



# China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

## UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2010

### 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 financial year.

#### Unaudited Group Statement of Comprehensive Income for 4th Quarter and Full Year Ended 31 December 2010

	4th quarter ended		Change	Full year ended		Change
	31/12/2010	31/12/2009		31/12/2010	31/12/2009	
	RMB' million			RMB' million		
<b>Revenue</b>	<b>273.3</b>	<b>204.9</b>	33%	<b>991.4</b>	<b>718.4</b>	38%
Cost of sales	217.5	155.1	40%	767.3	558.2	37%
<b>Gross profit</b>	<b>55.8</b>	<b>49.8</b>	12%	<b>224.1</b>	<b>160.2</b>	40%
Other income	6.5	4.9	33%	15.3	12.4	23%
Selling and distribution expenses	11.1	6.6	68%	35.4	23.5	51%
Administrative expenses	18.4	14.5	27%	59.3	44.1	34%
Other expenses	3.7	0.1	3600%	5.9	0.5	1080%
Finance expenses	1.3	1.1	18%	3.5	1.4	150%
<b>Profit before tax</b>	<b>27.8</b>	<b>32.4</b>	(14%)	<b>135.3</b>	<b>103.1</b>	31%
Income tax expenses	5.0	5.5	(9%)	20.0	14.8	35%
<b>Profit after tax</b>	<b>22.8</b>	<b>26.9</b>	(15%)	<b>115.3</b>	<b>88.3</b>	31%
<b>Other Comprehensive income:</b>						
Exchange differences on translation, net of tax	(0.1)	0.1	n.m.	-	(1.6)	n.m.
Fair Value changes on AFS	0.3	-	n.m.	0.3	-	n.m.
<b>Total comprehensive income for the period</b>	<b>23.0</b>	<b>27.0</b>	(15%)	<b>115.6</b>	<b>86.7</b>	33%
Gross profit margin	20.4%	24.3%	(3.9pts)	22.6%	22.3%	0.3pts
Earnings per share (RMB cents)	4.77	5.63	(15%)	24.14	18.41	31%

n.m. - not meaningful

\* AFS - available-for-sale

**Notes to the Group Statement of Comprehensive Income:**

1. Profit before tax is arrived at after charging/ (crediting) the following:-

	4th quarter ended			Full year ended		
	31/12/2010	31/12/2009	Change	31/12/2010	31/12/2009	Change
	RMB' million			RMB' million		
Interest income	(2.3)	(1.7)	(35%)	(5.9)	(4.1)	44%
Interest on borrowing	1.3	1.1	18%	3.5	1.4	150%
Depreciation of property, plant and equipment	6.0	6.5	(8%)	22.7	23.1	(2%)
Amortization of intangible assets	0.6	0.1	500%	0.9	0.4	125%
Impairment/(writeback) on receivables	0.5	(3.1)	n.m.	(0.7)	(4.9)	(86%)
Impairment on AFS financial assets	-	0.6	n.m.	-	0.6	n.m.
Net foreign exchange (gain)/loss	0.9	0.1	800%	2.7	(0.5)	(640%)
Loss on disposal of fixed assets	1.7	0.1	1600%	1.7	0.3	467%

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**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.**

