尚舜化工
SUNSINE

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

On Track For Growth

Annual Report 2007

Contents

About Us

China Sunsine Chemical Holdings Ltd is a **leading** specialty rubber chemical producer and **one of the largest** producers of **rubber accelerators in China** and **the World**. Our annual total production capacity currently stands at 44,000 tons, comprising 39,000 tons of rubber accelerators and 5,000 tons of insoluble sulphur.

We serve the global top 10 tyre makers - Bridgestone Corporation, Michelin Group, Goodyear Tire, Continental, Pirelli, Sumitomo Rubber, Yokohama, Hankook, Cooper Tires and Kumho Tires. In China, the Group serves GITI Tire, Shanghai Tyre, Hangzhou Zhongce Rubber and Chengshan Corp amongst many others. Our customer base includes more than 400 customers in China and overseas.

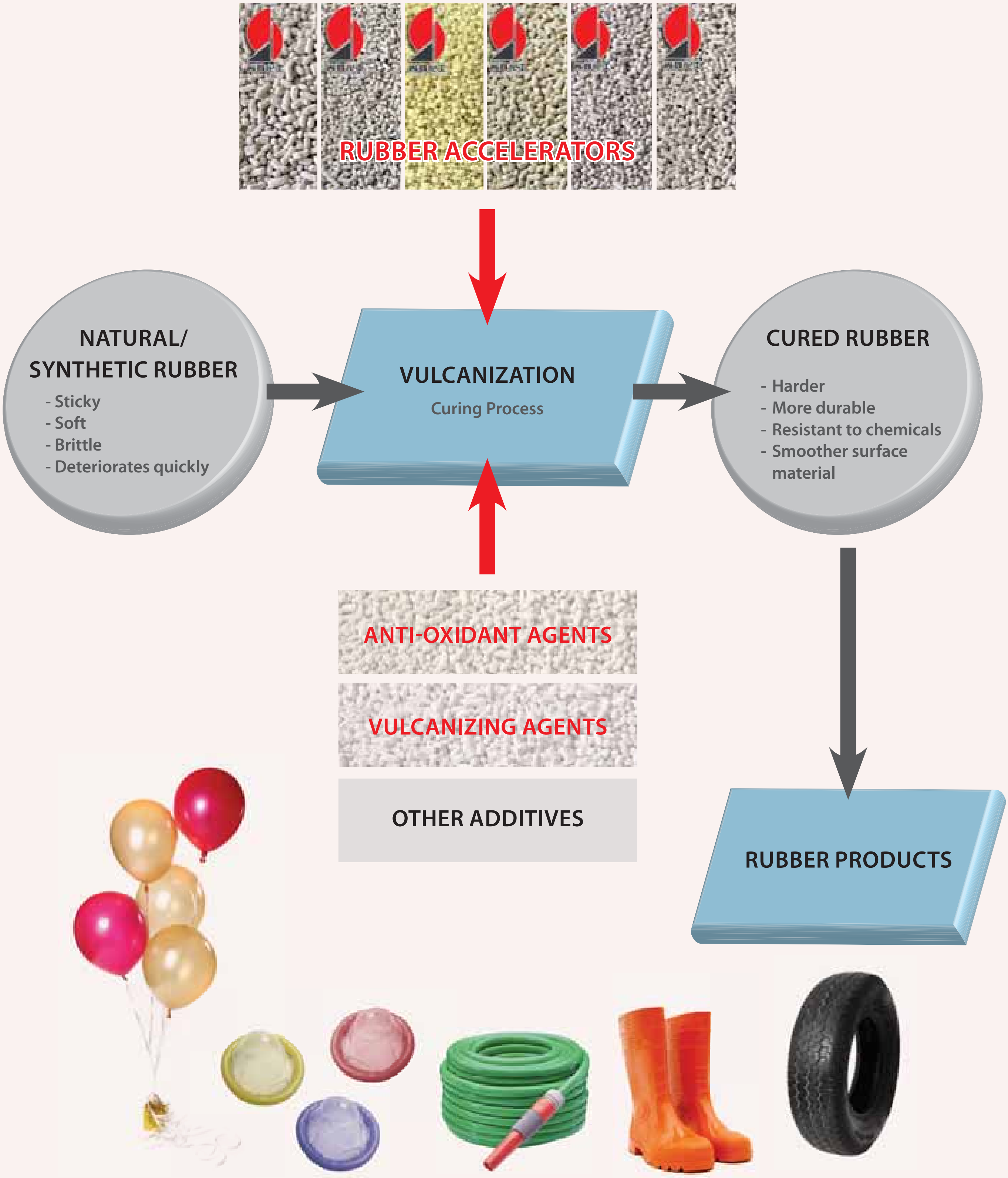
Our products are sold under the **"Sunsine"** brand and includes a wide range of rubber chemicals such as accelerators MBT, MBTS, CBS, TBBS, MBS, DCBS, DPG, TMTD and anti-oxidant agent TMQ, vulcanizing agent Insoluble Sulphur and anti-scorching agent CTP. Our production facilities are situated in Shandong Province near Heze City, the home of the peony flower.

Our numerous awards in China and ISO 9001 accreditation are testimonies of our strengths in research and development, advanced production techniques, holistic quality assurance management, and high product quality.

China Sunsine Chemical Holdings Ltd is a component stock of the new FTSE-ST China Index which started operating on 10 January 2008 and believed to be tracked closely by fund managers.

Our **Products**

"Essential for tyres and other rubber-related products."



Bridgestone. Michelin. Pirelli.
Names that are globally acclaimed, and that's just the start of our illustrous line-up of clients.

Global **Customer Base**

" Our customers are our focus "

GITI Tyre
Shanghai Tyre
Linglong Tyre
Zhongce Rubber
Chengshan Corp.
Aeolus Tyre
Qingdao Doublestar Tyre
Advance Tyre
South China Tire

Financial Highlights

GROUP BALANCE SHEET As at 31 December (RMB'000)	2007 Actual	2006 Actual	2005 Pro forma	2004 Pro forma
Property, plant and equipment	118,711	56,307	40,777	30,506
Other non-current assets	15,243	-	-	-
Current assets	450,259	222,066	180,502	101,699
Current liabilities	115,312	198,782	113,458	65,927
Net current assets	334,947	23,284	67,044	35,772
Non-current liabilities	-	248	1,488	5,000
	468,901	**79,343**	**106,333**	**61,278**
Share capital	313,471	5	17,488	17,488
Reserves	155,430	79,338	88,845	43,790
Total equity	**468,901**	**79,343**	**106,333**	**61,278**

GROUP PROFIT & LOSS Year ended (RMB'000)	2007 Actual	2006 Pro forma	2005 Pro forma	2004 Pro forma
Revenue	619,539	474,706	434,135	238,348
Gross profit	125,171	118,240	109,404	51,363
Other operating income	5,035	3,035	364	469
Earnings before interest, tax, depreciation & amortisation (EBITDA)	98,015	87,508	69,234	32,191
Depreciation & amortisation	14,584	11,554	8,577	7,812
Interest expense	445	2,152	2,070	1,504
Profit from operations	82,986	73,802	58,587	22,875
Share issue costs	7,753	-	-	-
Profit before income tax	75,233	73,802	58,587	22,875
Income tax expense	(825)	10,548	10,079	5,380
Net profit attributable to shareholders	**76,058**	**63,254**	**48,508**	**17,495**

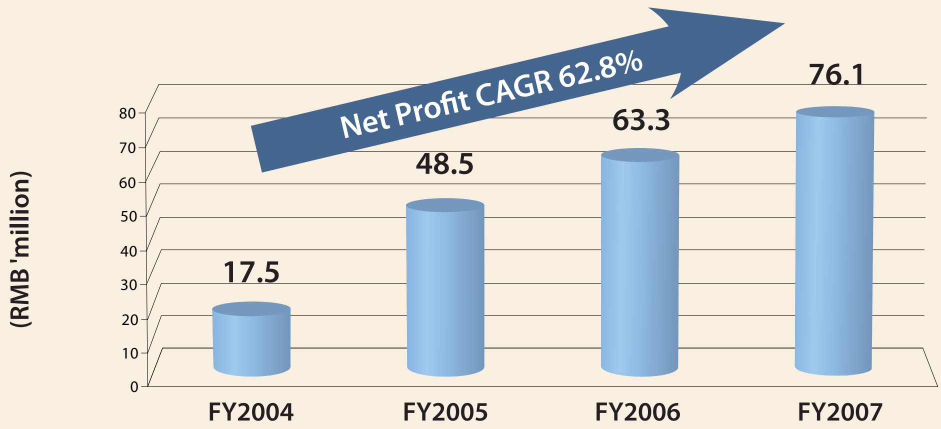
ANALYSIS (%) Year	2007	2006	2005	2004
Gross profit margin	20.2%	24.9%	25.2%	21.5%
PBT margin	12.1%	15.5%	13.5%	9.6%
Revenue growth	30.5%	9.3%	82.1%	120.7%
Operating profit growth	12.4%	26.0%	156.1%	191.0%
Net profit growth	20.2%	30.4%	177.3%	232.2%

PER SHARE DATA (cents, unless otherwise stated)	2007	2006	2005	2004
Net earnings (basic) [1]	19.04	18.07	13.86	5.00
Net earnings (fully diluted) [2]	18.19	18.07	13.86	5.00
Net asset value [3]	95.36	22.67	30.38	17.51
[1] Number of shares used in the above computation ('000)	399,411	350,000	350,000	350,000
[2] Number of shares used in the above computation ('000)	418,093	350,000	350,000	350,000
[3] Number of shares used in the above computation ('000)	491,694	350,000	350,000	350,000

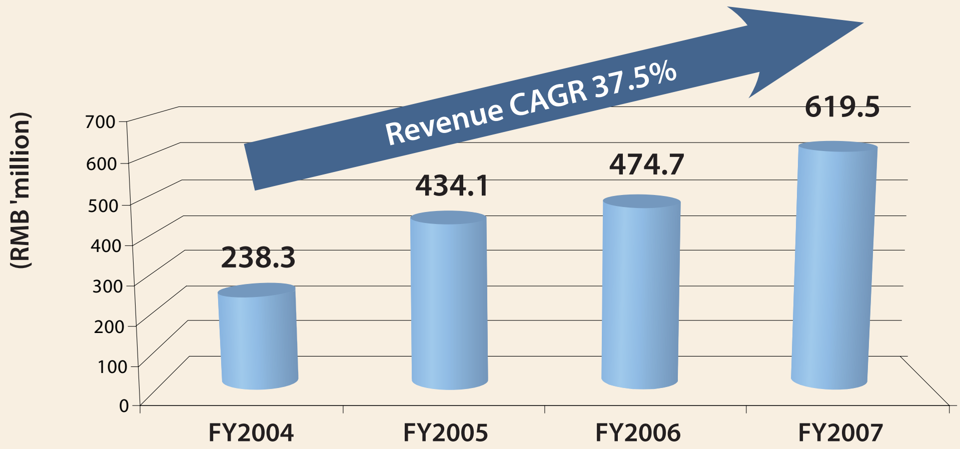
Note: 2004, 2005, 2006 per share data were computed based on the pre-invitation number of shares

FINANCIAL RATIOS	2007	2006	2005	2004
Current ratio (times)	3.9	1.1	1.6	1.5
Average receivables turnover (days)	68	73	65	76
Average payables turnover (days)	12	12	12	29
Average inventory turnover (days)	21	22	17	19
Return on equity (%)	27.7%	68.1%	57.9%	36.6%
Return on assets employed (%)	17.6%	25.3%	27.4%	16.4%
Debt/equity ratio	0	0.15	0.20	0.44
Interest cover	170.1	35.3	29.3	16.2

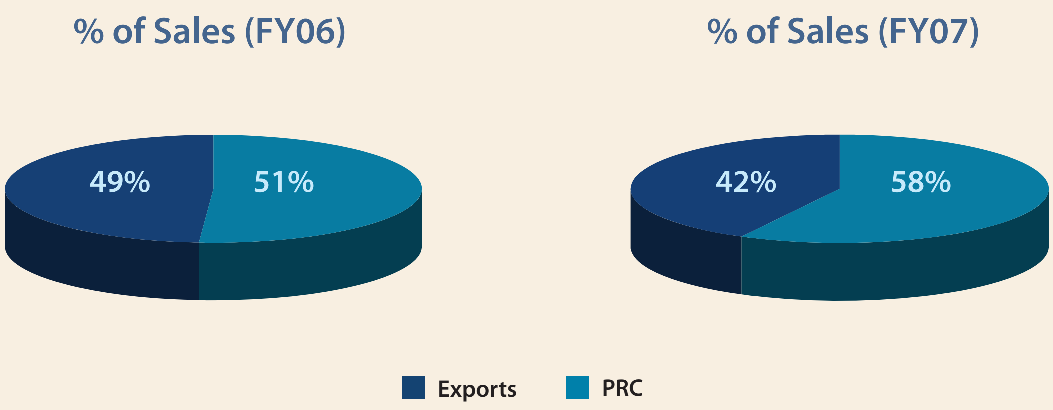
FY2007 NET PROFIT GROWTH +20.2%



FY2007 REVENUE GROWTH +30.5%



PRC SALES VS EXPORT SALES BREAKDOWN



Chairman's Message

The past year has been a fruitful one for us, as we have achieved milestone after milestone. FY2007's revenue grew at an impressive rate of 30.5% year-on-year, reaching a record RMB 619.5 million.

Dear Shareholders,

The past year has been a fruitful one for us, as we have achieved milestone after milestone. FY2007's revenue grew at an impressive rate of 30.5% year-on-year, reaching a record RMB 619.5 million. Net profit grew 20.2% – it would have grown at 32.5% had there been no one-time IPO costs of RMB 7.8 million – to RMB 76.1 million, also a record.

In this year, we continue our strategy of expanding our capacity, gaining market share, and maintaining cost leadership in this business. This will allow us to be the clear market leader in the global rubber accelerator business. And allow us to serve our global tyre customers in all their global markets more effectively. This is our ultimate goal. The global market is huge. We are confident in reaching there.

It is my honour to highlight some of the developments that we have achieved in the past year.

Capacity Expansion – In 2007 we expanded accelerators capacity by 7,000 tons to 39,000 tons by upgrading the CBS and TBBS plants. We also increased production capacity of MBT, an important intermediary product from 13,000 tons to 20,000 tons. We started constructing a 10,000-ton integrated workshop for producing CBS, TBBS and DCBS, and expect to complete it by 1H 2008.

尊敬的股东们：

过去一年是辉煌的一年，因为我们取得了骄人业绩。与去年同期相比，收入取得了30.5%的增长，达到创记录的6.195亿人民币；净利润达7,610万人民币，增长了20.2%。如果没有一次性摊销780万人民币的上市费用，增长率将为32.5%，又是一项纪录。

今年，我们继续执行扩大产能，增加市场占有率的策略，并保持在本行业低成本领先的优势。这项策略将使我们成为全球橡胶促进剂行业明确的市场领导者。这也能使我们为国际轮胎客户的全球市场提供更有效的产品服务，这也是我们的最终目标；全球市场是巨大的，我们有信心达到这个目标。

在此我很荣幸地与大家一起回顾公司在过去一年里所取得的各项成就。

扩大产能 – 2007年，我们更新改造CBS，TBBS生产设施，使橡胶促进剂的产能扩大了7000吨，达到年产能39000吨。同时，也增加了MBT这个重要的中间产品的产能13000吨，达到年产能20000吨。而年产能10000吨，可生产CBS、TBBS和 DCBS的多功能车间也在2007年开始兴建，预期将在2008年上半年完工。

增加市场占有率 – 在2007年1 2月，全球十大轮胎制造商之一的德国大陆公司也加入了我们的客户群。2007年10月，我们收到倍耐力在土耳其和南美工厂的试购单。预期商业订单将在08年收到。此外，在2007年10月，我们扩大了产品销售的种类给米其林在中国沈阳和上海的工厂。

Expanding Market Share – In December 2007, German conglomerate Continental AG, one of global top 10 tyre-makers joined our client base. In October 2007, Pirelli gave us their trial orders for their plants in South America and Europe. Regular orders are expected to be received in 2008. In October 2007, we expanded our product offering to Michelin's China plants.

