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**CHINA SUNSINE CHEMICAL HOLDINGS LTD.**

*The initial public offering of the Company was sponsored by CIMB-GK Securities Pte. Ltd. (the “Manager”). The Manager assumes no responsibility for the contents of this announcement.*

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**
**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding year.

	3 <sup>rd</sup> quarter ended			9 months ended		
	30/9/2007	30/9/2006	Change	30/9/2007	30/9/2006	Change
	Actual	Pro forma		Actual	Pro forma	
	RMB'million	RMB'million	%	RMB'million	RMB'million	%
	Actual	Pro forma		Actual	Pro forma	
Revenue	154.8	119.5	↑29.5%	440.0	348.0	↑26.4%
Cost of sales	125.8	89.3	↑40.9%	348.6	262.3	↑32.9%
<b>Gross profit</b>	<b>29.0</b>	<b>30.2</b>	↓4.0%	<b>91.4</b>	<b>85.7</b>	↑6.7%
Other operating income	0.4	0.6	↓33.3%	2.6	2.4	↑8.3%
Selling and distribution expenses	4.6	5.5	↓16.4%	14.7	14.9	↓1.3%
Administrative expenses	7.7	4.2	↑83.3%	14.7	11.0	↑33.6%
Research costs	0.2	3.0	↓93.3%	2.8	6.0	↓53.3%
Other operating expenses	0.2	0.3	↓33.3%	0.4	1.1	↓63.6%
Finance expenses	0.1	0.4	↓75.0%	0.4	1.7	↓76.5%
<b>Profit from operation</b>	<b>16.6</b>	<b>17.4</b>	↓4.6%	<b>61.0</b>	<b>53.4</b>	↑14.2%
Share issue cost	7.7	-	↑100%	7.7	-	↑100.0%
<b>Profit before taxation</b>	<b>8.9</b>	<b>17.4</b>	↓51.1%	<b>53.3</b>	<b>53.4</b>	↓0.2%
Taxation	-	3.0	↓100.0%	-	10.5	↓100.0%
<b>Profit after taxation</b>	<b>8.9</b>	<b>14.4</b>	↓38.2%	<b>53.3</b>	<b>42.9</b>	↑24.2%
Gross profit margin	18.7%	25.3%	↓6.6%	20.8%	24.6%	↓3.8%
Earnings per share (RMB cents)	1.83	4.10	↓55.4%	13.56	12.26	↑10.6%

## Notes to the Income Statement

	3 <sup>rd</sup> quarter ended			9 months ended		
	30/9/2007	30/9/2006	Change	30/9/2007	30/9/2006	Change
	RMB'million	RMB'million	%	RMB'million	RMB'million	%
Profit before tax is arrived at after charging/ (crediting)						
Other income including interest income	(0.4)	(0.6)	↓33.3%	(2.6)	(2.4)	↑8.3%
Interest on borrowings	0.1	0.5	↓80.0%	0.5	1.7	↓70.5%
Depreciation of plant and equipment	3.3	2.6	↑26.9%	10.6	8.3	↑27.7%
Foreign exchange loss	0.2	0.3	↓33.3%	0.8	0.3	↑166.7%
Cost of sales is arrived at after crediting Export Tax rebate	(4.4)	(6.0)	↓26.7%	(18.1)	(19.1)	↓5.2%

### 1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	<u>GROUP</u>		<u>COMPANY</u>	
	30-Sep-2007	31-Dec-2006	30-Sep-2007	31-Dec-2006
	RMB'million	RMB'million	RMB'million	RMB'million
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investment in a subsidiary	-	-	251.1	50.6
Plant and equipment	84.1	51.0	-	-
Land use rights	5.2	5.3	-	-
	<u>89.3</u>	<u>56.3</u>	<u>251.1</u>	<u>50.6</u>
<b>CURRENT ASSETS</b>				
Held-to-maturity Investments	100.0	-	-	-
Inventories	29.5	27.5	-	-
Trade receivables	120.7	102.1	-	-
Other receivables, deposits and prepayments	102.7	28.4	-	0.4
Amount owing from a subsidiary	-	-	2.1	-
Cash and cash equivalents	108.6	64.1	55.4	0.2
	<u>461.5</u>	<u>222.1</u>	<u>57.5</u>	<u>0.6</u>
<b>TOTAL ASSETS</b>	<u>550.8</u>	<u>278.4</u>	<u>308.60</u>	<u>51.2</u>

