	2,831,000	0.58
15	EE HOCK LEONG LAWRENCE	2,600,000	0.53
16	YEO KHEE CHYE	2,500,000	0.51
17	STONE ROBERT ALEXANDER	2,340,700	0.48
18	LIM SOON HWEE (LIN SHUNHUI)	2,192,100	0.45
19	PHILLIP SECURITIES PTE LTD	2,019,300	0.41
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,012,366	0.41
	TOTAL	**430,037,453**	**87.47**

Statistics of Shareholdings

As at 16 March 2018

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at **16 March 2018**, approximately 38.65% 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 Limited (1)	293,642,550	59.72	–	–
Xu Cheng Qiu (1) (2)	–	–	296,511,550	60.30

Notes:

(1) By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Mr Xu Cheng Qiu is deemed to be interested in the 293,642,550 Shares held by Success More Group Limited.

(2) Mr Xu Cheng Qiu is deemed to be interested in the 2,869,000 Shares held by the nominees, UOB Kay Hian Pte Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. (the "**Company**") will be held at Marina Bay Sands Expo and Convention Centre, Level 3, Cassia Ballroom 3211, 10 Bayfront Avenue, Singapore 018956 on Thursday, 26 April 2018 at 10.00 a.m. ("**AGM**") for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017, together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of 2.5 Singapore cents per ordinary share for the financial year ended 31 December 2017. **(Resolution 2)**

3. To re-elect the Director, Mr Liu Jing Fu, who is retiring by rotation under Article 104 of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 3)**
[See Explanatory Note 1]

4. To re-elect the Director, Mr Koh Choon Kong, who is retiring by rotation under Article 104 of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 4)**
[See Explanatory Note 2]

5. To re-elect the Director, Mr Tan Lye Heng Paul, who is retiring under Article 114 of the Company's Constitution, and who, being eligible, offers himself for re-election. **(Resolution 5)**
[See Explanatory Note 3]

6. To approve the amount of S$170,000 proposed as Directors' fees for the financial year ended 31 December 2017 (2016: S$142,500). **(Resolution 6)**

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

8. 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:

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

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

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

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

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution 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 50% of the total number of issued shares (excluding treasury shares and shares of the Company held by its subsidiaries ("**Subsidiary Holdings**")) 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 20% of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) 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 issued shares shall be based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) of the Company at the time this Resolution is passed, after adjusting for:

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

   (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, 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 Constitution of the Company for the time being in force; 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 the earlier.
[See Explanatory Note 4]

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

That:

(a) for the purposes of the Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

   (i) market purchase(s), (each a "**Market Purchase**") on the SGX-ST; and/or

Notice of Annual General Meeting

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Limit**" means the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and Subsidiary Holdings as at that date);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the maximum price (excluding brokerage, commission, applicable goods and service tax, and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares; and

Notice of Annual General Meeting

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing such documents as may be required) as they and/or he may consider expedient, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note 5]

BY ORDER OF THE BOARD

TONG YIPING
DAI LINGNA
Joint Company Secretaries

Singapore, 10 April 2018

Notice of Annual General Meeting

EXPLANATORY NOTES:

1. **Resolution 3** – Mr Liu Jing Fu will, upon re-election, remain as Executive Director and Chief Executive Officer of the Company. There are no relationships (including immediate family relationships) between Mr Liu Jing Fu and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Liu Jing Fu can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2017.

2. **Resolution 4** – Mr Koh Choon Kong will, upon re-election, remain as Independent Director of the Company, Chairman of the Audit Committee and a member of each of the Nominating Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Mr Koh Choon Kong and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Koh Choon Kong can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2017.

3. **Resolution 5** – Mr Tan Lye Heng Paul will, upon re-election, remain as Independent Director of the Company and a member of each of the Audit Committee, Nominating Committee and Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Mr Tan Lye Heng Paul and the other Directors, the Company or its 10% shareholders. Detailed information on Mr Tan Lye Heng Paul can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2017.