New Products – In 2007 we completed the production facility for Insoluble Sulphur. Feedback from samples sent to our clients has been encouraging – we expect to receive commercial orders soon. We also started constructing a new plant for production of anti-oxidant TMQ to be completed by end of 1H 2008. The market size for anti-oxidants is higher than that of rubber accelerators.

Fundraising – Through the IPO in July 2007, we raised RMB 264.1 million from the issue of 141.7 million new shares. These additional funds will be very useful in helping us to realise our goal to be the clear global market leader in this industry.

FUTURE PROSPECTS

As China's affluence increases, its domestic consumption will continue to grow and so shall the continued need for vehicles, tyres, and therefore rubber chemicals. The global consumption for rubber is mature. The International Rubber Study Group (IRSG) estimated the global rubber consumption for 2007 to have grown approximately 4% to approximately 22.47 million tons. Our growth in sales volume for 2007 was 34.0%.

We see consolidation in this fragmented market in China. Most are smallish in size. We see opportunities in executing our acquisition strategy. This is a good way to grow our capacity and market share faster.

IN APPRECIATION

As China Sunsine Chemical Holdings Ltd was listed in July 2007, this is the first time that I have had the honour of writing to shareholders. It is an experience that I will look forward to year after year. Let me also thank my shareholders for providing us with constructive feedback. We welcome all queries from our shareholders and potential shareholders. We also appreciate the good work done by our internal auditors in 2007 in providing us with recommendations to improve our internal control system, as well as our external auditors in their audit of our financials.

I would like to end off by taking this opportunity to thank my Board members, management and staff for their efforts in growing China Sunsine Chemical in 2007.

过去一年是辉煌的一年，因为我们取得了骄人业绩。与去年同期相比，收入取得了30.5%的增长，达到创记录的6.195亿人民币；净利润达7,610万人民币， 增长了20.2%。

开发新产品 – 2007年，我们建成了不溶性硫磺的生产车间。从送给客户的产品样本反馈的信息，令人鼓舞，期望很快收到商业订单。我们也开始兴建防老剂TMQ的生产车间，并将于2008年上半年完工。防老剂的市场潜力预期高于橡胶促进剂。

融资 – 通过2007年7月首次公开售股发行1.417亿新股，融资达2.641亿人民币。这笔资金能够帮助实现我们的最终目标：成为全球橡胶促进剂行业的市场领导者。

未来前景

当中国富有人口增加，就会带动国内消费的增长。因此，我们确信汽车、轮胎的需求必带动橡胶促进剂的需求增长，而全球橡胶消耗量已近成熟。国际橡胶研究组织(IRSG)估计2007全球橡胶消耗量约增长了4%，达2247万吨，而2007年我们的销售量增长了34.0%。

纵观中国橡胶促进剂市场，大多是规模较小的厂家。因此，我们也积极寻求机会实施我们的收购策略。收购是一个迅速扩大产能和市场占有率的有效策略。

致谢

2007年7月中国尚舜首次公开发行股票，这是我第一次荣幸地以书面形式向股东致辞，并期待这是一个良好的开端。借此，十分感谢股东们给我们提出的建设性的意见和建议。我们欢迎所有的股东和未来的公司股东们给我们提出宝贵的意见。在此，我也十分感谢公司的内部和外部审计师，他们付出了辛勤的劳动。内部审计师对提高公司的内部控制管理体系提出了可行的措施和建议，外部审计师按计划完成了07年的审计工作。

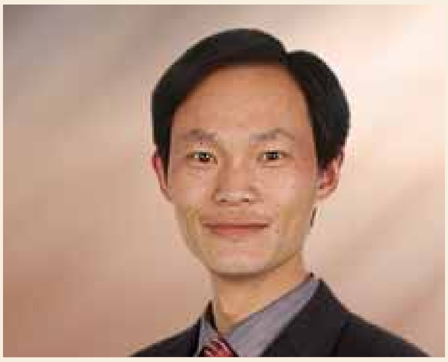
最后，我由衷地感谢尚舜集团所有的董事，管理人员，以及员工，在他们的共同努力下中国尚舜在2007年不断地成长壮大。

Board of Directors

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 our subsidiary, Shanxian Chemical was first established. In December 1998, Xu Cheng Qiu, together with other employees, executed a MBO and he became the Executive Chairman and General Manager of Shanxian Chemical. He was 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 Association. Xu Cheng Qiu also serves in the chairman committee of the China Rubber Association. He obtained his degree in Rubber Chemical Engineering from Shandong Chemical College in 1966 and qualified as senior engineer in 1989.

LIU JING FU is our Executive Director and General Manager (appointed effective 2008), responsible for overseeing the general duties of our Company, as well as the research and development department. Prior to joining our Group in 2006, he was the deputy chairman of Heze Petroleum Chemical Association, 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. He obtained his degree in Chemical Engineering from Shandong Chemical College in 1980, and qualified as senior engineer in 1993.

XU JUN is our Executive Director and Deputy General Manager (Management and Operations), responsible for overseeing the overall management and operations of our Second Facility located at the Shanxian Economic Development Zone. He joined the Group in 1998 as the head of the management department. In 2003, he was promoted to assistant general manager and subsequently became our Deputy General Manager in 2006. Xu Jun obtained his diploma in Business Administration from Jining University of Technology in 1992 and the ISO9000 Internal Auditor Qualification in 2002 and 2005.



MA YING QUN is our Executive Director and Deputy General Manager (Human Resource, Administration and Logistics) responsible for the overall management of our human resource department, administration department and logistics department. He joined the production departments of Shanxian Chemical in March 1999, and in 2003, assumed the appointment of Deputy General Manager and was responsible for the implementation of quality control measures, in particular, 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, certified as economist in 2006 and obtained ISO9000 Internal Auditor qualification in 2002 and 2005.

TAN LYE HENG PAUL is our Lead Independent Director. He is the managing partner of Tan Teo & Partners, a Certified Public Accountants firm since 1995. Besides running a public accounting firm for more than 10 years, he is also active in academia. He holds a Master of Business Administration degree from the University of Birmingham, United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Fellow of the Institute of Certified Public Accountants of Singapore (ICPAS) and a full member of the Singapore Institute of Directors (SID). He is an accredited Quality Assessor of Internal Audit Activity.

LIM HENG CHONG BENNY is our Independent Director. He began his career in 1997 as an advocate and solicitor in Singapore with Messrs Yeo-Leong & Peh. In 2000, he joined Messrs Rajah & Tann, where he was a senior legal associate. In 2002, he joined Messrs Chan & Goh as a partner. In 2005, he joined his current firm, Messrs ChrisChong & CT Ho Partnership, as a partner. Lim Heng Chong Benny's principal areas of practice are in general corporate and commercial matters, specialising in corporate finance, cross-border joint ventures and investments, and fund management. He has represented and advised MNCs, and local companies on their investments in China. He holds a Bachelor of Laws and a Master of Laws, both from the National University of Singapore.

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

LING YONG WAH is our Non-executive Director and is presently an investment manager with SEAVI Advent Corporation Limited, a private equity firm in Singapore. From 1994 to 1996, he was in the corporate finance department of United Overseas Bank, and from 1996 to 2000, he worked in Econ International Ltd. as business development manager and was involved in several cross-border acquisitions. He obtained his Bachelor of Economics from Monash University and is a member of the Institute of Chartered Accountants in England and Wales.

Key **Executives**

KOH CHOON KONG is our Chief Financial Officer and joined our Group in November 2006. He is primarily responsible for the financial and accounting functions of our Group. He joined Price Waterhouse (Singapore) in 1995 and was involved in audit, assurance, and due diligence work. In 1998 he joined the asset management division of Citicorp Investment Bank (Singapore) Limited and became its assistant regional financial controller for Asia. He joined ICH Limited as its financial controller in 2001 and helped set up ICH Capital Pte Ltd to execute corporate finance projects. In 2002, he founded KRN Warren Advisors to work on consulting projects and financial training services. He obtained his Accountancy degree from the Nanyang Technological University and his MBA degree from the University of Manchester in 2006. He is a non-practising member of the Institute of Certified Public Accountants of Singapore as well as a CFA charter holder.

CHANG KE LAI is our Assistant General Manager (Finance and Accounting) and is responsible for the finance, accounting and management reporting functions of our China subsidiary. Prior to joining our Group in 2006, he was an auditor in Shanxian Accounting Firm from 1990 to 1997. In 1997 he joined Shanxian Hengtai Real Estate Development Company as chief financial officer, and in 2004 he joined Zhejiang Qingda Group as finance manager. He obtained his degree in Financial Accounting from Shandong Economic College in 1997. He obtained his registered accountant qualification and registered taxation accountant qualification in 2004.

LI SONG is our Deputy General Manager (Sales and Marketing) and is responsible for the sales and marketing activities of our Group. He joined our Group in 1995 as procurement staff. In 1996, he was assigned to the sales department. In 2004, he was promoted to head the domestic sales department. In 2005, he was promoted to assistant general manager overseeing the overseas and PRC sales. In 2006, he became our Deputy General Manager. He obtained his sales certification in 1999.

FAN CHANG LING is our Deputy General Manager (Production and Quality Assurance) and is in charge of the overall supervision of our production as well as overseeing the quality and safety assurance in our production process. He joined our Group in July 1990 as a technician, and was subsequently promoted to chief production officer. He was promoted to assistant general manager in 2002 and subsequently to Deputy General Manager in 2005. He was honoured "Outstanding Worker" by Shanxian People's government. He obtained his diploma in Organic Chemical Engineering from Shandong Chemical College in 1990. In 2006 he obtained his qualification as engineer. He also obtained his certification as qualified ISO9000 Internal Auditor in 2002 and 2005.

Corporate **Milestone**

1977 Established Shanxian Organic Chemical Factory as a state-owned enterprise

1994 Produced thiazoles accelerators MBT and MBTS. Commencement of our rubber accelerator business

Obtained our own import and export licence, enabling us to export products directly to overseas customers

1998 Led by Executive Chairman, Mr. Xu Cheng Qiu, successfully executed a MBO of Shanxian Organic Chemical Factory and established Shandong Shanxian Chemicals Co., Ltd.

2000 Accredited with the ISO9001:2000 certification by SQC for our quality management system for production of rubber chemicals

2002 Accredited by Top 10 PRC Tyre manufacturer Hangzhou Zhongce Rubber as one of their best suppliers

2004 Accredited by Top 10 PRC Tyre manufacturer Doublestar Group as one of their "Best Supplier for Year 2003 & 2004"

Awarded the "Shandong Province Famous Brand", recognising our "Sunsine" brand

Awarded the "Shandong Province Top 50 Rubber Industry Enterprise", recognising our overall business performance achievement in a province of 92 million population and the powerhouse of rubber industry in China

2005 Awarded the "State Excellent Private Enterprise", a national recognition of our overall business performance

Purchased a new plot of land with an area of approximately 162,000 sqm as our new Second Facility for further capacity expansion

2006 Incorporated China Sunsine Chemical Holdings Pte Ltd in Singapore in June 2006 and subsequently acquired Shandong Shanxian Chemical Co. Ltd as part of Restructuring Exercise for our IPO

Accredited by Top 10 PRC Tyre manufacturer Shanghai Tyre as one o f their "Trustworthy Partners" in October 2006

Awarded the "New and Advanced Technology Enterprise", a provincial recognition of our research and development strength

2007 Listed on Main Board of SGX-ST in July 2007

Awarded the "Shandong Province Famous Brand" in August 2007

Completes prestigious client list of global top 10 major tyre manufacturers with orders from Continental Tires in December 2007

Expanded total capacity to 44,000 tons in December 2007, consolidates Sunsine Chemical's position as the leading rubber accelerator manufacturer in China

2008 Accredited by Shuangqian Group as one of their "Trustworthy Partners" in January 2008

Started commercial production of a new 5,000-ton Insoluble Sulphur plant in February 2008

Ranked amongst "2008 Forbes Most Potential SME list" by Forbes China, placing Shanxian Chemical among the top 200 SMEs in China across all industries

Financial and Operations Review

RECORD PERFORMANCE

The Group posted a robust growth of RMB 144.8 million or 30.5% from RMB 474.7 million in FY2006 to RMB 619.5 million in FY2007.

The improvement in revenue performance was due to the overall growth in sales volume of 7,944 tons or 34.0% from 23,337 tons in FY2006 to 31,281 tons in FY2007.

The increase in sales volume is in line with the increase in the effective production capacity of 7,367 tons or 28.0% from approximately 26,333 tons in FY2006 to approximately 33,700 tons in FY2007.

Local sales increased by RMB 116.3 million or 47.9% from RMB 242.6 million in FY2006 to RMB 358.9 million in FY2007. We noted strong demand from our PRC customers. Growth in sales to key customers were noted, including Hangzhou Zhongce, Shanghai Tyres, Sumitomo Rubber, and Qingdao Double Star Tyre.

Export sales increased by RMB 28.5 million or 12.3% from RMB 232.1 million in FY2006 to RMB 260.6 million in FY2007. Our key export customers include Bridgestone, Sumitomo Rubber, Sovereign Chemical, Goodyear, Korean Kumho, ICI India and Samwon Chemical.

Integrated workshop under construction

	FY2007 RMB'million	FY2006 RMB'million	Changes %
Group Revenue	619.5	474.7	↑30.5%
Profit from Operations	83.0	73.8	↑12.5%
Profit before tax	75.2	73.8	↑1.9%
Net profit	76.1	63.3	↑20.2%
EBITDA	98.0	87.5	↑12.0%

Gross profit increased by RMB 7.0 million or 5.9 % from RMB 118.2 million in FY2006 to RMB 125.2 million in FY2007. This is due to higher sales revenue in FY2007. Gross profit margins (GPM) declined by 4.7% from 24.9% in FY2006 to 20.2% in FY2007. The decline in GPM was mainly due to the increase in average costs of sales of 3.5% and decline in the average selling prices of 2.6%. Average costs of sales have increased in FY2007 due mainly to the reduction in the PRC export rebate from 13% before 1 July 2007

Sales Volume/Revenue Breakdown	FY2007 (tons)	FY2006 (tons)	Changes %	FY2007 RMB'million	FY2006 RMB'million	Changes %
Local Sales Volume / Revenue	18,465	12,493	↑47.8%	358.9	242.6	↑47.9%
Export Sales Volume / Revenue	12,816	10,844	↑18.2%	260.6	232.1	↑12.3%
Total	31,281	23,337	↑34.0%	619.5	474.7	↑30.5%

Plant visit by analysts

to the current rate of 5%, as well as higher raw materials costs. Other operating income increased by RMB 2.0 million or 65.9% from RMB 3.0 million in FY2006 to RMB 5.0 million in FY2007 due mainly to the investment income recognized, higher sales of scrap materials, and write-back of old payables offset by the reversal effect of exchange gain in FY2006.