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**Balance sheet (continued)**

	GROUP		COMPANY	
	30-Sep-2007	31-Dec-2006	30-Sep-2007	31-Dec-2006
	RMB'million	RMB'million	RMB'million	RMB'million
Share capital	313.5	n.m	313.5	n.m
Merger reserve	-	(32.8)	-	-
Statutory reserves	14.1	22.1	-	-
Exchange on translation	0.4	-	0.1	-
Accumulated profits/(losses)	118.3	90.0	(8.9)	0.2
<b>TOTAL EQUITY</b>	<b>446.3</b>	<b>79.3</b>	<b>304.7</b>	<b>0.2</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Amount owing to employees	-	0.3	-	-
<b>CURRENT LIABILITIES</b>				
Trade payables	10.8	9.4	-	-
Other payables and accruals	25.0	121.7	3.9	50.4
Loans from a director	49.0	-	-	-
Amounts owing to a subsidiary	-	-	-	0.6
Research and development costs payable	0.9	17.9	-	-
Dividend payable	13.8	31.3	-	-
Bank loans	-	12.0	-	-
Provision for taxation	5.0	6.5	-	-
	<b>104.5</b>	<b>198.8</b>	<b>3.9</b>	<b>51.0</b>
<b>TOTAL LIABILITIES</b>	<b>104.5</b>	<b>199.1</b>	<b>3.9</b>	<b>51.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>550.8</b>	<b>278.4</b>	<b>308.6</b>	<b>51.2</b>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand			
As at 30-Sep-2007		As at 31-Dec-2006	
Secured	Unsecured	Secured	Unsecured
RMB'million	RMB'million	RMB'million	RMB'million
-	54.1 <sup>1</sup>	12.0 <sup>2</sup>	17.2

Amount repayable after one year			
As at 30-Sep-2007		As at 31-Dec-2006	
Secured	Unsecured	Secured	Unsecured
RMB'million	RMB'million	RMB'million	RMB'million
-	-	-	-

**Details of any collateral**

1. Includes loan from shareholder/director amounting to RMB 49 million. Amount is unsecured, interest-free and requires our Audit Committee's approval before it can be repaid. Announcement shall be made via SGXNet accordingly.

2. The bank loan amounts totaling RMB 12 million are secured by a RMB 30,000,000 mortgage on our subsidiary's property, plant and equipment at Facility 2. The loans carry interest ranging from 3.0% to 7.6% p.a.. The bank loan has been fully repaid as at 30 September 2007.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<u>3<sup>rd</sup> quarter ended</u>		<u>9 months ended</u>	
	<u>30-Sep-2007</u>	<u>30-Sep-2006</u>	<u>30-Sep-2007</u>	<u>30-Sep-2006</u>
	RMB'million	RMB'million	RMB'million	RMB'million
	Actual	Pro forma	Actual	Pro forma
<b>Cash flows from operating activities</b>				
Profit before taxation	8.9	17.4	53.3	53.4
Adjustments for:-				
Depreciation of plant and equipment	3.3	2.6	10.6	8.3
Interest expense	0.1	0.4	0.4	1.7
Interest income	(0.4)	(0.2)	(0.8)	(0.3)
translation difference	(1.6)	-	(0.4)	-
<b>Operating profit before working capital changes</b>	<b>10.3</b>	<b>20.2</b>	<b>63.1</b>	<b>63.1</b>