**Statements of Financial Position**

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		31/12/2010 RMB' million	31/12/2009 RMB' million	31/12/2010 RMB' million	31/12/2009 RMB' million
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary		-	-	371.1	371.1
Property, plant and equipment	(1)	328.2	184.1	-	-
Intangible assets		17.1	18.0	-	-
Available-for-sale financial assets	(2)	15.0	14.0	15.0	14.0
		<b>360.3</b>	<b>216.1</b>	<b>386.1</b>	<b>385.1</b>
<b>CURRENT ASSETS</b>					
Available-for-sale financial assets	(2)	-	22.4	-	2.4
Inventories	(3)	77.3	54.3	-	-
Trade receivables	(4)	242.2	181.2	-	-
Other receivables, deposits and prepayment	(5)	50.2	96.5	0.1	-
Amount owing from a subsidiary			-	1.6	-
Cash and cash equivalents		165.1	195.7	3.5	4.7
		<b>534.8</b>	<b>550.1</b>	<b>5.2</b>	<b>7.1</b>
<b>TOTAL ASSETS</b>		<b>895.1</b>	<b>766.2</b>	<b>391.3</b>	<b>392.2</b>
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(13.0)	(13.0)	(13.0)	(13.0)
Fair Value Reserve	(2)	0.3	-	0.3	-
Merger reserve		0.3	0.3	-	-
Statutory reserves		71.4	43.8	-	-
Exchange on translation		(6.9)	(7.0)	(5.7)	(5.8)
Retained profits		326.1	261.8	84.4	87.4
<b>TOTAL EQUITY</b>		<b>691.7</b>	<b>599.4</b>	<b>379.5</b>	<b>382.1</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Other payables	(7)	8.5	8.6	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	(6)	32.8	33.8	-	-
Other payables and accruals	(7)	64.5	58.5	9.3	10.1
Deferred grant	(8)	1.6	6.4	-	-
Bank loans	(9)	90.0	50.0	-	-
Current tax payable	(10)	6.0	9.5	2.5	-
		<b>194.9</b>	<b>158.2</b>	<b>11.8</b>	<b>10.1</b>
<b>TOTAL LIABILITIES</b>		<b>203.4</b>	<b>166.8</b>	<b>11.8</b>	<b>10.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>895.1</b>	<b>766.2</b>	<b>391.3</b>	<b>392.2</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 31/12/2010		As at 31/12/2009	
Secured RMB' million	Unsecured RMB' million	Secured RMB' million	Unsecured RMB' million
-	90.0	-	50.0

### Details of any collateral

No collateral

### Notes to Statements of Financial Position

Note (1) Property, plant and equipment increased by RMB 144.1 million from RMB 184.1 million to RMB 328.2 million due mainly to purchase of machinery and equipment relating to various projects in FY2010 amounting to RMB 172.8 million less RMB 22.7 million depreciation, RMB 4.0 million government grant and RMB 2.0 million impairment. The impairment was due to the partial closure of production line at Facility 1 in preparation for the relocation to Facility 2 as the local government intends to rezone Facility 1 site for commercial and residential use. The following is a breakdown of the major additions amounting to RMB 172.8 million:

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

Note (2) Available for sale investments declined by RMB 21.4 million from RMB 36.4 to RMB 15.0 million due to the maturity of the SGD 500,000 notes in 1Q2010 and RMB 20 million structured notes in 4Q2010, partially offset by the RMB 0.3 million upwards revaluation of existing investments.

Note (3) Inventories increased by RMB 23.0 million from RMB 54.3 million to RMB 77.3 million due to purchase of more raw material in view of the increase in production and higher raw materials cost. As antioxidant TMQ production re-commenced in March 2010, its inventory level was higher at 485.1 tons compared to 134 tons as at 31 December 2009. Notwithstanding this, inventory turnover reduced from 39 days in FY2009 to 31 days in FY2010.

Note (4) Trade receivables (including notes receivables) increased by RMB 61.0 million from RMB 181.2 million to RMB 242.2 million due to higher sales in 4Q2010 compared to 4Q2009. Notwithstanding this, trade receivables turnover reduced from 89 days in FY2009 to 78 days in FY2010.

Note (5) Other receivables decreased by RMB 46.3 million from RMB 96.5 million to RMB 50.2 million mainly due to the following:

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

Note (6) Trade payables (including notes payables) decreased by RMB 1.0 million from RMB 33.8 million to RMB 32.8 million as several payments were settled in December 2010. Notwithstanding this, trade payables turnover increased from 17 days in FY2009 to 18 days in FY2010.

Note (7) Total Other Payables (both current and non-current) increased by RMB 5.9 million from RMB 67.1 million to RMB 73.0 million due to more deposits placed for construction materials and equipment for the CIP projects.

Note (8) Deferred grant decreased by RMB 4.8 million from RMB 6.4 million to RMB 1.6 million as several payments were made for research on insoluble sulphur technology and purchase of equipment for the new R&D centre.

Note (9) Bank loan increased to RMB 90.0 million in view of the various projects as stated in the commentary in paragraph 10 on page 11. RMB 30.0 million of unsecured loans each was borrowed from Industrial and Commercial Bank of China, Agriculture Bank of China and China Construction Bank in China.

Note (10) Tax payables has decreased by RMB 3.5 million from RMB 9.5 million to RMB 6.0 million mainly due to reversal of over-provision for prior year income tax.