Selling and distribution expenses have declined by RMB 0.3 million or 1.6% from RMB 20.7 million in FY2006 to RMB 20.4 million in FY2007 as the group tightened such expenses. Administrative expenses increased by RMB 8.5 million or 57.3% from RMB 14.9 million in FY2006 to RMB 23.4 million as the group incurred higher compliance costs in its capacity as a listed entity, with new cost items such as additional staff


Waste-water treatment facility

costs, external audit, internal audit, legal and compliance costs, directors' fees, listing fees, public relations costs, travel expenses and others. Research costs declined by RMB 7.7 million or 92.6% from RMB 8.3 million in FY2006 to RMB 0.6 million in FY2007 due to a writeback of R&D payables amounting to RMB 3.0 million as well as restricting R&D expenditure on essential projects. Other operating expenses increased by RMB 1.0 million or 65.2% from RMB 1.5 million in FY2006 to RMB 2.4 million in FY2007 due mainly to net exchange loss of RMB 0.9 million. Finance expenses have declined by RMB 1.7 million or 79.3% from RMB 2.2 million in FY2006 to RMB 0.4 million in FY2007 as the company paid off its interest-bearing bank loan after listing.

Profit from operations rose by RMB 9.2 million or 12.4% from RMB 73.8 million to RMB 83.0 million as a result of the growth in the business; while profit before tax (PBT) rose by RMB 1.4 milion from RMB 73.8 million in FY2006 to RMB 75.2 million in FY2007 due to a one-time share issue costs of RMB 7.8 million charged to the income statement.

Net profit attributable to shareholders rose by RMB 12.8 million or 20.2% from RMB63.3 million in FY2006 to RMB 76.1 million in FY2007. Had the one-time share issue expenses of RMB 7.8 million been excluded, full year net profit would have risen by 32.5%.

REVIEW OF CASH FLOWS

As at 31 December 2007, the Group had cash and cash equivalents of RMB 113.2 million compared to RMB 64.1 million a year ago. The improvement was due to our strong operating performance and the issue of shares during our IPO in July 2007.

	FY2007 RMB'million	FY2006 RMB'million
Cash flows generated from operating activities	56.6	35.3
Cash flows (used in) investing activities	(195.0)	(26.4)
Cash flows generated from / (used in) financing activities	216.3	(17.9)
Net increase / (decrease) in cash and cash equivalents	77.9	(9.0)

Net operating cash flows generated was RMB 56.6 million in FY2007 compared to RMB 35.3 million generated in FY2006. Average debtors collection period improved from an average of 73 days in FY2006 to 68 days in FY2007. Average payables turnover in days remained at 12 days in FY2007.

Net cash used in investing activities was RMB 195.0 million in FY2007 as we expended RMB 81.0 million on property, plant and equipment, invested RMB 115.2 million in structured deposits to provide better yields, and recognised interest received of RMB 1.2 million.

Net cash generated from financing activities in FY2007 was RMB 216.3 million due mainly to the net proceeds of our share issue during IPO of RMB 264.1 million and a grant of RMB 8.9 million received from the government less the repayment of past dividends owing to former shareholders amounting to RMB 31.3 million, repayment of bank loans and employee loan of RMB 25.4 million.

REVIEW OF BALANCE SHEET

Net asset for the Group increased by 491.2% or RMB 389.6 million from RMB 79.3 million to RMB 468.9 million due to the IPO in July 2007 in which the Group raised net proceeds of approximately RMB 264.1million, and earlier investments by strategic investors of approximately RMB 49.4 million as well as net profit generated from the full year ended 31 December 2007 of RMB 76.1 million. This has led to the increase in the net current assets, from RMB 23.3 million as at 31 December 2006 to RMB 334.9 million as at 31 December 2007.

New production workshop

Inventory balance was controlled at RMB 30.2 million as at 31 December 2007 compared to RMB 27.5 million as at 31 December 2006, even though the sales volume have increased during the year by 34.0% as we were running at near full capacity and goods were delivered to meet customers' needs soon after production. Trade debtors increased 25.3% or RMB 25.8 million from RMB 102.1 million to RMB 127.9 million due to the higher sales in 4Q2007. Average debtors collection in days improved to 68 days for FY2007 compared to 73 days for FY2006.

Other receivables, deposits and prepayments have increased by RMB 49.3 million from RMB 28.4 million as at 31 December 2006 to RMB 77.7 million as at 31 December 2007 due mainly to the increase in short-term notes receivables of RMB 44.1 million from RMB 8.9 million to RMB 53.0 million, as well as loans to third parties amounting to RMB 7.0 million.

We have placed RMB 115.2 million from the net IPO proceeds into fixed income investment notes with capital protection features for better yields. Cash and bank balances as at 31 December 2007 stands at RMB 113.2 million compared to RMB 64.1 million as at 31 December 2006.

Total current liabilities were reduced by RMB 83.5 million from RMB 198.8 million as at 31 December 2006 to RMB 115.3 million as at 31 December 2007 due mainly to the conversion of convertible loan from strategic investors of approximately RMB 49.4 million to share capital in 1H2007, offset by the loan from a director of RMB 50.3 million, as well as payment of major current liabilities such as RMB 31.4 million of notes payables to the bank, payment of past dividends owing to former shareholders of RMB 31.3 million, and payment for outstanding R&D liabilities of RMB 14.0 million and bank loans of RMB 12.0 million during the year.


Workers working hard to fulfil customers' orders

Investments in fixed assets increased by a net RMB 62.4 million from RMB 56.3 million to RMB 118.7 million due to net capital expenditure of RMB 77.0 million and depreciation of approximately RMB 14.6 million. Increase in the fixed assets were related to various projects, of which RMB 33.1 million was for investments in building, plant and machineries, and RMB 38.3 million related to construction-in-progress of expansion projects - the insoluble sulphur workshop, integrated production workshop, waste-water treatment facility upgrade, sulphur-recycling facility upgrade, and the anti-oxidant TMQ production workshop.

USE OF IPO PROCEEDS

This annual report, being the first annual report prepared since its listing in 2007, shall include an update of the use of IPO proceeds for the various projects as stated in the prospectus dated 25 June 2007.

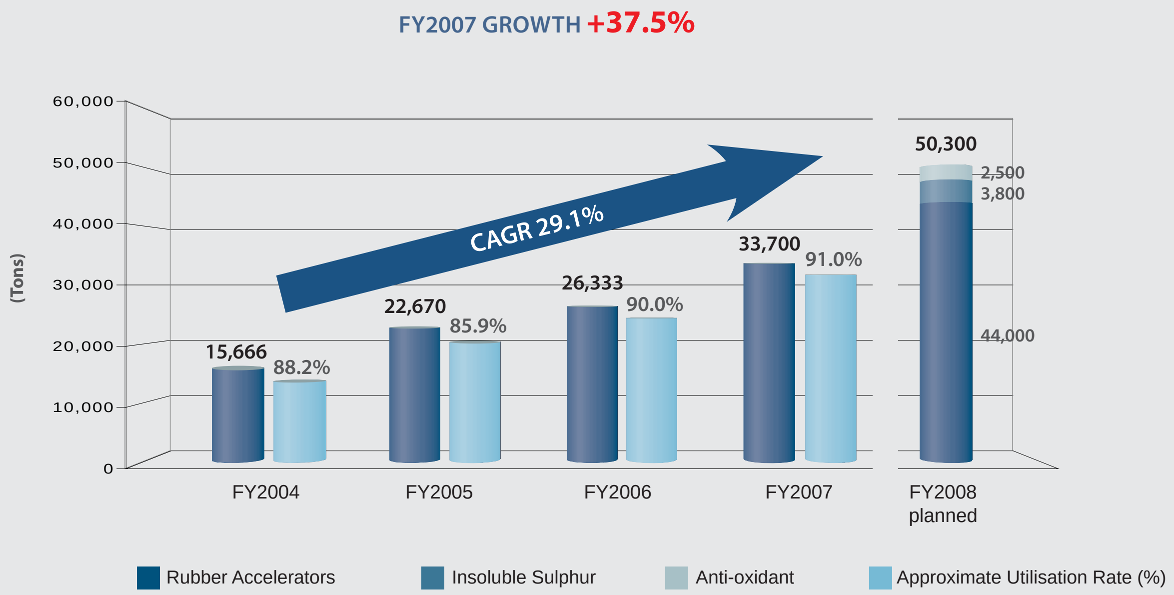
	Projects stated in the Prospectus	Amount set aside per Prospectus (RMB'million)	Amount used as at 31/12/07 (RMB'million)
(a)	Construct and install new workshops and production machinery and equipment at our Second Facility to:		
	(i) Expand the production of our sulphenamides accelerators, CBS, TBBS and DCBS	20	13.9
	(ii) Produce insoluble sulphur	30	15.2
	(iii) Produce anti-oxidant TMQ	20	0.5
(b)	Expand and upgrade our wastewater treatment and sulphur recycling facilities	30	10.9
(c)	Enhance our research and development capabilities	10	3.6

REVIEW OF OPERATIONS

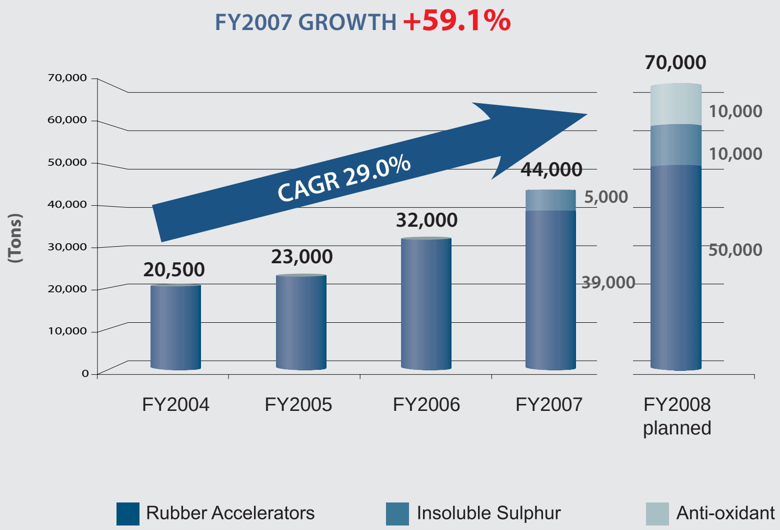
It was a hectic year for the Company. The Company continued to execute its strategy of increasing capacity to meet strong demands from customers. And the Company went through the process of listing in Singapore.

EFFECTIVE PRODUCTION CAPACITY

The effective production capacity shows the maximum production capacity for the year upon completion of relevant production workshops during the year.



YEAR-END PRODUCTION CAPACITY



Production capacity for accelerators has been expanded from 32,000 tons to 39,000 tons at the end of the year as we have upgraded the CBS production plant capacity from 8,000 tons to 10,000 tons, and the TBBS production plant capacity from 8,000 tons to 13,000 tons. These 2 products are our high volume best-selling products. As we increase our production capacity of our products, we have also increased the production of our intermediary product MBT which is used to produce our end accelerators.

We have started construction work for a new integrated 10,000-ton plant for the production of current products CBS, TBBS, DCBS products in June 2007. At year-end the plant is progressing well. It is scheduled for completion by 1H2008. This is our first flexible-manufacturing plant as it allows us to switch production for the 3 products – CBS, TBBS, DCBS – within hours of machine setup/cleaning time as they follow similar processes albeit with different raw materials.

Financial and Operations Review

NEW PRODUCT – INSOLUBLE SULPHUR (A VULCANIZING AGENT)

10,000-ton Insoluble Sulphur plant

We started construction of our new production plant for Insoluble Sulphur in June 2007 and completed the plant at year-end. After trial productions are carried out in 1Q2008, commercial production shall commence. The plant was designed for 10,000 tons, for which we equip it with machineries and equipment for an initial production capacity of 5,000 tons. Once production is running well and after we have improved the production efficiency and effectiveness, we intend to further equip the plant with additional machineries and equipment and increase the total production capacity to 10,000 tons at the end of FY2008.

This product has good market potentials in the China market as Chinese producers are not producing this product locally enough to meet the demands of tyre makers customers in China due to stringent quality requirements and higher level of technical knowledge required in its production. As such we believe the competitive situation is such that there is a net import of more than 20,000 tons per annum. As this product is used by our existing customers who have requested us to produce it, we are confident of our ability to do well in this market. We intend to be a strong market leader in this new product in China, as well as overseas.

NEW PRODUCT – ANTI-OXIDANT TMQ

We also started construction of a new plant for the production of anti-oxidant TMQ, a rubber chemical agent also used during the vulcanization process of rubber to prevent the ageing of rubber products when they are in contact with water and air. At year end FY2007, construction is still in progress. It is scheduled for completion by 1H2008. The design of the plant is for a maximum capacity of 10,000 tons, for which we shall initially equip it with machineries and equipment for production capacity of 5,000 tons. Once production is running well and after we have improved the production efficiency and effectiveness, we intend to further equip the plant with additional machineries and equipment and increase the total production capacity to 10,000 tons at the end of FY2008.

This product has good market potentials. It is used by all the rubber tyre makers in their tyre-making process, as well as all other rubber product makers. The total anti-oxidant market is believed to be bigger than the accelerators markets as more of it is used by volume compared to accelerators. Customers have requested the Company to offer this product as well as the insoluble sulphur product. Thus offering this product to our existing customers shall not add to our distribution and selling costs.

Pure recycled sulphur to be used as raw materials for production of Accelerators and Insoluble Sulphur

ENVIRONMENTAL INVESTMENT

Our efforts on upgrading the waste-water treatment facility and the waste-gas recycling facility in the First Facility has been completed. We believe in environmental protection, and with our investment in these facilities, we have made ourselves known as a high quality producer which takes care of the environment. This is part of our Competitive Advantage that we have built up over the years.

We continue to upgrade our waste-water treatment facility and waste-gas recycling facility in our Second Facility in FY2008.

Report on Corporate Governance

The Board of Directors (the "Board") of China Sunsine Chemical Holdings Ltd. ("Sunsine Chemical" or the "Company") is committed to high standards of corporate governance within the Company and its subsidiary company (the "Group") to advance its mission to create value for the Group's customers and shareholders. This report sets out the corporate governance practices that have been adopted by the Company within specific reference to the principles of the Code of Corporate Governance 2005 (the "Code"), as well as any deviation from any guideline of the Code together with an explanation for such deviation.

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 31 December 2007, the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

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 success of the company. The Board works with the management of the Company (the "Management") to achieve this and the Management remains accountable to the Board.

The primary function of the Board is to protect and enhance long-term value and returns for its shareholders.

The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices. Approval of the Board is required for matters such as corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year's results and interested person transactions of a material nature.

The Board conducts regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Ad-hoc Board meetings are convened as and when they are deemed necessary in between the scheduled meetings. The Articles of Association of the Company provide for Directors to convene meetings by way of tele-conferencing. When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means and the circulation of written resolutions for approval by the relevant members of the Board or Board committees.

To assist in the execution of its responsibilities, the Board has delegated specific authority to the various Board committees namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). All the members of the Board committees are independent Directors.

Details of Board and Board Committee Meetings held during the financial year ended 31 December 2007 since the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 5 July 2007 are summarised in the table below:

Name of Director	Board Meetings	AC Meetings	NC Meetings	RC Meetings
Number of Meetings Held	**2**	**2**	**-**	**-**
Xu Cheng Qiu	2	–	–	–
Liu Jing Fu	2	–	–	–
Xu Jun	2	–	–	–
Ma Ying Qun	1	–	–	–
Tan Lye Heng Paul	2	2	–	–
Lim Heng Chong Benny	2	2	–	–
Xu Chun Hua	-	-	–	–
Ling Yong Wah	1	–	–	–

Report on Corporate Governance

The newly appointed Directors are given an orientation on the Group's business strategies and operations. Directors also have the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. All Directors who had no prior experience as directors of a listed company have undergone training and briefing on the roles and responsibilities as directors of a listed company.