4. **Resolution 8** – Resolution 8, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50% of the issued shares (excluding treasury shares and Subsidiary Holdings) of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time that Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares.

5. **Resolution 9** – Resolution 9, if passed, will renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

   The Company may use internal or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

   The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017, based on certain assumptions, are set out in paragraph 2.8 of the Letter to Shareholders dated 10 April 2018.

   Please refer to the Letter to Shareholders dated 10 April 2018 for more details.

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

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

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 112 Robinson Road, #11-01, Singapore 068902 not less than 48 hours before the time fixed for the AGM or any adjournment thereof.

Notice of **Annual General Meeting**

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2018, for the purpose of determining shareholders' entitlements to the final (one-tier tax exempt) dividend of 2.5 Singapore cents per ordinary share for the financial year ended 31 December 2017 (the "**Proposed Dividend**").

Duly completed registrable transfers in respect of the ordinary shares of the Company ("**Shares**") 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 10 May 2018 will be registered to determine shareholders' entitlements to the Proposed Dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 10 May 2018 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by shareholders at the Annual General Meeting to be held on 26 April 2018, will be paid on 28 May 2018.

This page has been intentionally left blank.

CHINA SUNSINE CHEMICAL HOLDINGS LTD.
(Incorporated in the Republic of Singapore)

Proxy Form
Annual General Meeting

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the AGM and vote (please see Notes 3 and 4).
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS operators for any queries they may have with regards to their appointment as proxies or the appointment of their Agent Banks as proxies for the AGM.

I/We, ____ (Name)

____________________________ (NRIC No. /Passport No. /Company Registration No.)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing the person/persons, the Chairman of the Meeting 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 Marina Bay Sands Expo and Convention Centre, Level 3, Cassia Ballroom 3211, 10 Bayfront Avenue, Singapore 018956 on Thursday, 26 April 2018 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 and at any adjournment thereof.

No.	Resolutions relating to:	* No. of Votes "For"	* No. of Votes "Against"
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017, together with the Independent Auditor's Report thereon		
2	Declaration of a final one-tier tax exempt dividend of 2.5 Singapore cents per ordinary share for the financial year ended 31 December 2017		
3	Re-election of Mr Liu Jing Fu as a Director		
4	Re-election of Mr Koh Choon Kong as a Director		
5	Re-election of Mr Tan Lye Heng Paul as a Director		
6	Approval of the payment of Directors' fees of S$170,000 for the financial year ended 31 December 2017		
7	Re-appointment of Messrs Nexia TS Public Accounting Corporation as the Company's Auditor, and to authorise the Directors to fix their remuneration		
8	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the SGX-ST		
9	Renewal of Share Purchase Mandate		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this __________ day of ______________ 2018

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

____
Signature(s) of Member(s) or Common Seal

Notes:

1. 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 81SF of the Securities and Futures Act (Cap. 289)), 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.

2. A member of the Company who is not a relevant intermediary (as defined in Note (4) below) shall be entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.

3. A member of the Company who is a relevant intermediary (as defined in Note (4) below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him.

4. Pursuant to Section 181 of the Companies Act (Cap. 50), a "relevant intermediary" means:-

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. A proxy need not be a member of the Company. Where a member (other than a relevant intermediary) 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.

6. This Proxy Form must be under the hand of the appointer or by his attorney duly authorised in writing. Where the member is a corporation, the instrument appointing the proxy or proxies must be executed under its seal or the hand of its attorney or duly authorised officer.

7. This Proxy Form must be deposited at the registered office of the Company at 112 Robinson Road, #11-01, Singapore 068902 not less than 48 hours before the time appointed for holding the above AGM.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it 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 proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 10 April 2018.

10 Illustrious Years

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 #11-01
Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
Email: info@ChinaSunsine.com
www.ChinaSunsine.com

OUR DISTINGUISHED CLIENTS

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