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

**Statement of Cash Flows**

	Note	4th quarter ended		Full year ended	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
		RMB' million		RMB' million	
<b>Cash flows from operating activities</b>					
Profit before tax		27.8	32.4	135.3	103.1
Adjustments for:-					
Depreciation of Property, plant and Equipment		6.0	6.5	22.7	23.1
Amortization of Intangible Assets		0.6	0.1	0.9	0.4
Impairment/(write-back) on receivables		0.5	(3.1)	(0.7)	(4.9)
Impairment on AFS financial asset		-	0.6	-	0.6
Interest income		(2.3)	(1.7)	(5.9)	(4.1)
Interest expense		1.3	1.1	3.5	1.4
Translation difference		(0.1)	-	(0.7)	(1.9)
Grant income		-	(0.5)	-	(0.5)
Write-back of trade and other payables		(1.1)	(0.9)	(1.1)	(0.9)
Loss on disposal of property, plant and equipment		1.7	0.1	1.7	0.3
<b>Operating profit before working capital changes</b>		<b>34.4</b>	<b>34.6</b>	<b>155.7</b>	<b>116.6</b>
Changes in working capital:					
Inventories		(6.8)	(10.4)	(23.1)	12.0
Trade and other receivables		53.1	(27.6)	(14.1)	(86.0)
Trade and other payables and accruals		3.1	6.7	6.0	27.4
Cash deposit released from /(pledged with) bank		(6.0)	9.8	(15.7)	(19.3)
<b>Cash generated from operations</b>		<b>77.8</b>	<b>13.1</b>	<b>108.8</b>	<b>50.7</b>
Income taxes paid		(5.6)	(3.9)	(23.5)	(15.3)
Grant received		-	0.5	-	0.5
<b>Net cash generated from operating activities</b>	<b>(1)</b>	<b>72.2</b>	<b>9.7</b>	<b>85.3</b>	<b>35.9</b>
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment		(93.2)	(14.9)	(174.1)	(56.2)
Proceeds from disposal of property, plant and equipment		0.3	-	0.3	-
Proceeds from maturity of AFS financial asset		20.0	-	22.4	17.6
Interest income received		2.3	1.7	5.9	4.1
<b>Net cash used in investing activities</b>	<b>(2)</b>	<b>(70.6)</b>	<b>(13.2)</b>	<b>(145.5)</b>	<b>(34.5)</b>
<b>Cash flows from financing activities</b>					
Interest expense paid		(1.3)	(1.1)	(3.5)	(1.4)
Share buyback		-	(0.3)	-	(6.3)
Dividend paid		-	-	(23.3)	(21.6)
Grant received		-	4.1	0.6	7.2
Repayment of borrowings from a director		-	(20.7)	-	(37.1)
Proceeds from bank loan		-	-	130	80.0
Repayment of bank loan		-	-	(90.0)	(30.0)
<b>Net cash (used in)/ generated from financing activities</b>		<b>(1.3)</b>	<b>(18.0)</b>	<b>13.8</b>	<b>(9.2)</b>
<b>Net increase/(decrease) in cash and bank balances</b>		<b>0.3</b>	<b>(21.5)</b>	<b>(46.4)</b>	<b>(7.8)</b>
<b>Cash and bank balances at beginning of period/year</b>		<b>129.7</b>	<b>197.9</b>	<b>176.4</b>	<b>184.2</b>
<b>Cash and bank balances at end of period/year</b>		<b>130.0</b>	<b>176.4</b>	<b>130.0</b>	<b>176.4</b>
<b>Cash and bank balances at end of period/year includes the followings</b>					
Cash and cash equivalents		165.1	195.7	165.1	195.7
Cash deposit pledged with bank		(35.1)	(19.3)	(35.1)	(19.3)
<b>Cash and bank balances at end of period/year</b>		<b>130.0</b>	<b>176.4</b>	<b>130.0</b>	<b>176.4</b>

## Notes to Cash flows for 4Q2010

- (1) Net cash generated from operating activities amounted to RMB 72.2 million due mainly to the increase in operating cash profit and higher collections from trade and other receivables.
- (2) Net cash used in investing activities amounted to RMB 70.6 million due mainly to the increased payment for capital equipment and construction in progress projects partially offset by the receipt of cash from the maturity of AFS investment asset.