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. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises eight Directors of whom four are executive Directors, one is non-executive Director, and three are non-executive independent Directors, as follows:

1.	Xu Cheng Qiu	Executive Chairman
2.	Liu Jing Fu	Executive Director
3.	Xu Jun	Executive Director
4.	Ma Ying Qun	Executive Director
5.	Tan Lye Heng Paul	Lead Independent Director
6.	Lim Heng Chong Benny	Independent Director
7.	Xu Chun Hua	Independent Director
8.	Ling Yong Wah	Non-Executive Director

The present composition of the Board complies with the Code's guidelines that independent Directors make up at least one-third of the Board.

The Nominating Committee reviews the independence of each Director on an annual basis.

The size and composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that it has an appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board considers its current Board size appropriate for the nature and scope of the Group's operations. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

The profile of the Directors is set out on pages 8 and 9 of this Annual Report.

Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or, decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

Chairman and Chief Executive Officer

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

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

Report on Corporate Governance

As Executive Chairman of the Board, Mr Xu bears responsibility for the effective working of the Board. He is responsible for, *amongst others*, ensuring that Board meetings are held when necessary, setting the Board meeting agenda in consultation with the CFO and Company Secretary, assisting in ensuring compliance with the Group's guidelines on corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with the management on all operational matters.

The Company has not created a separate Chief Executive Officer position as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. All major decisions made by the Executive Chairman are reviewed by the Board. His performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and Remuneration Committee comprise non-executive Directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual. In line with the recommendations in the Code, Mr Tan Lye Heng Paul has been appointed the Lead Independent Director of the Company to lead and coordinate the activities of the independent Directors and to address the concerns, if any, of the Company's shareholders.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC, regulated by a set of written terms of reference, comprises three Directors, all of whom are independent. The NC members are:

a) Lim Heng Chong Benny (Chairman)
b) Tan Lye Heng Paul
c) Xu Chun Hua

The NC makes recommendations to the Board on all nominations for new appointments and re-appointments to the Board and the Board Committees. It ascertains the independence of independent and non-executive Directors and evaluates the Board's performance.

Pursuant to Article 104 of the Company's Articles of Association, each Director is required to retire at least once in every three years. The retiring Directors are eligible to offer themselves for re-election. Pursuant to Article 114 of the Company's Articles of Association, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM and shall be eligible for re-election.

The dates of initial appointment and last re-election of each director, together with their directorships in other listed companies are set out below:

Name of director	Age	Appointment	Date of initial appointment	Date of last re-election	Current Directorships in listed companies	Past Directorships in listed companies
Xu Cheng Qiu	64	Executive Chairman	11 October 2006	18 June 2007	None	None
Liu Jing Fu	56	Executive Director	18 May 2007	18 June 2007	None	None
Xu Jun	38	Executive Director	18 May 2007	18 June 2007	None	None

Name of director	Age	Appointment	Date of initial appointment	Date of last re-election	Current Directorships in listed companies	Past Directorships in listed companies
Ma Ying Qun	34	Executive Director	18 May 2007	18 June 2007	None	None
Ling Yong Wah	42	Non-Executive Director	9 March 2007	18 June 2007	ElectroTech Investments Limited EDMI Limited	None
Tan Lye Heng Paul	43	Lead Independent Director	18 May 2007	18 June 2007	Second Chance Properties Ltd.	None
Lim Heng Chong Benny	37	Independent Director	18 May 2007	18 June 2007	None	None
Xu Chun Hua	65	Independent Director	18 May 2007	18 June 2007	Xingda International Holdings Limited	None

In this regard, the NC recommended the re-appointment of three Directors, namely, Tan Lye Heng Paul, Lim Heng Chong Benny and Ling Yong Wah, who will be retiring at the Company's forthcoming Annual General Meeting ("AGM") pursuant to Article 104 of the Company's Articles of Association. The Board has also accepted the NC's recommendation and these three Directors will be offering themselves for re-election pursuant to Article 106 of the Company's Articles of Association.

Key information on the individual directors and their shareholdings in the Company are set out in the "Board of Directors" and "Directors' Report" sections of this Annual Report.

Board Performance

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

The Company acknowledges the importance of a formal assessment of Board performance and has adopted a formal system of evaluating Board performance as a whole. An evaluation of Board performance will be conducted annually to identify areas of improvement and as a form of good Board management practice. The first round of Board assessment and the individual assessment of Directors had been conducted on 26 February 2008.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The NC has proposed objective performance criteria which have been approved by the Board. The performance criteria include comparison with industry peers, addresses how the Board has enhanced long term shareholders' value and considers the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, the FTSE-ST China Index and a benchmark index of its industry peers. Other performance criteria that may be used include revenue growth, market share growth, profit growth, return on equity, return on investment and economic value added.

The criteria for assessing the contribution by each Director to the effectiveness of the Board include attendance record, intensity of participation at meetings, the quality of intervention and special contributions.

These performance criteria shall not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify such changes.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Board members are provided with adequate and timely information on Board affairs and issues to enable them to discharge their duties effectively. All Directors have independent access to the Group's senior management, the CFO and the Company Secretary. All Directors are provided with the management accounts of the Group and regular updates on the financial position of the Company. The Company Secretary attends all Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act and the SGX-ST Listing Manual.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice will be obtained from a professional entity of the Director's choice and the cost of such professional advice will be borne by the Company.

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.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The RC, regulated by a set of written terms of reference, comprises three independent Directors. The RC members are:

a) Xu Chun Hua (Chairman)
b) Tan Lye Heng Paul
c) Lim Heng Chong Benny

The RC meets at least once annually.

The RC reviews and recommends to the Board (a) the remuneration packages of all Executive Directors and Senior Management of the Group, (b) directors' fees for Non-Executive Directors, which are subject to shareholders' approval at the AGM, and (c) all service contracts of the Executive Directors.

The duties and powers of the RC include (a) recommending to the Board a framework of remuneration for the Directors and senior management, (b) to determine specific remuneration packages for each Executive Director. The RC should cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind. In setting remuneration packages, the RC should be aware of pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of individual Directors, and (c) the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.

If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors.

The Executive Directors' remuneration as set out in their three-year service agreements commenced from the date of the Company's listing on the SGX-ST on 5 July 2007, consist of salary and incentive bonus (for the Executive Chairman) to be determined based on the formula set out in the Company's Initial Public Offering ("IPO") Prospectus dated 25 June 2007. Upon the expiry of the initial period of three years, the employment of the Executive Directors shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree. The service agreement provides for termination by each party giving not less than six months' notice in writing.

The Non-Executive Directors do not have any service agreements with the Company. Except for Directors' fees, which have to be approved by Shareholders at every annual general meeting ("AGM"), the Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of S$123,000 as directors' fees for the year ended 31 December 2007. The Board will table this at the forthcoming AGM for Shareholders' approval.

No Director is involved in deciding his own remuneration.

Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for the year ended 31 December 2007, is as follows:

Name of Director	Salary %	Bonus %	Director's fees %	Other benefits %	Total %
Below S$250,000					
Xu Cheng Qiu	99	1	–	–	100
Liu Jing Fu	99	1	–	–	100
Xu Jun	98	2	–	–	100
Ma Ying Qun	96	2	–	2	100
Tan Lye Heng Paul	–	–	100	–	100
Lim Heng Chong Benny	–	–	100	–	100
Xu Chun Hua	–	–	100	–	100
Ling Yong Wah	–	–	100	–	100

There was no employee of the Group who is an immediate family member of a director or substantial shareholder and whose remuneration exceeds S$150,000 during the year ended 31 December 2007.

Details of remuneration paid to the Executive Officers of the Group (who are not Directors) for the year ended 31 December 2007 are set out below:

Name of Executive Officer	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000				
Koh Choon Kong	86	9	5	100
Chang Ke Lai	96	4	–	100
Li Song	83	10	7	100
Fan Chang Ling	83	10	7	100

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 provides a balanced and understandable assessment of the Company's performance, position and prospects through the timely presentation of the annual financial statements and quarterly results announcements.

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a timely basis in order for the Board to discharge its duties effectively.

Audit Committee

Principle 11: The Board should establish an AC with written terms of reference which clearly sets out its authority and duties.

The AC, regulated by a set of written terms of reference, comprises three independent Directors. The AC members are:

a) Tan Lye Heng Paul (Chairman)
b) Lim Heng Chong Benny
c) Xu Chun Hua

All the three members bring with them invaluable managerial and professional expertise in the financial, legal and business management spheres.

The AC meets quarterly and as and when deemed appropriate to carry out its functions.

The AC has full access to and the co-operation of Management, has full discretion to invite any Director or Executive Officer to attend its meetings and has been given adequate resources to enable it to discharge its functions. The AC also has the explicit powers to conduct or authorize investigations into any matters within its terms of reference.

The AC performs the following functions:

- Reviews the annual and quarterly financial statements of the Company and the Group with the assistance and advice of the external auditors before submission to the Board for approval;
- Reviews with the external auditors, their audit plans and audit reports;
- Reviews the cooperation given by the Company's officers to the external and internal auditors;
- Reviews interested person transactions;
- Reviews the adequacy of the Company's internal controls and effectiveness of the Company's internal audit function;
- Recommends to the Board the appointment, re-appointment or removal of external auditors; and
- Reviews the independence of the external auditors annually.

The Company has put in place a whistle-blowing policy. The AC reviews arrangements by which staff may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the policy is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit. Following the review, the AC has recommended the appointment of Paul Wan & Co. as external auditors, subject to Shareholders' approval at the forthcoming AGM.

Annually, the AC meets with the external auditors and internal auditors without the presence of Management.

Internal Controls

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

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The external auditors provide feedback to the AC highlighting matters that require the attention of the Management. The AC keeps under review the effectiveness of the Group's system of accounting and internal financial controls, for which the Directors are responsible. The Board is generally satisfied with the adequacy of the internal controls currently in place.

Internal Audit

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

The Board understands the importance of maintaining a sound system of internal control and audit. Immediately after the Company's listing in July 2007, the Group has appointed Nexia TS Public Accounting Corporation to provide internal audit services and they report directly to the AC.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the SGX-ST listing rules.

The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and to promote better investor communications.

Information is communicated to shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders within the mandatory period;
- announcements and press releases issued via SGXNET and the press;
- notices of shareholders' meetings are advertised in a newspaper in Singapore; and
- the Company's website at www.ChinaSunsine.com at which shareholders can access information on the Group.

Shareholders are encouraged to attend and participate at the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Board (including the Chairman of the respective Board committees) as well as the Management attend the Company's AGM to address any question that shareholders may have. The external auditors also attend the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Articles of Association of the Company allow a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder. Shareholders are given the opportunity to pose questions to the Board or the Management at the AGM.

The Board takes note that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principles as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications.

SECURITIES TRANSACTIONS

The Group has adopted and implemented policies in line with Rule 1207(18) of the Listing Manual of the SGX-ST in relation to the dealing of shares of the Company. The policies have been made known to directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

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

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

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions 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 interested person transaction, he will abstain from reviewing that particular transaction.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards are complied with.

The AC reviewed the following interested person transaction for the financial year ended 31 December 2007 in accordance with its existing procedures:

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2007 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Xu Cheng Qiu[1]	RMB 50.3 million	Nil

The Board confirms the above interested person transaction is not prejudicial to the shareholders and that there is no other interested person transaction during the year.

1 On 18 January 2007, as part of the Restructuring Exercise, our Executive Chairman Xu Cheng Qiu entered into two separate loan agreements with Shanxian Chemical pursuant to which Xu Cheng Qiu granted loans of an aggregate amount of US$6.5 million (equivalent to RMB 50.3 million) to Shanxian Chemical. The loans are interest-free and Shanxian Chemical will repay the loans to Xu Cheng Qiu after the IPO, and its repayment shall be subject to approval of our Audit Committee, who will assess and take into account factors such as the working capital, cash flow position and capital expenditure requirements of our Group.

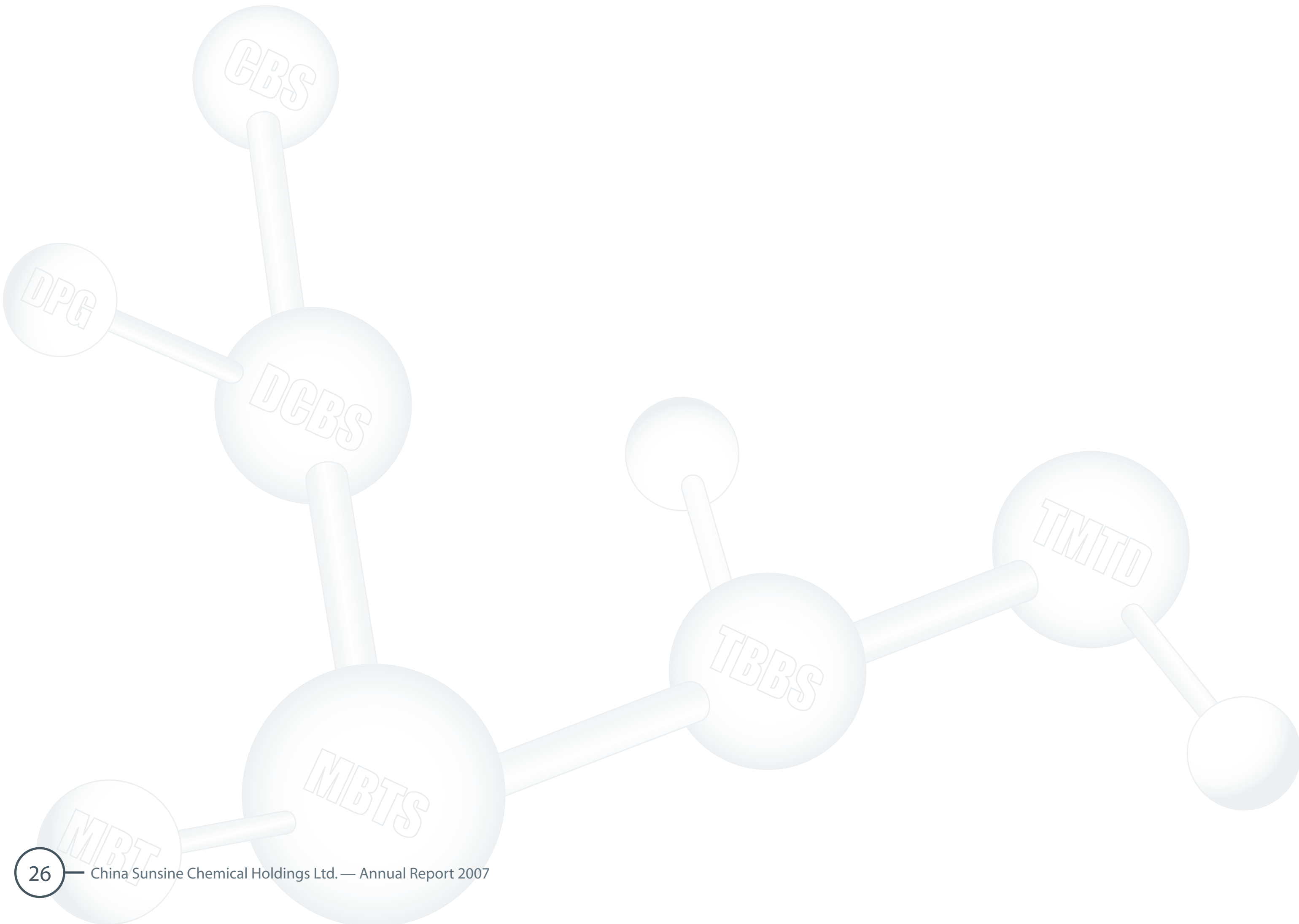
Report on Corporate Governance

MATERIAL CONTRACTS

Save for the Service Agreements entered with the Executive Directors (as disclosed in the Company's Prospectus dated 25 June 2007), there were no material contracts during the financial year as required to be reported under Rule 1207(8).