**Cash Flow Statement (continued)**

	<u>3<sup>rd</sup> quarter ended</u>		<u>9 months ended</u>	
	<u>30-Sep-2007</u>	<u>30-Sep-2006</u>	<u>30-Sep-2007</u>	<u>30-Sep-2006</u>
	<u>RMB'million</u>	<u>RMB'million</u>	<u>RMB'million</u>	<u>RMB'million</u>
Changes in working capital:				
Inventories	(10.1)	(25.1)	(2.0)	(11.1)
Trade receivables	7.8	(4.4)	(18.6)	(5.0)
Other receivables, deposits and prepayments	(58.1)	5.9	(74.3)	14.5
Trade payables	(1.5)	(5.0)	1.4	(1.5)
Other payables and accruals	(6.3)	26.4	(113.7)	(8.7)
Cash deposit released from /(pledged with) bank	-	(23.5)	30.7	(11.6)
Grants received	-	0.9	-	0.9
<b>Cash (used in)/generated from operations</b>	<b>(57.9)</b>	<b>(4.6)</b>	<b>(113.4)</b>	<b>40.6</b>
Income taxes paid	-	(3.1)	(1.5)	(22.3)
<b>Net cash (used in)/generated from operating activities</b>	<b>(57.9)</b>	<b>(7.7)</b>	<b>(114.9)</b>	<b>18.3</b>
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	(15.2)	(6.6)	(43.6)	(15.7)
Proceeds from sale of assets	-	-	-	0.2
Investment	(100.0)	-	(100.0)	-
Interest income received	0.3	0.2	0.7	0.3
<b>Net cash used in investing activities</b>	<b>(114.9)</b>	<b>(6.4)</b>	<b>(142.9)</b>	<b>(15.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	276.8	-	276.8	-
Share issue costs	(12.7)	-	(12.7)	-
Interest expense paid	(0.1)	(0.5)	(0.5)	(1.7)
Dividend paid	-	-	(17.5)	-
Repayment of borrowings from employee	-	-	(0.3)	(1.5)
Loans from a director	-	-	49.0	-
Repayment of bank loans	(12.0)	-	(12.0)	-
Loan creditors	-	-	50.2	-
Bank borrowings obtained	-	3.2	-	9.0
<b>Net cash generated from financing activities</b>	<b>252.0</b>	<b>2.7</b>	<b>333.0</b>	<b>5.8</b>
<b>Net increase /(decrease) in cash and bank balances</b>	<b>79.2</b>	<b>(11.4)</b>	<b>75.2</b>	<b>8.9</b>
<b>Cash and bank balances at beginning of period</b>	<b>29.4</b>	<b>62.7</b>	<b>33.4</b>	<b>42.4</b>
<b>Cash and bank balances at end of period</b>	<b>108.6</b>	<b>51.3</b>	<b>108.6</b>	<b>51.3</b>

- 1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders', together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
GROUP**

	Share Capital	Statutory, Merger, Exchange reserves	Accumulated Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2007	n.m	(10.7)	90.0	79.3
Net profit for the period	-	-	20.2	20.2
Balance as at 31 March 2007	n.m	(10.7)	110.2	99.5
Net profit for the period/exchange differences	-	-	24.3	24.3
Capitalisation of reserves of subsidiary from statutory reserve and accumulated profits	-	25.1	(25.1)	-
Exchange on translation	-	0.9	-	0.9
Conversion of convertible loan	49.4	-	-	49.4
Balance as at 30 June 2007	49.4	15.3	109.4	174.1
Issue of ordinary shares	276.8	-	-	276.8
Share issue cost	(12.7)	-	-	(12.7)
Net profit for the period	-	-	8.9	8.9
Exchange on translation	-	(0.8)	-	(0.8)
<b>Balance as at 30 September 2007</b>	<b>313.5</b>	<b>14.5</b>	<b>118.3</b>	<b>446.3</b>

**GROUP – Not Applicable**

	Share Capital	Statutory Reserves	Accumulated Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2006				
Net profit for the period				
Balance as at 31 March 2006				
Issue of shares pursuant to restructuring exercise				
Net profit for the period				
<b>Balance as at 30 June 2006</b>				
Issue of shares pursuant to restructuring exercise				
Net profit for the period				
<b>Balance as at 30 September 2006</b>				

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**COMPANY**

	<b>Share Capital</b>	<b>Exchange</b>	<b>Accumulated</b>	
		<b>reserve</b>	<b>Profits</b>	<b>Total</b>
	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>
Balance as at 1 January 2007	n.m	-	0.2	0.2
Issue of shares	-	-	-	-
Listing expenses	-	-	-	-
Net profit/( loss) for the period	-	-	n.m	n.m
Balance as at 31 March 2007	n.m	-	0.2	0.2
Conversion of convertible loans	49.4	-	-	49.4
Exchange on translation	-	0.9	-	0.9
Net profit/( loss) for the period	-	-	n.m	n.m
Balance as at 30 June 2007	49.4	0.9	0.2	50.5
Issue of ordinary shares	276.8	-	-	276.8
Share issue costs	(12.7)	-	-	(12.7)
Net profit/( loss) for the period	-	-	(9.1)	(9.1)
Exchange on translation	-	(0.8)	-	(0.8)
Balance as at 30 September 2007	313.5	0.1	(8.9)	304.7