**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 capitalisation 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	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2010	313.5	(13.0)	37.1	261.8	599.4
Total Comprehensive Income for the year	-	-	0.3	115.3	115.6
Dividend paid	-	-	-	(23.3)	(23.3)
Transfer to statutory reserve	-	-	27.7	(27.7)	-
<b>Balance as at 31 December 2010</b>	<b>313.5</b>	<b>(13.0)</b>	<b>65.1</b>	<b>326.1</b>	<b>691.7</b>
Balance as at 1 January 2009	313.5	(6.7)	22.4	211.3	540.5
Total Comprehensive Income/(loss) for the year	-	-	(1.6)	88.3	86.7
Interim dividend paid	-	-	-	(21.5)	(21.5)
Share buyback-held in treasury	-	(6.3)	-	-	(6.3)
Transfer to statutory reserve	-	-	16.3	(16.3)	-
<b>Balance as at 31 December 2009</b>	<b>313.5</b>	<b>(13.0)</b>	<b>37.1</b>	<b>261.8</b>	<b>599.4</b>

#### COMPANY

	Share Capital	Treasury Shares	Other reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2010	313.5	(13.0)	(5.8)	87.4	382.1
Total Comprehensive Income for the year	-	-	0.4	20.3	20.7
Final dividend paid	-	-	-	(23.3)	(23.3)
<b>Balance as at 31 December 2010</b>	<b>313.5</b>	<b>(13.0)</b>	<b>(5.4)</b>	<b>84.4</b>	<b>379.5</b>
Balance as at 1 January 2009	313.5	(6.7)	(5.3)	94.8	396.3
Total Comprehensive Income for the year	-	-	(0.5)	14.2	13.7
Interim dividend paid	-	-	-	(21.6)	(21.6)
Share buyback-held in treasury	-	(6.3)	-	-	(6.3)
<b>Balance as at 31 December 2009</b>	<b>313.5</b>	<b>(13.0)</b>	<b>(5.8)</b>	<b>87.4</b>	<b>382.1</b>

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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\$
<b>Balance as at 1 January and 31 December 2010</b>	<b>477,357,000</b>	<b>59,900,882</b>
As at 1 January 2009	484,441,000	61,234,149
Share buyback – held as treasury	(7,084,000)	(1,333,267)
<b>Balance as at 31 December 2009</b>	<b>477,357,000</b>	<b>59,900,882</b>

\* number of issued shares excludes treasury shares

There are no outstanding convertibles issued by the Company as at 31 December 2010.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

See above table.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

See above table. There is no sale, transfer, disposal, cancellation of treasury shares at the end of 4Q2010. Total number of treasury shares at end 4Q2010 stands at 14,337,000.

*[Note – The disclosures required in 1(d)(ii), (iii) and (iv) may be made in form of statement paragraphs or, in tabular form.]*

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

The figures have not been audited or reviewed by the Company's auditors.

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

Nil

**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 computation in the financial statements for the current reporting period compared with those of the audited financial statements for the financial year ("FY") ended 31 December 2009 except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2010. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements.



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 financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	4Q2010 RMB	4Q2009 RMB	FY2010 RMB	FY2009 RMB
<b>Basic Earnings per share (Basic EPS' cents)</b> - based on weighted average number of shares on issue	<b>4.77</b>	<b>5.63</b>	<b>24.14</b>	<b>18.41</b>
The calculations of EPS is based on net profit and number of shares shown below: Profit attributable to equity holders (RMB'000)	22,782	26,887	115,266	88,324
Weighted average number of shares applicable to basic EPS ('000)	477,357	477,373	477,357	479,659

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 31 December 2010.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:  
(a) current financial period reported on; and  
(b) immediately preceding financial year.

	Group		Company	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Net asset attributable to shareholders (RMB'000)	691,677	599,366	379,493	382,091
Net asset value per ordinary share (RMB cents)	144.90	125.56	79.50	80.04
Number of issued shares * ('000)	477,357	477,357	477,357	477,357

\* number of issued shares excludes treasury shares

\*\* equivalent to 28.31 SGD cents at exchange rate of about 5.1191

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:  
(a) 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; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

RMB million	4Q2010	4Q2009	Change	FY2010	FY2009	Change
Group Revenue	273.3	204.9	33%	991.4	718.4	38%
Gross Profit	55.8	49.8	12%	224.1	160.2	40%
Profit before tax	27.8	32.4	(14%)	135.3	103.1	31%
Net profit	22.8	26.9	(15%)	115.3	88.3	31%

#### Commentaries on performance

Continuing the strong sales in 3Q2010, the Group achieved another record sales volume as demand for our products remained strong. 4Q2010 revenue increased by 33% to RMB 273.3 million as compared to RMB 204.9 million in 4Q2009 due to the increase in our sales volume and average selling price. Sales volume improved 14% to 14,654 tons as compared to 12,866 tons in 4Q2009. On a 12-month basis, the Group achieved record revenue at RMB 991.4 million due to record sales

volume, riding on China's strong economic recovery since 3Q2009. The full year sales volume increased 20% to a record 54,275 tons in FY2010 as compared to 45,420 tons in FY2009.