RISK AND MANAGEMENT

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.



Financial Contents

Directors' Report

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and balance sheet of the Company for the financial year ended 31 December 2007.

Names of directors

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

Xu Cheng Qiu (Executive Chairman)	
Liu Jing Fu (Executive Director)	(appointed on 18 May 2007)
Xu Jun (Executive Director)	(appointed on 18 May 2007)
Ma Ying Qun (Executive Director)	(appointed on 18 May 2007)
Tan Lye Heng Paul (Lead Independent Director)	(appointed on 18 May 2007)
Lim Heng Chong Benny (Independent Director)	(appointed on 18 May 2007)
Xu Chun Hua (Independent Director)	(appointed on 18 May 2007)
Ling Yong Wah (Non-Executive Director)	(appointed on 9 March 2007)

Arrangements to acquire shares or debentures

During and at the end of the year, neither the Company nor its subsidiary was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations, except as follows:

	Number of ordinary shares fully paid					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
	As at 1.1.2007/ date of appointment, if later	As at 31.12.2007	As at 21.1.2008	As at 1.1.2007/ date of appointment, if later	As at 31.12.2007	As at 21.1.2008
The Company -						
China Sunsine Chemical Holdings Ltd.						
(Ordinary shares)						
Xu Cheng Qiu	–	468,000	992,000	1,000	293,174,550	293,174,550
Liu Jing Fu	–	720,000	720,000	–	–	–
Tan Lye Heng Paul	–	100,000	100,000	–	–	–
Lim Heng Chong Benny	–	100,000	100,000	–	–	–
Ling Yong Wah	–	100,000	100,000	–	–	–

	Number of ordinary shares fully paid					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
	As at 1.1.2007/ date of appointment, if later	As at 31.12.2007	As at 21.1.2008	As at 1.1.2007/ date of appointment, if later	As at 31.12.2007	As at 21.1.2008
Holding company -						
Success More Group Ltd						
(Ordinary shares)						
Xu Cheng Qiu	7,427	7,427	7,427	–	–	–
Xu Jun	812	812	812	–	–	–

Xu Cheng Qiu owns 74.27% of Success More Group Ltd which owns 293,174,550 shares in the Company, and as such, by virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, is deemed to have an interest in the Company.

Directors' benefits

Since the end of the previous financial period, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50.

Share options

No options were granted during the financial year to take up unissued shares of the Company.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial year.

Audit Committee

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

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

All members of the Audit Committee were non-executive directors. All members were independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. In performing those functions, the Committee reviewed:

- the audit plan of the Company's independent auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2007 before their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group.

Directors' Report

As the Company's independent auditors had not provided any non-audit services in FY2007, no non-audit fees were paid to the independent auditors.

Auditors

Paul Wan & Co., Certified Public Accountants, have expressed their willingness to accept appointment.

Other information required by SGX-ST

Material information

Apart from the Service Agreement between the executive directors and the Company, there are no material contracts to which the Company or its subsidiary, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of the SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" in "Report on Corporate Governance".

On behalf of the Directors

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XU CHENG QIU

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LIU JING FU

Dated: 28 February 2008

Statement by Directors

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

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XU CHENG QIU

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LIU JING FU

Dated: 28 February 2008

Independent auditors' report to the members of China Sunsine Chemical Holdings Ltd.

We have audited the accompanying financial statements of China Sunsine Chemical Holdings Ltd. ("the Company") and its subsidiary ("the Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton
Certified Public Accountants
Singapore, 28 February 2008

Balance Sheets
as at 31 December 2007

		The Company		The Group	
		31 December 2007	31 December 2006	**31 December 2007**	31 December 2006
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current					
Property, plant and equipment	5	**–**	–	**118,711**	56,307
Subsidiary	6	**251,408**	50,560	**–**	–
Available-for-sale financial assets	7	**15,243**	–	**15,243**	–
		266,651	50,560	**133,954**	56,307
Current					
Inventories	8	**–**	–	**30,183**	27,487
Available-for-sale financial assets	7	**–**	–	**101,291**	–
Trade and other receivables	9	**3,643**	–	**202,744**	129,988
Prepayments	10	**85**	411	**2,849**	490
Cash and cash equivalents	11	**38,019**	229	**113,192**	64,101
		41,747	640	**450,259**	222,066
TOTAL ASSETS		**308,398**	51,200	**584,213**	278,373
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	12	**313,471**	5	**313,471**	5
Reserves	13	**(7,824)**	222	**155,430**	79,338
		305,647	227	**468,901**	79,343
LIABILITIES					
Non-current					
Loan from employees	14	**–**	–	**–**	248
Current					
Trade and other payables	14	**2,751**	728	**54,984**	80,780
Borrowings	15	**–**	–	**–**	12,000
Deferred grant	16	**–**	–	**4,936**	–
Research and development costs payable	17	**–**	–	**893**	17,943
Loans from a director	18	**–**	–	**50,276**	–
Dividend payable	19	**–**	–	**–**	31,332
Current tax payable		**–**	–	**4,223**	6,482
Non-interest bearing loans	20	**–**	50,245	**–**	50,245
		2,751	50,973	**115,312**	198,782
TOTAL EQUITY AND LIABILITIES		**308,398**	51,200	**584,213**	278,373

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Income Statement

for the year ended 31 December 2007

	Note	**Year ended 31 December 2007 RMB'000**	Year ended 31 December 2006 RMB'000
Revenue	4	**619,539**	474,706
Cost of sales		**(494,368)**	(356,466)
Gross profit		**125,171**	118,240
Other operating income	21	**5,035**	3,035
Distribution costs		**(20,350)**	(20,677)
Administrative expenses		**(23,383)**	(14,862)
Research costs	22	**(619)**	(8,315)
Other expenses		**(2,423)**	(1,467)
Finance costs	23	**(445)**	(2,152)
Profit from operations		**82,986**	73,802
Share issue costs		**(7,753)**	–
Profit before taxation	26	**75,233**	73,802
Taxation	27	**825**	(10,548)
Net profit attributable to shareholders		**76,058**	63,254
		RMB cents	RMB cents
Earnings per share	28		
- basic		**19.04**	n/m
- diluted		**18.19**	18.07

n/m - Not meaningful (see Note 28).

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2007

	Share capital RMB'000	Fair value reserve RMB'000	Exchange on translation RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Statutory common reserve RMB'000	Statutory common welfare fund RMB'000	Sub-total RMB'000	Total RMB'000
Balance as at 1 January 2006	17,488	4	–	–	77,983	5,516	5,342	10,858	106,333
Exchange on translation	–	–	(2)	–	–	–	–	–	(2)
Net loss recognised directly in equity	–	–	(2)	–	–	–	–	–	(2)
Net profit for the year	–	–	–	–	63,254	–	–	–	63,254
Total recognised income and expenses for the year	–	–	(2)	–	63,254	–	–	–	63,252
Issue of ordinary shares	5	–	–	–	–	–	–	–	5
Transfer to statutory reserve	–	–	–	–	(11,204)	5,602	5,602	11,204	–
Transfer to statutory common reserve	–	–	–	–	–	10,944	(10,944)	–	–
2006 Dividend declared under restructuring	–	–	–	–	(39,998)	–	–	–	(39,998)
Fair value of available-for-sale financial assets transferred to profit and loss upon disposal	–	(4)	–	–	–	–	–	–	(4)
Deemed distribution to the then equity owners pursuant to the Restructuring Exercise	(17,488)	–	–	–	–	–	–	–	(17,488)
Merger reserve arising from the restructuring exercise	–	–	–	(32,757)	–	–	–	–	(32,757)
Balance as at 31 December 2006	5	–	(2)	(32,757)	90,035	22,062	–	22,062	79,343

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity (cont'd)
for the year ended 31 December 2007

	Share capital RMB'000	Exchange on translation RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Statutory common reserve RMB'000	Voluntary common reserve RMB'000	Sub-total RMB'000	Total RMB'000
Balance as at 1 January 2007	5	(2)	(32,757)	90,035	22,062	–	22,062	79,343
Exchange on translation	–	34	–	–	–	–	–	34
Net gain recognised directly in equity	–	34	–	–	–	–	–	34
Net profit for the year	–	–	–	76,058	–	–	–	76,058
Total recognised income for the year	–	34	–	76,058	–	–	–	76,092
Issue of ordinary shares	276,845	–	–	–	–	–	–	276,845
Share issue costs	(12,737)	–	–	–	–	–	–	(12,737)
Transfer to statutory reserve	–	–	–	(17,058)	8,529	8,529	17,058	–
Transfer to reserves	–	–	33,062	(25,062)	(8,000)	–	(8,000)	–
Conversion of convertible loans into share capital	49,358	–	–	–	–	–	–	49,358
Balance as at 31 December 2007	**313,471**	**32**	**305**	**123,973**	**22,591**	**8,529**	**31,120**	**468,901**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000
Cash Flows from Operating Activities		
Profit before taxation	**75,233**	73,802
Adjustments for:		
Depreciation of property, plant and equipment	**14,584**	11,554
Exchange on translation	**(854)**	(2)
Grant income	–	(900)
Impairment on trade receivables	**156**	360
Interest income	**(2,561)**	(510)
Interest expense	**445**	2,152
Write-back of trade and other payables	**(3,673)**	–
Inventories written off	–	663
Operating profit before working capital changes	**83,330**	87,119
Cash deposits released from/(pledged with) banks	**28,836**	(18,887)
Increase in inventories	**(2,696)**	(13,067)
Increase in operating receivables	**(75,271)**	(19,849)
Increase in operating payables	**24,875**	15,549
Cash generated from operations	**59,074**	50,865
Interest paid	**(1,057)**	(1,540)
Income tax paid	**(1,434)**	(14,060)
Net cash generated from operating activities	**56,583**	35,265
Cash Flows from Investing Activities		
Proceeds from sale of investment	–	200
Acquisition of property, plant and equipment	**(80,952)**	(27,084)
Investment in available-for-sale financial assets	**(115,159)**	–
Interest received	**1,186**	510
Net cash used in investing activities	**(194,925)**	(26,374)
Cash Flows from Financing Activities		
Dividends paid to former shareholders of the subsidiary during restructuring	**(31,332)**	(8,666)
Bank loan obtained	–	12,000
Grant received	**8,900**	–
Proceeds from issue of shares	**276,845**	5
Share issue costs	**(12,736)**	–
Repayment of bank loans	**(12,000)**	(20,000)
Repayment of loan from employees	**(13,408)**	(1,240)
Merger reserve arising from the Restructuring Exercise	–	(32,757)
Deemed distribution to the then equity owners pursuant to Restructuring Exercise	–	(17,488)*
Loan creditors	–	50,245
Net cash generated from/(used in) financing activities	**216,269**	(17,901)
Net increase/(decrease) in cash and cash equivalents	**77,927**	(9,010)
Cash and cash equivalents at beginning of year	**33,361**	42,371*
Cash and cash equivalents at end of year (Note 11)	**111,288**	33,361

* The 2006 consolidated cash flow statement is prepared on the basis that the group structure has been in place under the Restructuring Exercise (see Note 2) for which the pooling-of-interests method for consolidation is applied.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2007

1 General information

The financial statements of the Company and of the Group for the year 31 December 2007 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in the Republic of Singapore on 28 June 2006 as a limited private Company under the name of Dongming Petrochemical Holdings Pte. Ltd. On 10 October 2006, the Company changed its name to China Sunsine Chemical Holdings Pte. Ltd. On 1 June 2007, the Company was converted to public company and changed its name to China Sunsine Chemical Holdings Ltd. The Company was admitted to the Official List of the Singapore Exchange Mainboard on 5 July 2007.

The Company was incorporated as a limited liability company and domiciled in the Republic of Singapore.

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

The registered office is located at 88 Amoy Street, Level 3, Singapore 069907 while the principal place of business is located at 112 Robinson Road, #12-04, Singapore 068902.

The principal activity of the Company is that of an investment holding company. The principal activity of the subsidiary is stated in Note 6 to the financial statements.

2 Restructuring Exercise

The Group was formed as a result of a restructuring exercise ("Restructuring Exercise") undertaken for the purpose of the Company's listing on the SGX–ST. The Restructuring Exercise involved the following:

(a) Incorporation of the company

On 28 June 2006, the Company was incorporated in the Republic of Singapore as an investment holding company, under the name of "Dongming Petrochemical Holdings Pte. Ltd.". On 10 October 2006, the Company changed its name to "China Sunsine Chemical Holdings Pte. Ltd.". The initial subscriber was Toe Teow Heng with an issued share capital of $1,000 comprising 1,000 Shares. The Shares were transferred to Success More Group Ltd ("Success More"), a company incorporated in the British Virgin Islands ("BVI") on 18 August 2006 for a consideration of $1,000. Upon the said transfer, the Company became the wholly-owned subsidiary of Success More.

(b) Acquisition of Shandong Shanxian Chemical Co., Ltd ("Shandong Shanxian")

Pursuant to a share transfer agreement dated 9 August 2006 entered into between Dongming Petrochemical Holdings Pte. Ltd. (the former name of the Company prior to the change of name on 10 October 2006) and the shareholders of Shandong Shanxian, namely, Xu Cheng Qiu (the Executive Chairman), Xu Jun (the Executive Director), Zhang Yu Long, Ma Yue Bin, Lv Gui Zhong and Xu Chi, the Company acquired 74.27%, 8.12%, 6.22%, 5.10%, 4.00% and 2.29% respectively of their equity interests in Shandong Shanxian for an aggregate cash consideration of RMB 50,559,700. The consideration was determined by an independent People's Republic of China ("PRC") valuer after taking into consideration the net asset value of Shandong Shanxian as at 31 July 2006. Shandong Shanxian then became the wholly-owned subsidiary and was converted to a wholly foreign-owned enterprise on 4 September 2006. The cash consideration was fully paid by 7 February 2007.

2 Restructuring Exercise (cont'd)

(c) Investments by the Strategic Investors

Pursuant to convertible loan agreements dated 18 January 2007 (as supplemented by an agreement dated 26 March 2007), and 27 January 2007 (as supplemented by an agreement dated 26 March 2007), both of which contain effectively the same terms, save for difference in quantum and the execution timing of the two different Strategic Investors, entered into by the Company and the Executive Chairman Xu Cheng Qiu with each of SEAVI Advert SSC Investment Limited ("SEAVI Advent") and Astronomic Capital Group Inc ("Astronomic Capital") respectively, SEAVI Advent and Astronomic Capital granted convertible loans of US$5.5 million and US$1.0 million respectively ("Convertible Loans") to the Company. The Convertible Loans were used to fund the acquisition of Shandong Shanxian.

On 18 May 2007, the Convertible Loans were converted into 42,117,688 Shares and 7,657,762 Shares, allotted and issued to SEAVI Advent and Astronomic Capital respectively.