**Company - Not applicable**

	<b>Share Capital</b>	<b>Accumulated</b>	
		<b>Profits</b>	<b>Total</b>
	<b>RMB'million</b>	<b>RMB'million</b>	<b>RMB'million</b>
Balance as at date of incorporation			
Net loss for the period			
Balance as at 31 March 2006			
Issue of shares pursuant to restructuring exercise			
Net profit/( loss) for the period			
Balance as at 30 June 2006			
Issue of shares pursuant to restructuring exercise			
Net profit/( loss) for the period			
Balance as at 30 September 2006			

**1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

	Number of shares	resultant issued and paid up share capital S\$
Issued and fully paid-up ordinary shares as at 31 December 2006	1,000	1,000
Subdivision of shares	300,224,550	1,000
Conversion of convertible loans	49,775,450	9,930,700
Pre-Invitation share capital	350,000,000	9,931,700
As at 30 June 2007	350,000,000	9,931,700
Issue of fully paid-up ordinary shares which rank pari passu in all respects with earlier issued and fully paid-up shares pursuant to the initial public offer (IPO) *	141,694,000	52,717,485
As at 30 Sep 2007	491,694,000	62,649,185

\* comprising 120 million new shares issued during the IPO and 21.694 million additional ordinary new shares issued pursuant to over-allotment option exercised by our Manager of the IPO, less IPO-related expenses.

**2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

**3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.



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**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computations in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2006.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

None.

**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	3 <sup>rd</sup> quarter ended		9 months ended	
	30-Sep-2007	30-Sep-2006	30-Sep-2007	30-Sep-2006
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
	(1)	(3)	(2)	(4)
Earnings per share	1.83	4.10	13.56	12.26

(1) The calculation of basic earnings per share for the 3 months ended 30 September 2007 is based on the Group's profit attributable to equity holders of the Company of RMB 8.9 million and weighted average number of shares during the period of 478,406,200 ordinary shares.

(2) The calculation of basic earnings per share for the 9 months ended 30 September 2007 is based on the Group's profit attributable to equity holders of the Company of RMB 53.3 million and weighted number of shares for 9 months of 392,802,067 ordinary shares.

(3) The calculation of basic earnings per share for the 3 months ended 30 September 2006 is based on the Group's profit attributable to equity holders of the Company of RMB 14.4 million and number of shares before the initial public offering of the Company in July 2007 of 350,000,000 ordinary shares.

(4) The calculation of basic earnings per share for the 9 months ended 30 September 2006 is based on the Group's profit attributable to equity holders of the Company of RMB 42.9 million and number of shares before the initial public offering of the Company in July 2007 of 350,000,000 ordinary shares.

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	30-Sep-2007	31-Dec-2006	30-Sep-2007	31-Dec-2006
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
	(1)	(2)	(1)	
Net asset value per ordinary share	90.77	22.66	61.97	N.M

(1) Net asset per share for Group and Company for 30 September 2007 has been computed based on shareholder's equity as at this date and current number of shares of 491,694,000 ordinary shares.

(2) Net asset per share for 31 December 2006 has been computed based on shareholder's equity as at this date and number of shares before IPO of 350,000,000 shares.

**8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Commentaries on performance**

The Group recorded a revenue of RMB 154.8 million in 3Q2007 which was 29.5% higher than in 3Q2006 of RMB 119.5 million and net profit after income tax dropped 38.2% from RMB 14.4 million in 3Q2006 to RMB 8.9 million in 3Q2007.

**Sales volume** was up 34.2% from 5,769 tons in 3Q2006 to 7,744 tons in 3Q2007, while overall Average Selling Price (ASP) declined about 3.5% from RMB 20,713 in 3Q2006 to RMB 19,982 in 3Q2007. However the overall ASP in 3Q2007 has increased by approximately 2.7% compared to 2Q2007 of RMB 19,462. The increase in sales volume is in line with the 38.7% increase in our 3Q2007 effective production capacity from approximately 6,200 tons in 3Q2006 to approximately 8,600 tons in 3Q2007.