**Overall average selling price (ASP)** for all products increased to RMB 18,650 per ton in 4Q2010 as compared to RMB 15,923 per ton in 4Q2009. On a 12-month basis, the ASP increased to RMB 18,266 in FY2010 as compared to RMB 15,817 per ton in FY2009. The ASP increase was partly due to increase in raw material prices.

#### Analysis of Sales and Volume

	Sales Volume (Tons)				Sales (RMB' million)			
	4Q10	4Q09	FY10	FY09	4Q10	4Q09	FY10	FY09
Accelerators	12,227	11,072	46,343	40,196	242.7	185.3	892.1	664.0
Insoluble sulphur	1,252	1,049	4,413	3,468	14.3	10.2	50.2	32.1
Anti-oxidant	1,009	615	2,971	1,361	12.6	6.4	37.4	13.4
Others	166	130	548	395	3.7	3.0	11.7	8.9
<b>Total</b>	<b>14,654</b>	<b>12,866</b>	<b>54,275</b>	<b>45,420</b>	<b>273.3</b>	<b>204.9</b>	<b>991.4</b>	<b>718.4</b>
Domestic Sales	9,317	8,036	33,707	29,504	163.7	120.2	580.8	437.5
International sales	5,337	4,830	20,568	15,916	109.6	84.7	410.6	280.9

**Gross profit** increased by 12% from RMB 49.8 million in 4Q2009 to RMB 55.8 million in 4Q2010, in line with the increase in revenue. Gross profit margins (GPM) decreased from 24.3% in 4Q2009 to 20.4% in 4Q2010 as the increase in cost of sales is more than the increase in ASP.

**Other operating income** was RMB 6.5 million in 4Q2010, consisting of mainly sales of scrap materials and RMB 1.2 million recovery of doubtful debts.

**Selling and distribution expenses**, which increased by 68% from RMB 6.6 million in 4Q2009 to RMB 11.1 million in 4Q2010, was due mainly to higher port charges and freight costs as the China ports increased its charge per ton while more goods were exported. Furthermore, the Group delivered more goods to Europe and America resulting in higher port charges as delivery to such destinations requires stringent checks at the ports.

**Administrative expenses** increased by 27% from RMB 14.5 million in 4Q2009 to RMB 18.4 million in 4Q2010, in line with the increase in operating activities. In addition, RMB3.0 million research & development expenses were charged in 4Q2010 as compared to RMB 0.5 million in 4Q2009.

**Other operating expenses** amounting to RMB 3.7 million in 4Q2010 was mainly due to the exchange loss as Chinese Yuan appreciated against the US Dollars and RMB 2.0 million impairment of plant and equipment due to the partial closure of production line at Facility 1 as stated in Page 4 Note 1.

**Finance expenses** increased from RMB 1.1 million in 4Q2009 to RMB 1.3 million in 4Q2010 as bank loan interest rates and loan amounts increased.

**Profit before tax (PBT)** decreased by 14% from RMB 32.4 million in 4Q2009 to RMB 27.8 million in 4Q2010 due to the above factors. As a result, **Net profit attributable to shareholders** decreased by 15% from RMB 26.9 million in 4Q2009 to RMB 22.8 million in 4Q2010.

**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 or prospect statement has been previously made known to shareholders.

[Empty Below]

**10. A commentary at the date of the announcement of the significant trends and 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.**

On the back of the Chinese government's incentive measures and China's robust economic recovery in 2010, which enabled the China automobile market to continue its strong growth, registering 18.1 million vehicle sales against 13.6 million units in 2009, and coupled with the stabilized international market, the Group achieved record profits in FY2010. Although rising fuel prices, the removal of subsidies and tighter rules on new car registration in certain cities may temper demand for new cars in FY2011, industry insiders<sup>1</sup> believe that car sales will nevertheless continue to grow in China. This is because of rising income levels and the low level of car ownership in inland areas. Car ownership ratio<sup>2</sup> in China is 50 cars for every 1,000 people, far lower than the world's average of 160. Further, with China continuing for the second consecutive year to be ranked the world's largest automobile market in term of car sales, with about 85.5 million<sup>3</sup> cars plying the roads in China, the replacement tires market segment will continue to grow. Thus the Group expects demand to remain resilient and selling prices to continue to be steady, with any adjustments depending on prices of raw materials and exchange rate of US Dollar and Chinese Yuan.