(d) Loans by the Executive Chairman, Xu Cheng Qiu

As part of the terms and conditions set out in the convertible loan agreements mentioned above, Xu Cheng Qiu (the Executive Chairman) entered into two separate loan agreements dated 18 January 2007 with Shandong Shanxian, in which Xu Cheng Qiu granted loans of an aggregate amount of US$6.5 million to Shandong Shanxian. The loans granted by Xu Cheng Qiu are to be used solely for the business operations of Shandong Shanxian. The loans are interest-free and Shandong Shanxian will repay the loans to Xu Cheng Qiu after the Company's admission to the Official List of the SGX-ST.

(e) Restructuring of companies under common control

The fair value of the acquisition of Shandong Shanxian was arrived at based on the net asset value as at 31 July 2006, determined in accordance with the PRC accounting principles and relevant financial regulations.

The fair value of assets acquired of and liabilities assumed were as follows:

	RMB'000
Net assets acquired	
Property, plant and equipment	57,068
Inventories	21,441
Trade and other receivables	127,672
Cash and cash equivalents	64,078
Trade and other payables	(157,462)
Borrowings	(25,667)
Dividend payable	(36,570)
	50,560

The difference between the purchase consideration and the carrying value of the entire interest acquired in Shandong Shanxian was accounted as a merger reserve. The resultant reserve was a deficit of RMB 32,757,000.

On 30 April 2007, Shandong Shanxian increased its paid up capital of RMB 33,062,000 to the extent by capitalising its statutory common reserve of RMB 8,000,000 and retained profits of RMB 25,062,000. Accordingly, the deficit in merger reserve of RMB 32,757,000 becomes a credit reserve of RMB 305,000.

3(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving high degree of judgements are disclosed as below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 4 to 15 years except for land use rights which are depreciated over the period of the grant of originally 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2007 is RMB 118,711,000. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 3(d), management had made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Impairment of plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

3(a) Basis of preparation (cont'd)

Critical judgements and key sources of estimation uncertainty (cont'd)

Allowance for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

3(b) Change in accounting policies

On 1 January 2007, the Company and the Group adopted the new or revised FRS and INT FRS that are mandatory for application on that date. This includes the following FRS and INT FRS, which are relevant to the Company and the Group:

FRS 1 (Amendment)	Presentation of Financial Statements - Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS and INT FRS did not result in substantial changes to the Company's and the Group's accounting policies but gave rise to additional disclosures as required under FRS 1 (Amendment) "Presentation of Financial Statements Amendments relating to capital disclosures" and FRS 107 "Financial Instruments: Disclosures Implementation Guidance". The specific transitional provisions contained in some of these new or revised FRS have been considered.

3(c) FRS not yet effective

The Company and the Group have not adopted the following FRS or INT FRS that have been issued but not yet effective.

FRS 108	Operating Segments
INT FRS 111	FRS 102 - Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements

The directors do not anticipate that the adoption of the FRS and INT FRS will result in any material impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 replaces FRS 14 "Segment Reporting". In doing so it extends the scope of segment reporting. It requires the identification of operating segments based on internal reports that are regularly reviewed by the entity chief operating decision maker in order to allocate resources to the segment and assess its performance. It requires amongst others, reconciliations of total reportable segment revenues, total profit or loss, total assets, and other amounts disclosed for reportable segments to corresponding amounts in the entity financial statements and an explanation of how segment profit or loss and segment assets are measured for each reportable segment.

3(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiary) made up to 31 December. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value on an individual subsidiary basis.

Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The restructuring exercise described in Note 2 resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination.

The carrying amounts are included as if such consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over their estimated useful lives as follows:

Plant and machinery	4 years
Buildings	12 - 15 years
Motor vehicles	8 years
Office equipment	5 years

No depreciation has been provided for construction-in-progress.

3(d) Summary of significant accounting policies (cont'd)

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively.

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

Land use rights are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the value of land use rights, using the straight-line method, over the period of the grant of originally 50 years.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful lives and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefit embodied in the items of property, plant and equipment.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis.

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Research costs

Research costs relating to costs incurred on feasibility studies in and testing of new technologies are expensed off when incurred.

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

3(d) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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 arise when the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less allowance for impairment. Any change in their value is recognised in consolidated income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the consolidated income statement.

Receivables are provided against when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables and deposits held in banks.

Available-for-sale financial assets

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

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial asset is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the consolidated income statement for the year.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the consolidated income statement even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in the income statement shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the consolidated income statement for equity investments classified as available-for-sale are not subsequently reversed through the consolidated income statement. Impairment losses recognised in the consolidated income statement for debt instruments classified as available-for-sale are subsequently reversed in the consolidated income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

3(d) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Company establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with a short maturity of three months or less.

Related parties

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

Financial liabilities

The Company's and the Group's financial liabilities include borrowings, loan from a director and trade and other payables.

Financial liabilities are recognised when the Company and the Group become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the consolidated income statement.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

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

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension and other welfare schemes as provided by the laws in the PRC. The contributions to these schemes are charged to the consolidated income statement in the period to which the contributions relate.

Employee leave entitlement

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

3(d) Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, if any, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Government grant

Government grant was recognised as income over the periods necessary to match the grant with the related costs which they are intended to compensate.

Government grant was not recognised as income until there is a reasonable assurance that the Company and the Group will comply with the conditions attaching to it.

Receipt of the grant will not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Income taxes

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Impairment of assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

3(d) Summary of significant accounting policies (cont'd)

Impairment of assets (cont'd)

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to the consolidated income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in the consolidated income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the consolidated income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of rubber chemicals is recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Management and consultation services fee is recognised when the services are rendered.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group are presented in Renminbi ("RMB") (to the nearest thousand) which is also the functional currency of the Group.

3(d) Summary of significant accounting policies (cont'd)

Conversion of foreign currencies

The accounting records of the companies within the Group are maintained in their respective measurement currencies.

Assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are taken to the consolidated income statements:

Assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The income statement of the Company is translated using the average monthly rates. Foreign currency translation adjustments arising from the consolidated financial statements are recorded directly in exchange fluctuation account.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the consolidated income statements, if any, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items, if any, whereby the gains and losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Financial instruments

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 30.

Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) and within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

For the year presented, the Group has one operating segment, which is the manufacture and sale of rubber chemicals. The Group's manufacturing activities operate predominantly in the PRC. However, the revenue is based on where the customers are located.

4 Revenue

Revenue represents the sale of rubber chemicals mainly for use in automobile tyres, excluding applicable value-added tax.

5 Property, plant and equipment

The Group	Plant and machinery RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Land use rights RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2006	53,208	15,395	2,565	718	3,404	2,150	77,440
Additions	14,211	6,228	1,190	209	2,163	3,083	27,084
Reclassification	–	2,144	–	–	–	(2,144)	–
At 31 December 2006	**67,419**	**23,767**	**3,755**	**927**	**5,567**	**3,089**	**104,524**
Additions	**18,414**	**6,647**	**623**	**257**	**4,600**	**50,411**	**80,952**
Grant received	**(3,000)**	**–**	**–**	**–**	**–**	**(964)**	**(3,964)**
Reclassification	**5,387**	**5,707**	**–**	**–**	**–**	**(11,094)**	**–**
At 31 December 2007	**88,220**	**36,121**	**4,378**	**1,184**	**10,167**	**41,442**	**181,512**
Accumulated depreciation							
At 1 January 2006	29,850	5,899	512	239	163	–	36,663
Depreciation for the year	9,831	1,158	375	97	93	–	11,554
At 31 December 2006	**39,681**	**7,057**	**887**	**336**	**256**	**–**	**48,217**
Depreciation for the year	**12,027**	**1,856**	**477**	**127**	**97**	**–**	**14,584**
At 31 December 2007	**51,708**	**8,913**	**1,364**	**463**	**353**	**–**	**62,801**
Net book value							
At 31 December 2007	**36,512**	**27,208**	**3,014**	**721**	**9,814**	**41,442**	**118,711**
At 31 December 2006	27,738	16,710	2,868	591	5,311	3,089	56,307

(a) The land use rights and buildings on the leasehold land at the intersection of Jiyuan Road and East Outer Ring Road with a land area of 162,087 sq m were mortgaged for short-term loans from financial institutions [Notes 15(i), (ii) and (iii)].

(b) Land use rights relate to the following parcels of lands:

Location	Period	Land area (sq m)
Facility 1		
South Lao Ding Dang Road, Shan Cheng	50 years (expiring on 19 August 2053)	2,906.66
South Lao Ding Dang Road, Shan Cheng	50 years (expiring on 19 August 2053)	11,333.33
South East Zhang Zhi Lou, Shan Cheng	50 years (expiring on 29 March 2055)	8,243.00
South East Zhang Zhi Lou, Shan Cheng	50 years (expiring on 29 March 2055)	17,137.00
Facility 2		
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (expiring on 2 June 2056)	162,087.00
Intersection of Jiyuan Road and East Outer Ring Road, Shanxian	50 years (*)	140,000.00

* The land use rights certificate is currently in the registration process by the government land agency.

See Note 14 regarding the liabilities for the settlement of land use rights.

(c) Construction-in-progress relates to the construction of new factory plant facility at Facility 2 [Note 29].

6 Subsidiary

The Company	2007 S$'000	2007 RMB'000	2006 S$'000	2006 RMB'000
Unquoted equity investment, at cost	**50,298**	**251,408**	9,999	50,560

The subsidiary is:

Name	Country of incorporation/ principal place of business	Percentage of equity held 2007	Percentage of equity held 2006	Principal activities
Held by the Company				
Shandong Shanxian Chemical Co., Ltd* (山东单县化工有限公司)	People's Republic of China	**100%**	100%	Manufacture and sale of rubber chemicals, comprising rubber accelerators, anti-oxidant agents, anti-scorching agents and insoluble sulphur

* Audited by Foo Kon Tan Grant Thornton for the purpose of FRS reporting

7 Available-for-sale financial assets

	The Company			The Group	
	2007 SGD'000	**2007 RMB'000**	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Balance at beginning of year	–	–	–	–	–
Additions	**3,000**	**15,159**	–	**115,159**	–
Interest income	**17**	**84**	–	**1,375**	–
Balance at end of year	**3,017**	**15,243**	–	**116,534**	–
Less: current portion	–	–	–	**(101,291)**	–
Non-current portion	**3,017**	**15,243**	–	**15,243**	–

7 Available-for-sale financial assets (cont'd)

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

		The Company			The Group	
		2007	**2007**	2006	**2007**	2006
		SGD'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Unquoted securities with banks [capital-guaranteed fund]						
Non-current						
- #1	(i)	**1,017**	**5,137**	–	**5,137**	–
- #2	(ii)	**2,000**	**10,106**	–	**10,106**	–
		3,017	**15,243**	–	**15,243**	–
Current						
- #3	(iii)	**–**	**–**	–	**101,291**	–
		3,017	**15,243**	–	**116,534**	–
Fair values:						
Unquoted securities with banks		**3,017**	**15,243**	–	**116,534**	–

(i) The available-for-sale financial asset #1 relates to a SGD 1,000,000 investment in Barclays 5Y 100% PP Callable Daily Range Accrual Note on Singapore Banks. The maturity date of the investment is 5 October 2012.

(ii) The available-for-sale financial asset #2 relates to a SGD 2,000,000 investment in UBS 5Y SGD Diversified Asian Government Bond Note II. The said financial asset bears interest at 2.5% per annum and matures on 19 October 2012.

(iii) The available-for-sale financial asset #3 relates to a RMB100,000,000 investment in利德盈2007年第56期理财产品 issued by the China Construction Bank. The said financial asset bears interest at 4.65% per annum and matures on 19 September 2008.

In the opinion of the directors of the Group, the book values of the available-for-sale financial assets approximate their fair values.

8 Inventories

The Group	**2007** **RMB'000**	2006 RMB'000
At cost:		
Raw materials	**13,966**	10,658
Packing materials	**1,267**	1,099
Finished goods	**14,950**	15,730
	30,183	27,487
Inventories charged to cost of sales	**403,349**	261,610

The ageing of the inventory turnover approximates 21 (2006 - 22) days.

9 Trade and other receivables

		The Company		The Group	
		2007	2006	**2007**	2006
	SGD'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade receivables					
External parties	**3**	**16**	–	**128,547**	102,573
Impairment on trade receivables	**–**	**–**	–	**(645)**	(489)
	3	**16**	–	**127,902**	102,084
Other receivables					
Advances to suppliers	**–**	**–**	–	**11,178**	8,735
Down-payment					
- construction of buildings	**–**	**–**	–	**1,133**	5,749
- purchase of land	**–**	**–**	–	**–**	1,200
Note receivables	**–**	**–**	–	**53,008**	8,926
Staff advances	**–**	**–**	–	**1,157**	819
Amount owing by subsidiary	**718**	**3,626**	–	**–**	–
Loans to third parties					
- Loan #1	**–**	**–**	–	**5,000**	–
- Loan #2	**–**	**–**	–	**2,000**	–
VAT receivables	**–**	**–**	–	**–**	1,787
Other deposits	*****	**1**	–	**201**	200
Others	**–**	**–**	–	**1,165**	488
	718	**3,627**	–	**74,842**	27,904
	721	**3,643**	–	**202,744**	129,988

* represents amount less than SGD1,000

Trade receivables are usually due within 30-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 68 (2006 - 73) days. Allowance for impairment of RMB 645,000 (2006 - RMB 489,000) has been made where the collectibility of debts becomes uncertain.

Impairment on trade receivables is made on specific debt for which the directors of the Group are of the opinion that debts are not recoverable.

The age analysis of trade receivables past due and impaired is as follows:

	The Company		The Group	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Past due over 12 months	**–**	–	**645**	489

The staff advances are unsecured and repayable on demand. Interest is charged at 0.6% (2006 - 0.6%) per month.

9 Trade and other receivables (cont'd)

The Note receivables from third parties mature as follows:

	2007	2006
The earliest date	**11 January 2008**	2 January 2007
The latest date	**29 June 2008**	27 June 2007

The loan to a third party #1 relates to one-year unsecured loan granted to 单县东大医院 and is repayable on or before 23 December 2008. Interest is charged at 12.6% per annum. The loan is guaranteed by 莱钢集团威海经贸有限公司 and 王更轩.

The loan to a third party #2 relates to advances given to 江阴泽舟投资有限公司. The loan is unsecured, interest-free and repayable on demand.

Trade and other receivables are dominated in the following currencies:

	The Company		The Group	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**3,643**	–	**11,024**	–
Renminbi	**–**	–	**143,175**	88,320
United States dollar	**–**	–	**48,545**	41,668
	3,643	–	**202,744**	129,988

10 Prepayments

Included in prepayments is a sum of RMB 2,500,000 (2006 - RMB Nil) relating to research costs paid to青岛科技大学科技公司 (Qingdao Technology University Technical Company) for the production of 4,000 tonnes of M-DM, where services rendered are expected to be completed in 2008.

11 Cash and cash equivalents

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

		The Company		The Group	
	2007	**2007**	2006	**2007**	2006
	SGD'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash on hand	**–**	**–**	–	**143**	480
Bank balances	**514**	**2,595**	229	**77,625**	63,621
Fixed deposits	**7,010**	**35,424**	–	**35,424**	–
	7,524	**38,019**	229	**113,192**	64,101
Deposits pledged with banks	**–**	**–**	–	**(1,904)**	(30,740)
	7,524	**38,019**	229	**111,288**	33,361

The fixed deposits which carry interest at 2.1% per annum mature on 7 January 2008.