3Q2007 Breakdowns	Local Sales		Export Sales		Total	
	RMB millions		RMB millions		RMB millions	
Thiazoles accelerators	16.2	18%	7.9	12%	24.1	16%
Sulphenamides accelerators	64.2	72%	49.5	76%	113.7	73%
Guanidines accelerators	3.7	4%	4.3	7%	8.0	5%
Thiurams accelerators	3.8	4%	2.7	4%	6.5	4%
Anti-scorching agent / others	1.4	2%	1.1	1%	2.5	2%
<b>Total</b>	<b>89.3</b>	<b>100%</b>	<b>65.5</b>	<b>100%</b>	<b>154.8</b>	<b>100%</b>
Local /Export Sales %	58%		42%			
<b>3Q2006 Sales</b>	<b>67.0</b>		<b>52.5</b>		<b>119.5</b>	

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**Local sales** increased by 33.3% from RMB 67.0 million in 3Q2006 to RMB 89.3 million in 3Q2007. We noted growth in sales to key customers including **Hangzhou Zhongce** (3Q2007: RMB 13.8 million vs 3Q2006: RMB6.6 million, up 109%), **GITI Tyres** (3Q2007: RMB 8.0 million vs 3Q2006: RMB4.3 million, up 86%), **Shanghai Tyres** (3Q2007: RMB 4.9 million (3Q2006: RMB4.0, up 23%.), **Sumitomo Rubber (Changshu plant)** (3Q2007: RMB 4.1 million vs 3Q2006: RMB 1.9 million, up 116%), **Qingdao Double Star Tyre** (3Q2007: RMB 3.3 million vs 3Q2006: RMB1.2 million, up 175%).

The top 30 local PRC customers contributed approximately RMB 60.0 million or approximately 67% of local sales in 3Q2007, comparable with the approximately RMB 43.6 million or 65% of local sales in 3Q2006.

**Export sales** increased from RMB 52.5 million in 3Q2006 to RMB 65.5 million in 3Q2007, an increase of 25%. The key customers include **Bridgestone** (3Q2007: RMB13.7 million vs 3Q2006: RMB16.5 million), **Sumitomo Rubber** (3Q2007: RMB6.2 million vs 3Q2006: RMB 9.0 million), **Sovereign Company** (3Q2007: RMB 5.9 million vs 3Q2006: RMB 5.7 million), **Goodyear** (3Q2007: RMB 6.9 million vs 3Q2006 RMB 3.2 million), **Korean Kumho** (3Q2007: RMB 3.4 million vs 3Q2006: RMB 0 million) and **ICI India** (3Q2007: RMB 3.3 million vs 3Q2006: RMB2.8 million). The decline in export sales to Bridgestone and Sumitomo Rubber was due partly the stock-up by Bridgestone and Sumitomo in 2Q2007 in anticipation of the price increase made by the company as a result of the decline in the PRC export tax rebates from 13% to 5% which took effect from 1 July 2007. Taken as a whole, sales to Goodyear/Sumitomo Rubber has increased slightly (3Q2007: RMB 13.1 million vs 3Q2006: RMB 12.2 million). Korean Kumho is one of the largest tyre manufacturers in Korea and we started exporting to their Korean plants from 2Q2007 onwards. We are also supplying to their plants in the PRC.

The top 10 export customers contributed approximately RMB 47.7 million or approximately 73% of export sales in 3Q2007, compared to approximately RMB 49.0 million or 93% of export sales in 3Q2006.

As a group, the top 10 customers contributed approximately RMB 73.4 million or 47% of total sales in 3Q2007 compared to RMB63.9 million or 53% of total sales in 3Q2006.

**Gross profit margins (GPM)** declined from 25.3% in 3Q2006 to 18.7% in 3Q2007, a decline of 6.6%. As a result, the gross profit declined marginally by RMB 1.2 million from RMB 30.2 million in 3Q2006 to RMB29.0 million in 3Q2007. The reason for the decline in GPM was largely due to the reduction in the PRC export rebate from 13% to 5% effective 1 July 2007. While the Company has responded by increasing prices to its export customers from July 2007, it has decided not to pass on the full 8% to its key customers who buy in large volumes to allow these customers to adapt and increase their purchase volume. In addition some of the sales made in 3Q were from sales orders received in 2Q and based on the previous selling prices. Due to the increase in production of accelerators, the Company's own production of MBT is not sufficient for its needs, and has to source approximately 1,048 tons from suppliers at average cost of approximately RMB13,700 per ton in 3Q2007, compared to only 548 tons at approximately RMB12,740 per ton. Accelerator MBT is an intermediate accelerator used in the production of CBS, TBBS, MBS and other accelerators

The overall ASP for export sales has increased by approximately 6% from approximately RMB 19,726 per ton in 2Q2007 to RMB20,982 per ton in 3Q2007 respectively.