### **Risks / Concerns**

As stated in paragraph 10 of the 3Q2010 results announcement, the Group intends to complete the relocation of all production facilities from Facility 1 to Facility 2 by 1H2011. As at FY2010, RMB 2.0 million of impairment loss on plant and equipment has been recognized as a few small production lines were closed. Depending on the progress of the relocation of the remaining production lines, the Group could potentially face up to another RMB 20 million impairment loss on plant and equipment within the next two quarters. Meanwhile, the Group is continuing its negotiations with the local government on the conversion of the land use right of the land at Facility 1 from industrial to commercial and residential.

During FY2011, the Group's tax rate in China will increase from 12.5% to 25% as its tax incentive has ended in December 2010. The Group is exploring various available tax incentives to apply for, such as High-tech Enterprise Tax Status which, if successful, will reduce its effective tax rate.

### **Opportunities**

During FY2010, the Group has completed the following expansion projects:

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

The Group will continue with the following projects:

- Complete the interior works of the R&D centre and office facilities at Facility 2 by 1Q2011.
- Complete Phase 1 of Facility 3 at Weifang plant (15,000-ton MBT) by 1Q2011.
- Complete the shifting of all production facilities from Facility 1 to Facility 2 by 1H2011.
- Complete the construction of 6PPD's intermediary material 4ADPA production plant by 3Q2011.
- Commence and complete Phase 2 of Facility 3 where existing 15000-ton MBT equipment from Facility 1 will be relocated to new facilities in Facility 3 by 4Q2011.

<sup>1</sup> Source: <http://in.reuters.com/article/2011/01/10/retire-us-china-autos-idINTRE70926X20110110>

<sup>2</sup> Source: China Association of Automobile Manufacturers

<sup>3</sup> Source: <http://www.chinassignpost.com/2011/01/dying-for-a-spot-china%E2%80%99s-car-ownership-growth-is-driving-a-national-parking-space-shortage/>

Below is summary of our Annual Capacity at End of Each Financial Year

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

Barring unforeseen circumstances, the Group expects to continue its profitability for FY2011. However, due to the potential impairment of plant and equipment arising from the relocation, 1Q2011 and 2Q2011 profitability could potentially be lower than the respective quarters in FY2010.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

<b>Name of dividend</b>	<b>Proposed Final</b>
Dividend Type	Cash
Dividend amount per share	S\$0.01 per ordinary share
Tax Rate	Tax exempt one-tier

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

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

S\$0.01 per ordinary share was declared in 4Q2009.

**(c) Date payable**

To be announced at a later date

**(d) Books closure date**

To be announced at a later date

**(e) Last cum-dividend Trading Date**

To be announced at a later date

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

See above Paragraph 11.

[Empty Below]

## PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The group is substantially in one business segment, namely the production and sale of rubber chemicals. For geographical segment information, we provide different export markets.

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are principally attributable to a single geographical region, which is the People's Republic of China.

Geographical segment

RMB' million	FY2010	%	FY2009	%
PRC	580.8	59%	437.5	61%
Rest of Asia	248.3	25%	166.7	23%
America	81.1	8%	53.9	7%
Europe	32.0	3%	25.9	4%
Others	49.2	5%	34.4	5%
Total	991.4	100%	718.4	100%

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

See Para 8 above for factors leading to material changes in contributions to turnover and earnings.

**15. A breakdown of sales.**

Group	Year ended 31/12/2010 RMB' million	Year ended 31/12/2009 RMB' million	Change
(a) Sales reported for first half year	451.0	311.8	45%
(b) Operating profit after tax before deducting minority interests reported for first half year	58.7	36.4	61%
(c) Sales reported for second half year	540.4	406.6	33%
(d) Operating profit after tax before deducting minority interests reported for second half year	56.6	51.9	10%

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	FY2010 S\$	FY2009 S\$
Interim Dividend	-	4,803,750
Final Dividend (Proposed)	4,773,570	4,773,570*
Total:	4,773,570	9,577,320

\*Based on number of Ordinary Shares (excluding Treasury Shares) as at 31 January 2011

**17. Interested Person Transactions**

None

**BY ORDER OF THE BOARD**

**Xu Cheng Qiu  
Executive Chairman**

**28 February 2011**

[End of Report]