12 Share capital

The Company and the Group	No. of shares	SGD'000	RMB'000
Issued and fully paid:			
Balance as at date of incorporation and as at 31 December 2006	1,000	**1**	**5**
Sub-division of shares	300,224,550	**1**	**5**
Issue of share arising from convertible loans (Note 20)	49,775,450	**9,930**	**49,357**
Issue of shares	141,694,000	**55,261**	**276,845**
Share issue costs	–	**(2,543)**	**(12,736)**
Balance as at 31 December 2007	491,694,000	**62,649**	**313,471**

13 Reserves

			The Company		The Group	
		2007	**2007**	2006	**2007**	2006
		SGD'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Merger reserve		–	**–**	–	**305**	(32,757)
Statutory common reserve	(i)	–	**–**	–	**22,591**	22,062
Voluntary common reserve	(ii)	–	**–**	–	**8,529**	–
		–	**–**	–	**31,425**	(10,695)
Retained profits		(1,617)	**(8,161)**	262	**123,973**	90,035
Exchange on translation		–	**337**	(40)	**32**	(2)
		(1,617)	**(7,824)**	222	**155,430**	79,338

Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the entire interest acquired under the pooling-of-interests method of consolidation in the restructuring described in Note 2.

Exchange on translation

The exchange on translation relates to exchange difference arising from translation of the financial statements of the Company.

On 30 April 2007, Shandong Shanxian increased its paid-up capital of RMB 33,062,000 to the extent by capitalising its statutory common reserve of RMB 8,000,000 and retained profits of RMB 25,062,000. Accordingly, the deficit in merger reserve of RMB 32,757,000 becomes a credit reserve of RMB 305,000.

According to the Company Law of PRC and Articles of Association of Shandong Shanxian, the subsidiary is required to provide the following statutory reserves which are appropriated from the net profit as reported in the PRC statutory financial statements:

(i) Statutory common reserve

A company is required each year to transfer 10% of the profit after tax as reported in its PRC statutory financial statements to statutory common reserve, except where the fund has reached 50% of the company's registered capital. This fund can be used to make up for any losses incurred or be converted into paid-up capital, provided that the fund does not fall below 25% of the registered capital.

13 Reserves (cont'd)

(ii) Voluntary common reserve

In accordance with the relevant laws and regulations in The People's Republic of China, the subsidiary is allowed to appropriate a minimum of 10% of the net profit after taxation 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.

14 Trade and other payables

	The Company			The Group	
	2007	**2007**	2006	**2007**	2006
	SGD'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade payables	–	**–**	–	**19,066**	9,370
Note payables	–	**–**	–	**–**	31,350
Advances received from customers	–	**–**	–	**4,418**	2,356
Payable for construction of building	–	**–**	–	**5,719**	1,382
Accrual for land instalment payments	–	**–**	–	**2,004**	2,269
Accruals for operating costs	421	**2,127**	12	**3,428**	2,563
Interest payables	–	**–**	–	**–**	612
Other governmental taxes payable	–	**–**	–	**4,308**	1,146
Provision for directors' fees	123	**624**	–	**624**	–
Salaries and related costs payable	–	**–**	66	**9,599**	12,341
Amount owing to a director	–	**–**	4	**–**	4
Amount owing to subsidiary	–	**–**	646	**–**	–
Loan from employees #1	–	**–**	–	**–**	11,970
Loan from employees #2	–	**–**	–	**–**	1,438
Loans from third parties					
– 胜利油田	–	**–**	–	**3,000**	3,000
– 单县投资公司	–	**–**	–	**500**	500
– 单县财政局	–	**–**	–	**250**	250
	–	**–**	–	**3,750**	3,750
Other payables	–	**–**	–	**2,068**	477
	544	**2,751**	728	**54,984**	81,028
Less:					
Non-current loan from employees #2	–	**–**	–	**–**	(248)
	544	**2,751**	728	**54,984**	80,780

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be reasonable approximation of their fair value. The ageing analysis of trade payables approximates 12 (2006 - 12) days.

14 Trade and other payables (cont'd)

The note payables matured at varying dates as follows:

	2007	2006
The earliest date	–	10 January 2007
The latest date	–	20 May 2007

The loan from employees #1 of RMB Nil (2006 - RMB 11,970,000) which was a temporary fund obtained from the employees of the subsidiary for use in construction of factory facility (see Note 5), was unsecured and repayable within one year. Interest was charged at 7.2% per annum.

The Group	**2007 RMB'000**	2006 RMB'000
Loan from employees #2		
Amount repayable:		
Not later than one year	–	1,190
Later than one year and not later than five years	–	248
Later than five years	–	–
	–	1,438

The loan from employees #2 of RMB Nil (2006 - RMB 1,438,000) was a 3-year advances which were unsecured and interest was charged at 5.76% per annum.

Loan from employees #1 and #2 were repaid in financial year 2007.

The accrual of RMB 2,004,000 (2006 - RMB 2,269,000) for land instalment payments are determined on the basis of the obligations to pay for the use of land over a period of fifty years, commencing at their respective dates, 10 November 2003, 31 March 2005 and 23 June 2006. The annualised rental payable is RMB 82,000 over 50 years and is interest-free.

Had the amortised cost been determined using the average of 7% (2006 - 6%) per annum, based on the prevailing interest rate applied by the two commercial banks in the PRC, the annualised interest expense to be recognised would have been RMB 140,000 (2006 - RMB 136,000).

The loans from third parties of RMB 3,750,000 are unsecured, interest-free and have no fixed terms of repayment.

Trade and other payables are dominated in the following currencies:

	The Company		The Group	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Singapore dollar	**2,751**	728	**2,751**	728
Renminbi	**–**	–	**49,214**	80,052
United States dollar	**–**	–	**3,019**	–
	2,751	728	**54,984**	80,780

15 Borrowings

The Group		2007 RMB'000	2006 RMB'000
Current			
Bank loans – secured			
- 中国农业银行单县支行			
Loan #1	(i)	–	5,000
#2	(ii)	–	6,000
#3	(iii)	–	1,000
		–	12,000

	2007 RMB'000	2006 RMB'000
Amount repayable:		
Not later than one year	–	12,000
Later than one year but not later than five years	–	–
Later than five years	–	–
	–	12,000

(i) The one-year secured bank loan facility #1 of RMB 5,000,000 granted to the subsidiary was repaid in September 2007.

Interest was charged at 3% per annum.

(ii) The one-year secured bank loan facility #2 of RMB 6,000,000 granted to the subsidiary was repaid in September 2007.

Interest was charged at 3% per annum.

(iii) The one-year secured bank loan facility #3 of RMB 1,000,000 granted to the subsidiary was repaid in July 2007.

Interest was charged at 7.605% per annum.

The bank loan facilities #1, 2 and 3 were secured by a mortgage to a sum of RMB 30,000,000 on the subsidiary's land use rights and buildings located at the intersection of Jiyuan Road and East Outer Ring Road with land area 162,087 sq m [Note 5(a)].

16 Deferred grant

The Group	2007 RMB'000	2006 RMB'000
Balance at beginning of year	–	900
Amount received from governmental agencies	**8,900**	–
Utilised during the year (Note 5)	**(3,964)**	–
Transferred to income statement	–	(900)
Balance at end of year	**4,936**	–

The government grants relate to money received from governmental agencies to provide financial assistance and support to the Company in pollution prevention and control measures.

17 Research and development costs payable

The Group	2007 RMB'000	2006 RMB'000
曲阜市前锋化工有限公司	–	5,600
青岛科技大学科技公司	–	3,150
丹阳市天成化工厂	–	3,000
济南华乐科技有限公司	–	2,800
Others	**893**	3,393
	893	17,943

The liabilities owing for research and development costs relate to technical feasibility studies. The extent of the liability to be accrued is when the Company formalises the work to be carried out in a written agreement. The settlement for discharging the liability is made when the services rendered are due.

18 Loans from a director

The Group

As part of the terms and conditions set out in the two convertible loan agreements dated 18 January 2007 (as supplemented by an agreement dated 26 March 2007), and 27 January 2007 (as supplemented by an agreement dated 26 March 2007), Xu Cheng Qiu (the Executive Chairman) entered into two separate loan agreements dated 18 January 2007 with the subsidiary, in which Xu Cheng Qiu granted loans of an aggregate amount of US$6.5 million to the subsidiary which represents quasi-equity loan. The loans are interest-free. Accordingly, it is not practicable to determine the fair value of these loans. The loans granted by Xu Cheng Qiu are to be used solely for the business operations of the subsidiary.

19 Dividend payable

The Group	2007 RMB'000	2006 RMB'000
Dividend payable	–	31,332
Dividend paid	**31,332**	8,666
	31,332	39,998

20 Non-interest bearing loans

The Group

For financial year 2006, the non-interest bearing loans relate to liability for a sum of US$6.5 million recognised in the financial statements which was equivalent to RMB 50,245,000 to be received from third parties.

Pursuant to convertible loan agreements dated 18 January 2007 and 27 January 2007 entered into by the Company and the Executive Chairman, Xu Cheng Qiu with each of SEAVI Advent and Astronomic Capital respectively, SEAVI Advent and Astronomic Capital granted convertible loans of US$5.5 million and US$1.0 million respectively to the Company. These loans were converted to equity upon the Company successfully listing with SGX-ST.

21 Other operating income

The Group	**2007 RMB'000**	2006 RMB'000
Exchange gain	**–**	1,304
Government grant	**–**	954
Interest income		
- available-for-sale financial assets	**1,375**	–
- advances to employees	**51**	–
- bank deposits	**833**	510
- fixed deposits	**302**	–
Sale of scrap material	**1,100**	267
Write- back of trade and other payables	**673**	–
Incentive on land tax	**621**	–
Others	**80**	–
	5,035	3,035

The effective interest rates per annum on interest income are as follows:

The Group	**2007 RMB'000**	2006 RMB'000
- available-for-sale financial assets	**5.1%**	–
- advances to employees	**5.2%**	–
- bank deposits	**0.9%**	0.9%
- fixed deposits	**1.7%**	–

22 Research costs

The Group	2007 RMB'000	2006 RMB'000
Qingdao Technology University Technical Company		
- research cost	–	350
- the long-term cooperation in 2003	–	2,000
- 4,000吨M-DM联产生产技术	**500**	–
Dalian University of Technology		
The Environment Engineering R&D Institution Co., Ltd.		
- water treatment technology	–	400
Jinan Huadong Co., Ltd		
- multi-layer membrane technology	–	1,400
Shandong San-Way Petrochemcial Engineering Co., Ltd.		
- water treatment fee	–	250
北方东方文华科技开发公司 – 1000吨TBS生产技术	**1,000**	–
山东贝斯特化工有限公司 – 1000吨M溶剂法生产工艺	**1,000**	–
曲阜市前锋化工有限公司 – write-back of research costs payable	**(3,000)**	–
Others	**1,119**	3,915
	619	8,315

23 Finance costs

The Group	2007 RMB'000	2006 RMB'000
Interest on bank borrowings	**225**	1,168
Interest on loans from employees	**220**	937
Discount on bank notes	-	47
	445	2,152

The effective interest rates per annum are as follows:

	2007	2006
Bank loans	**3.74%**	7.30%
Loans from employees	**7.04%**	6.97%

24 Employee benefit expenses

The Group	**2007 RMB'000**	2006 RMB'000
Directors' remuneration		
- salaries and related costs	**822**	267
- defined contributions*	**2**	8
Key management personnel (other than directors)		
- salaries and related costs	**906**	–
- defined contributions*	**47**	–
Other than directors and key management personnel		
- salaries and related costs	**29,356**	25,478
- defined contributions*	**2,021**	1,734
	33,154	27,487

* Includes contributions under the retirement benefit plans (Note 25).

In financial year 2006, the Group did not regard any employee as key-management as the executive roles were performed by the directors of the Group.

As disclosed in:		
Cost of sales	**20,034**	17,373
Distribution costs	**1,382**	445
Administrative expenses	**11,308**	9,206
Research costs	**430**	463
	33,154	27,487

25 Retirement benefit plans

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

The total cost charged to the consolidated income statements for the financial year ended 31 December 2007 was approximately RMB 2,017,000 (2006 - RMB 1,742,000), representing defined contribution national pension plan for the period.

26 Profit before taxation

The Group	**2007 RMB'000**	2006 RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,584**	11,554
Directors' fees	**623**	–
Impairment on trade receivables	**156**	–
Exchange loss	**259**	–

27 Taxation

The Group	2007 RMB'000	2006 RMB'000
Current taxation	**–**	10,982
Overprovision in respect of prior years	**(825)**	(434)
	(825)	10,548

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's profits as a result of the following:

The Group	2007 RMB'000	2006 RMB'000
Profit before taxation	**75,233**	73,802
Tax at statutory rate of 18% (2006 - 20%)	**13,542**	14,760
Deferred tax assets on temporary differences not recognised	**1,516**	52
Difference in tax rates	**12,429**	14,621
Tax exempt income	**(27,487)**	(18,451)
	–	10,982

As mentioned in Note 2 to the financial statements, the Group carried out a restructuring exercise on 9 August 2006, whereby Shandong Shanxian became a foreign-owned entity. In this regard, according to PRC's taxation law, any enterprise with foreign investment of a production nature is granted to operate for a period of not less than ten years shall be exempted from income tax in the first and second year and allowed a fifty percent reduction in the third to fifth year, commencing from the first year that is making profit.

Accordingly, Shandong Shanxian has been granted such incentive with effect from 1 September 2006.

No provision for Singapore tax has been made as the company did not derive any significant taxable profit in Singapore.

28 Earnings per share

The Group

The basic earnings per share is calculated on the Group's profit after taxation of RMB 76,058,000 on the weighted average number of ordinary shares in issue of 399,410,585 shares during the financial year.

The diluted earnings per share is calculated on the Group's profit after taxation of RMB 76,058,000 on the weighted average number of ordinary shares in issue of 418,093,425 shares during the financial year.

In the financial year 2006, the earnings per share on dilutive basis is calculated on the Group's profit after taxation of RMB 63,254,000 on the weighted average number of potential ordinary shares in issue of 350,000,000 shares whilst the earnings per share on basic basis is not meaningful as the Company only had 1,000 ordinary shares in issue pending the completion of the restructuring exercise as mentioned in Note 2 to the financial statements.

29 Commitments

The Group	Note	**2007 RMB'000**	2006 RMB'000
Expenditure contracted for			
- construction of new factory plant	(1)	**1,406**	3,013
- purchase of plant and machinery	(2)	**9,073**	1,250
- installation of machinery	(2)	**52**	–
		10,531	4,263

(1) The construction relates to new factory plant located at the Shanxian Development Zone with a land area of 162,087 sq m.

(2) The purchase and installation of machinery is for use at the new factory plant at Facility 2 [Note 5 (c)].

30 Financial risk management objectives and policies

The Group's financial instruments carried on the balance sheet mainly consist of available-for-sale financial assets, cash and cash equivalents, receivables and payables.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

30.1 Price risk

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

The Group does not hold any quoted or marketable financial instrument, other than as disclosed in Note 7 to the financial statements.

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

To illustrate, a 10% increase in the price of aniline for the financial year ended 31 December 2007 would have the effect of decreasing the net profit by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2007 RMB'000
Aniline	**12,101**

A 10% decrease in the price of aniline for the financial year ended 31 December 2007 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

30 Financial risk management objectives and policies (cont'd)

30.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The business of the Group is carried out in PRC and countries outside PRC such as the United States of America and European Countries. These sales are denominated in United States dollar. Accordingly, the exposure to foreign exchange risk mainly relates to sales made to countries outside PRC.

To illustrate, a 5% strengthening of the USD and SGD against the Renminbi as at 31 December would have had the following impact on the net profit by the amounts shown below.