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**Other operating income** declined slightly from RMB 0.6 million in 3Q2006 to RMB 0.4 million in 3Q2007 due to there being no sale of scrap materials in this quarter.

**Selling and distribution expenses** have declined by 16% from RMB 5.5 million in 3Q2006 to RMB 4.6 million in 3Q2007 as the company tightened such expenses in this quarter.

**Administrative expenses** increased by RMB 3.5 million or 83% from RMB 4.2 million in 3Q2006 to RMB 7.7 million as the company incurred its staff and compliance costs in its capacity as a listed entity, with new cost items such as external audit, internal audit, compliance cost, directors' fees (including independent directors and non-executive directors) which came into effect upon its successful listing, incentive compensation accruals for executive chairman as disclosed in the company's prospectus dated 25 June 2007, most of which had been incurred at its Singapore office amounting to approximately RMB 2.9 million. At our operating business level, with the increase in the business volume, administrative support services have also increased by about RMB 0.6 million.

**Research costs** declined from RMB 3.0 million in 3Q2006 to RMB 0.2 million as the company controlled its R&D expenditure. Other operating expenses remained relatively stable at RMB 0.3 million and RMB 0.2 million in 3Q2006 and 3Q2007 respectively, while finance expenses have declined by 82% from RMB 0.4 million in 3Q2006 to RMB 0.1 million in 3Q2007 due to lower average bank loans and repayment of its last bank loans of RMB 12 million in September 2007.

Due to the Company's IPO in July 2007, the income statement is hit with a share issue expenses of RMB 7.7 million relating to the IPO. This is a one-time expense charged to the income statement. The remaining balance of RMB 12.7 million was deducted from share capital.

**Profit before taxation (PBT)** reduced by RMB 8.5 million or 51% from RMB 17.4 million in 3Q2006 to RMB 8.9 million in 3Q2007 due largely to the 6.5% decline in gross margins from 25.3% to 18.7%, higher costs of sales as we purchase more MBT from suppliers, higher administrative costs incurred as a listed entity, as well as the effect of **IPO costs** expensed to the income statement of RMB 7.7 million. PBT margin became 5.7% in 3Q2007 compared to 14.6% in 3Q2006.

**The company suffered lower decline for net profit after tax (PAT)** compared to PBT due to the enterprise income tax of RMB 3.0 million incurred in 3Q2006 but not this quarter as our sole subsidiary enjoys tax-exemption in FY2007.

#### **Commentaries on balance sheet and cash flow**

**Net asset** for the Group has increased by RMB 357 million from RMB 79 million to RMB 446 million due to the IPO in July 2007 in which the Group raised a net proceed of approximately RMB 264.1 million, and earlier investments by strategic investors of approximately RMB 50 million as well as net profit generated from the 9-month period ended 30 September 2007 of about RMB 53.3 million. This has led to the increase in the net current assets of approximately RMB 357 million as at 30 September 2007 compared to 31 December 2006 of RMB 23 million, as the Company paid off its creditors.

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Inventory balance was only slightly higher at RMB 30 million for 3Q2007 compared to RMB 28 million as at 31 December 2006, even as production capacity and sales have increased as most of our production was to meet customers' orders. With higher sales in 3Q2007, trade debtors increased 19% from RMB 102 million to RMB 121 million. Average debtors turnover remains at about 73 days for 3Q2007, similar to that for FY2006. Other receivables, deposits and prepayments have increased from RMB 28 million to RMB 103 million as we made advanced payments of approximately RMB 63 million to various suppliers to secure our essential raw materials to meet our production requirements at favourable prices. With the net proceeds from the IPO, we have an amount of RMB 100 million put into short term fixed income investment notes to be held-to-maturity with capital protection features. Cash and bank balances at 30 September 2007 stands at RMB 109 million.

Total current liabilities were reduced by RMB95 million from RMB 199 million as at 31 December 2006 to RMB 104 million as at 30 September 2007 mainly due to the conversion of convertible loan from strategic investors of approximately RMB 50 million to share capital in 1H2007, as well as payment of major current liabilities such as RMB 31.4 million of notes payables to the bank, part payment of dividends owing to shareholders of RMB 17.5 million, and payment for outstanding R&D liabilities of RMB 17.0 million and bank loans of RMB 12 million during the period.

During the 9 month period, capital expenditure was RMB 44 million, of which RMB 21 million was made in 3Q2007 as works continued on the integrated production workshop, insoluble sulphur workshop, waste-water treatment facility upgrade, and sulphur-recycling facility upgrade. In the current quarter work has also started on the anti-oxidant TMQ production workshop.

Net tangible asset value as at 30 June 2007 was RMB 446 million, significantly greater than the net tangible asset value as at 31 December 2006 of RMB 79 million, due to profits generated from operations and proceeds from the strategic investors and issue of shares during the period.

Net cash used in operating activities was approximately RMB 58 million in 3Q2007 compared to RMB 7 million for 3Q2006 as the Group has significant cash resources and decided to use it to secure our essential raw materials from various suppliers by making advance payments in order to obtain the quantity required at better pricing than others.

Net cash used in investing activities was approximately RMB 115 million in 3Q2007 as we invested RMB 100 million in short term fixed income investment products which give better yield than fixed deposits, and expended RMB 15 million for plant and equipment.

Net cash generated from financing activities was approximately RMB252 million largely due to the IPO in July 2007 which we raised approximately RMB 277 million include IPO cost 12.7 million less the repayment of bank loan of RMB 12 million.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable as no forecast has been previously made known to shareholders.

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**10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

There is a risk that the PRC government may cease to grant the VAT rebate for exports. With the PRC export VAT rebate now at 5%, down from 13% previously until 1 July 2007, and the Group having adjusted its selling prices upwards from 3Q2007 onwards, the challenge is for the management to maintain and adjust our prices upwards in the next quarter and financial year 2008. The contribution from insoluble sulphur which is expected to provide a higher gross margins next year may slightly help improve overall gross margins.

The Group foresees strong growth in the rubber chemical sector in the foreseeable future, which is driven mainly by the demand for tyres in the automotive industry. Currently the Group has 58% sales contribution from the PRC market while 42% came from export markets. Therefore the Group is well positioned to benefit from both domestic automotive demand as well as export demand from Europe and America .

Trial orders from Pirelli Brazil of 44 tons for accelerators CBS, TBBS and MBTS were received in October 2007. Trial orders of 180 kg for accelerators CBS, TBBS and MBTS were also received from Pirelli Turkey, which is considered part of Pirelli's Europe unit. While these trial orders will not significantly affect our Group's results for FY2007, we hope to grow the South America market and Europe market in FY2008. The Group also expect to receive trial orders from Continental Tyre in 4Q2007 from their Europe plant.

The Group will continue to work on its relationship with its existing customers to widen the range of products supplied to them. For example, Michelin Shanghai and Michelin Shenyang have started buying accelerator CBS from us with their trial orders in October 2007, and the next step is to introduce accelerator TBBS to Michelin China/Asia next year.

To keep pace with demand growth as well as to maintain the Group's leadership position, the Group is on schedule with its plans to increase capacity of rubber accelerators and broaden its product offerings with Insoluble sulphur (IS) and anti-oxidant TMQ to its existing and new customers.

There are opportunities for the Group to strengthen its market leadership position in the PRC. The Group is exploring various options to secure preferential pricing and long term supply of raw materials.

Barring unforeseen circumstances, the Group expects to maintain its growth momentum for 4Q2007 and FY2007.



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11      **Dividend**

**(a) Current Financial Period Reported On**

**Any dividend recommended for the current financial period reported on?**

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

**(c) Date payable**

N.A

**(d) Books closure date**

N.A

12      **If no dividend has been declared/recommended, a statement to that effect**

The directors of the Company do not recommend any dividend for the 3<sup>rd</sup> quarter of FY2007.

**BY ORDER OF THE BOARD**

Xu Cheng Qiu  
Executive Chairman