31 December 2007	Gain (RMB'000)
USD	2,587
SGD	697

A 5 % weakening of the USD and SGD against the above currency at 31 December would have the equal but opposite effect on the above currency of the amounts shown above.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

30.3 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises from available-for-sale financial assets, advances to employees, loans to third parties and loans from a director. The interest rate of available-for-sale financial assets is as disclosed in Note 7 while the interest rates and terms of repayment of the loans to third parties and loans from a director of the Company are disclosed in Notes 9 and 18 to the financial statements respectively.

The Group's exposure to interest rate risk is minimal as the Group has no significant exposure to variable interest rate instruments.

30.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than as at 31 December 2007, the five largest trade receivables which represents approximately 17% of the total trade receivables at the balance sheet date. No other financial assets carry a significant exposure to credit risk.

The credit terms granted to customers are recommended by the Group's sales department and approved by the Group's Executive Chairman, Xu Cheng Qiu, and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that we have with our customers.

Impairment loss of RMB 645,000 (31 December 2006 - RMB 489,000) is recognised on receivables deemed uncollectible for the year.

30 Financial risk management objectives and policies (cont'd)

30.5 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

31 Financial instruments

Fair values

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

32 Segment information

The Group is substantially in one business segment, namely the sale and the manufacture of rubber chemicals relating rubber accelerators, anti-oxidant agents and anti-scorching agents. Accordingly, no business segment information is presented. For geographical segment information, the revenue is based on where the customers are located.

Geographical Segment

The Group	**2007 RMB'000**	2006 RMB'000
Revenue		
PRC	**358,941**	242,565
Rest of Asia	**162,198**	148,880
America	**40,410**	50,836
Other countries	**57,990**	32,425
	619,539	474,706

Statistics of Shareholdings

As at 31 March 2008

SHARE CAPITAL

Issued and fully paid	:	SGD 65,192,360.00
Number of shares	:	491,694,000
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote of each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 999	0	0.00	0	0.00
1,000 - 10,000	925	47.68	5,701,000	1.16
10,001 - 1,000,000	989	50.98	61,142,000	12.43
1,000,001 - and above	26	1.34	424,851,000	86.41
Grand Total	1,940	100.00	491,694,000	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 31 March 2008, approximately 27.3% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

TOP TWENTY SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	SUCCESS MORE GROUP LTD	293,174,550	59.63
2	SEAVI ADVENT SSC INVESTMENT LTD	35,680,688	7.26
3	PHILLIP SECURITIES PTE LTD	12,343,000	2.51
4	ASTRONOMIC CAPITAL GROUP INC	11,257,762	2.29
5	ICH LIMITED	7,050,000	1.43
6	2G CAPITAL PTE LTD	7,000,000	1.42
7	MERRILL LYNCH (SINGAPORE) PTE LTD	6,850,000	1.39
8	GEMINI ASIA GROWTH INC	5,825,000	1.84
9	REN YUANLIN	5,800,000	1.18
10	XU XIANLEI	5,232,000	1.06
11	WU WING YEU MICHAEL	4,900,000	1.00
12	CIMB-GK SECURITIES PTE. LTD.	3,261,000	0.66
13	KIM ENG SECURITIES PTE. LTD.	2,897,000	0.59
14	WARREN CAPITAL PTE LTD	2,565,000	0.52
15	OCBC SECURITIES PRIVATE LTD	2,545,000	0.52
16	MAYBAN NOMINEES (SINGAPORE) PTE LTD	2,427,000	0.49
17	DBS NOMINEES PTE LTD	2,399,000	0.49
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,232,000	0.45
19	LIM PANG SOON	2,042,000	0.42
20	TONG KOK YIN (TANG GUOXIAN)	1,639,000	0.33
	TOTAL	417,120,000	85.48

Statistics of Shareholdings

As at 31 March 2008

Substantial Shareholders

(as shown in the Company's register of substantial shareholders)

as at 31 March 2008

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders				
Success More Group Ltd	293,174,550	59.62	–	–
Xu Cheng Qiu (1)	1,631,000	0.33	293,174,550	59.62
SEAVI Advent SSC Investment Ltd.	35,680,688	7.26	–	–
Toe Teow Heng (3)	–	–	25,945,097	5.13
Toe Teow Teck (4)	–	–	25,945,097	5.13

(1) Mr Xu Chengqiu's deemed interest refers to the 293,174,550 shares held by Success More Group Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Mr Toe Teow Heng's deemed interest refers to the shares held by Gemini Asia Growth Inc. (5,897,097 shares), ICH Limited (10,845,000 shares), Purestar Investment Ltd (5,751,000 shares), ICH Consulting Pte Ltd (2,147,000 shares) and ICH Asset Management Pte Ltd (1,305,000 shares) pursuant to Section 7 of the Companies Act, Chapter 50.

(3) Mr Toe Teow Teck's deemed interest refers to the shares held by Gemini Asia Growth Inc. (5,897,097 shares), ICH Limited (10,845,000 shares), Purestar Investment Ltd (5,751,000 shares), ICH Consulting Pte Ltd (2,147,000 shares) and ICH Asset Management Pte Ltd (1,305,000 shares) pursuant to Section 7 of the Companies Act, Chapter 50.

Notice of Annual General Meeting

To the Members of China Sunsine Chemical Holdings Ltd.

(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Sunsine Chemical Holdings Ltd. will be held at 168 Robinson Road Capital Tower 9th Floor FTSE Room Singapore 068912 on Tuesday, 29 April 2008 at 3:00 p.m. for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2007 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following directors retiring under Article 104 of the Company's Articles of Association:-

   (i) Mr Tan Lye Heng Paul **[See Explanatory Note 1];** **(Resolution 2)**

   (ii) Mr Lim Heng Chong Benny **[See Explanatory Note 2]**; and **(Resolution 3)**

   (iii) Mr Ling Yong Wah. **(Resolution 4)**

3. To approve the amount of S$123,000 proposed as Directors' Fees for the financial year ended 31 December 2007. **(Resolution 5)**

4. To appoint Messrs Paul Wan & Co. as the Company's Auditors in place of Messrs Foo Kon Tan Grant Thornton and to authorise the Directors to fix their remuneration **[See Appendix for the details].** **(Resolution 6)**

5. 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 resolution as ordinary resolution:

6. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital** **(Resolution 7)**

   "That authority be and is hereby given to the Directors to:

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50 per cent. of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the existing shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20 per cent. of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("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 share capital shall be based on the issued share capital of the Company at the time this authority is given, 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 authority is passed; and

   (ii) any subsequent consolidation or sub-division of shares;

   (3) in exercising the authority conferred by this authority, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

   (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority 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 3]

By Order Of The Board

Cheryl Maya Voo
Company Secretary

Singapore, 14 April 2008

Notice of Annual General Meeting

To the Members of China Sunsine Chemical Holdings Ltd.

(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

EXPLANATORY NOTES:

1. Mr Tan Lye Heng Paul will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Remuneration Committee as well as member of the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2. Mr Lim Heng Chong Benny will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and member of Audit Committee as well as member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

3. The Ordinary Resolution 7 proposed in item 6 above, if passed, will authorise the Directors of the Company to issue shares up to 50 per centum (50%) of the Company's issued share capital, with an aggregate sub-limit of 20 per centum (20%) of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

NOTES:

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

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

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

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 88 Amoy Street, Level Three, Singapore 069907 not less than 48 hours before the time appointed for holding the above Meeting.

Appendix to the Notice of Annual General Meeting

(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

RESOLUTION 6 - TO APPOINT MESSRS PAUL WAN & CO. AS THE COMPANY'S AUDITORS IN PLACE OF MESSRS FOO KON TAN GRANT THORNTON AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The purpose of this Appendix is to provide Shareholders with the relevant information pertaining to and to seek Shareholders' approval for the proposed change of auditors at the Annual General Meeting ("AGM") to be held on 29 April 2008.

The SGX-ST assumes no responsibility for the accuracy of any statements or opinions made in this Appendix.

1. REASONS FOR THE PROPOSED CHANGE OF AUDITORS

The Company's existing auditors, Messrs Foo Kon Tan Grant Thornton, have been auditors of the Group since the financial year ended 31 December 2006.

The Company had on 12 March 2008 received a notice of nomination pursuant to Section 205(11) of the Companies Act, Chapter 50, from Success More Group Ltd, the Company's substantial shareholder, nominating the appointment of Messrs Paul Wan & Co. as the auditors of the Company in place of Messrs Foo Kon Tan Grant Thornton. A copy of the notice of nomination is enclosed with the 2007 Annual Report.

Following the receipt of the notice of nomination from Success More Group Ltd and as part of the Company's regular review of all its service providers and in order to better manage the continual increases in business operating costs, the Directors have considered proposals from several audit firms for the audit of the financial statements of the Group in respect of the financial year ending 31 December 2008. Proposals from such firms were reviewed by the management of the Company, in consultation with the Audit Committee. Following the review of the credentials, services and fee proposals from audit firms, it was determined that the proposal given by Messrs Paul Wan & Co. is best suited to the needs of the Company and the Group.

Paul Wan & Co. is one of the top 10 CPA firms in Singapore, with a total of 40 professional staff personnel, excluding administrative support staff strength, tax and other service lines, with experience in managing auditing services for medium and large organizations including listed companies in Singapore. Many of these listed companies for which they acted as statutory auditors have significant operations both in Singapore and in the People's Republic of China. There are approximately 700 accounting firms in Singapore. Paul Wan & Co. is a member firm of Morison International, ranked as one of the top 20 accounting groups in the world that serve cross-border needs of their clients. In China, Morison International has 18 offices spread all over China with more than 60 partners and 2,000 professional staff. Mr Paul Wan, the Managing Partner, is also currently the Chairman of Morison International Asia Pacific and a Director of Morison International.

2. OPINION OF DIRECTORS AND THE AUDIT COMMITTEE

The Directors and the Audit Committee have considered various factors, including the adequacy of the resources and experience of Messrs Paul Wan & Co. and the persons assigned to the audit of the accounts of the Company, their audit engagements, the size and complexity of the Group, and the number and experience of the supervisory and professional staff who will be assigned to the audit of the consolidated accounts and their proposed audit arrangements for the Company, and are of the opinion that Messrs Paul Wan & Co. are able to meet the audit requirements of the Company and the Group and that the proposed change of auditors is in the best interests of the Company. Accordingly, Rule 712 of the Listing Manual has been complied with.

The Audit Committee has deliberated upon the proposed change of auditors and has recommended the same for approval by the Board. The Directors are of the opinion that the proposed change of auditors is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 6 in respect of the proposed change of auditors.

Appendix to the Notice of Annual General Meeting

(Company Registration No.: 200609470N)
(Incorporated in the Republic of Singapore)

3. NOTICE OF RESIGNATION ISSUED BY MESSRS FOO KON TAN GRANT THORNTON AND THE CONSENT TO ACT AS AUDITORS BY MESSRS PAUL WAN & CO.

Messrs Foo Kon Tan Grant Thornton confirmed that there are no specific issues to be highlighted to the Shareholders and have, on 24 March 2008, given notice to the Directors of their resignation as auditors as well as their professional clearance to the nominated auditors.

Messrs Paul Wan & Co. confirmed that they have no reason to believe why they cannot accept the appointment by the Company as their auditors and have, on 24 March 2008, given their consent to act as auditors, subject to the approval of the Shareholders at the AGM.

Pursuant to Section 205(15) of the Companies Act, Chapter 50, the resignation of Messrs Foo Kon Tan Grant Thornton as auditors will only take effect upon the appointment of another auditor at a general meeting. As such, the appointment of Messrs Paul Wan & Co. as auditors in place of Messrs Foo Kon Tan Grant Thornton will take effect upon the approval of the same by the Shareholders at the AGM.

4. CONFIRMATION PURSUANT TO RULE 1203(5) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST:

(a) the outgoing auditors, Messrs Foo Kon Tan Grant Thornton, have confirmed that they are not aware of any professional reasons why the new auditors should not accept appointment as auditors of the Company;

(b) the Company confirms that there were no disagreements with the outgoing auditors, Messrs Foo Kon Tan Grant Thornton, on accounting treatments within the last 12 months; and

(c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the change of auditors that should be brought to the attention of the Shareholders.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 88 Amoy Street, Level Three, Singapore 069907 during normal business hours from the date of the Notice of AGM up to and including the date of the AGM:

(a) the Memorandum and Articles of Association of the Company;

(b) the annual report of the Company for the financial year ended 31 December 2007;

(c) the notice of resignation dated 24 March 2008 from Messrs Foo Kon Tan Grant Thornton; and

(d) the letter of consent to act as auditors dated 24 March 2008 from Messrs Paul Wan & Co.

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Proxy Form
Annual General Meeting

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

Important:
1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Tuesday, 29 April 2008 at 3:00 p.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 directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts		
2	Re-election of Mr Tan Lye Heng Paul as a Director		
3	Re-election of Mr Lim Heng Chong Benny as a Director		
4	Re-election of Mr Ling Yong Wah as a Director		
5	Approval of proposed Directors' Fees of S$123,000 for the financial year ended 31 December 2007		
6	Appointment of Paul Wan & Co as Auditors in place of the retiring Auditors, Foo Kon Tan Grant Thornton		
7	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		

* Please indicate your vote "For" or "Against" with a tick (3) within the box provided.

Dated this __________ day of ____________________, 2008.

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

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

(Please see notes overleaf before completing this form)

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 88 Amoy Street, Level Three, Singapore 069907 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

REGISTERED OFFICE
88 Amoy Street, Level 3
Singapore 069907

PRINCIPAL PLACE OF BUSINESS
Singapore office
112 Robinson Road, #12-04
Singapore 068902
Tel: +65 6220 9070
Fax: +65 6223 9177
E-mail: info@ChinaSunsine.com
Website: www.ChinaSunsine.com

China office
Shandong Shanxian Chemical Co., Ltd.
Four Kilometres South-East of Shanxian
Shandong Province
Post code: 274300
The People's Republic of China

BOARD OF DIRECTORS

Xu Cheng Qiu	*Executive Chairman*
Liu Jing Fu	*Executive Director*
Xu Jun	*Executive Director*
Ma Ying Qun	*Executive Director*
Tan Lye Heng Paul	*Lead Independent Director*
Lim Heng Chong Benny	*Independent Director*
Xu Chun Hua	*Independent Director*
Ling Yong Wah	*Non-Executive Director*

AUDIT COMMITTEE
Tan Lye Heng Paul *(Chairman)*
Lim Heng Chong Benny
Xu Chun Hua

NOMINATING COMMITTEE
Lim Heng Chong Benny *(Chairman)*
Tan Lye Heng Paul
Xu Chun Hua

REMUNERATION COMMITTEE
Xu Chun Hua *(Chairman)*
Tan Lye Heng Paul
Lim Heng Chong Benny

COMPANY SECRETARY
Cheryl Maya Voo, LLB (Hons)

BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Credit Suisse Singapore Branch
Agricultural Bank of China Heze Branch
Bank of China Heze Branch
China Construction Bank Corporation Heze Branch
Industrial and Commercial Bank of China Heze Branch

LEGAL COUNSEL
Loo & Partners
88 Amoy Street
Level 3
Singapore 069907

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

INDEPENDENT AUDITORS
Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365
Partner-in-charge: Yeo Boon Chye (appointed since FY 2006)

尚舜化工
SUNSINE

China Sunsine Chemical Holdings Ltd.
(Incorporated in the Republic of Singapore on 28 June 2006)
(Company Registration Number: 200609470N)

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Website: www.ChinaSunsine.com

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