



# China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

## UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

##### Unaudited Group Statement of Comprehensive Income for 3<sup>rd</sup> Quarter Ended 30 September 2009

	3 <sup>rd</sup> quarter ended		Change %	9 months ended		Change %
	30/9/2009	30/9/2008		30/9/2009	30/9/2008	
	RMB 'million			RMB 'million		
<b>Revenue</b>	<b>201.7</b>	<b>258.6</b>	(22.0)%	<b>513.5</b>	<b>660.8</b>	(22.3)%
Cost of sales	157.2	166.6	(5.6)%	403.1	475.9	(15.3)%
<b>Gross profit</b>	<b>44.5</b>	<b>92.0</b>	(51.6)%	<b>110.4</b>	<b>184.9</b>	(40.3)%
Other income	1.4	3.6	(61.1)%	7.5	7.5	-
Selling and distribution expenses	5.3	11.6	(54.3)%	16.9	23.7	(28.7)%
Administrative expenses	11.3	28.7	(61.6)%	28.8	44.9	(35.9)%
Research costs	0.3	2.3	(87.0)%	0.8	4.7	(83.0)%
Other expenses	n.m	0.3	n.m	0.4	5.2	(92.3)%
Finance expenses	0.2	0.1	100.0%	0.3	0.1	200.0%
<b>Profit before tax</b>	<b>28.8</b>	<b>52.6</b>	(45.2)%	<b>70.7</b>	<b>113.8</b>	(37.9)%
Income tax expenses	3.8	7.6	(50.0)%	9.3	15.2	(38.8)%
<b>Profit after tax</b>	<b>25.0</b>	<b>45.0</b>	(44.4)%	<b>61.4</b>	<b>98.6</b>	(37.7)%
<b>Other comprehensive income:</b>						
Exchange differences on translation, net of tax	0.4	(2.7)	n.m	(1.7)	(2.5)	32.0%
<b>Total comprehensive income for the period</b>	<b>25.4</b>	<b>42.3</b>	(40.0)%	<b>59.7</b>	<b>96.1</b>	(37.9)%
Gross profit margin	<b>22.1%</b>	<b>35.6%</b>	(13.5)pts	<b>21.5%</b>	<b>28.0%</b>	(6.5)pts
Earnings per share (RMB cents) *	<b>5.24</b>	<b>9.16</b>	(42.8)%	<b>12.79</b>	<b>20.05</b>	(36.2)%

n.m. - not meaningful

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

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

	3 <sup>rd</sup> quarter ended			9 months ended		
	30/9/2009	30/9/2008	Change	30/9/2009	30/9/2008	Change
	RMB'million			RMB'million		
			%			%
Interest income	(0.1)	(1.0)	(90.0)%	(2.4)	(4.1)	(41.5)%
Interest expenses	0.2	0.1	100.0%	0.3	0.1	200.0%
Depreciation and amortization	6.8	4.9	38.8%	19.3	13.6	41.9%
Impairment/(writeback) on trade receivables	-	5.9	(100.0)%	(1.8)	5.9	(130.5)%
Net foreign exchange (gain)/loss	(0.1)	(1.4)	(92.9)%	(0.6)	3.0	(120.0)%

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

**Statement of Financial Position**

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		30/09/2009 RMB'million	31/12/2008 RMB'million	30/09/2009 RMB'million	31/12/2008 RMB'million
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary		-	-	350.0	350.0
Property, plant and equipment	(1)	194.4	170.9	-	-
Available-for-sale Investments		14.5	14.2	14.5	14.3
		<u>208.9</u>	<u>185.1</u>	<u>364.5</u>	<u>364.3</u>
<b>CURRENT ASSETS</b>					
Available-for-sale Investments	(2)	22.4	40.0	2.4	-
Inventories	(3)	43.9	66.2	-	-
Trade receivables	(4)	134.8	101.2	-	-
Other receivables, deposits and prepayments	(5)	112.2	85.7	0.1	0.3
Amount owing from a subsidiary		-	-	20.7	16.3
Cash and cash equivalents		227.0	184.1	13.9	28.1
		<u>540.3</u>	<u>477.2</u>	<u>37.1</u>	<u>44.7</u>
<b>TOTAL ASSETS</b>		<b><u>749.2</u></b>	<b><u>662.3</u></b>	<b><u>401.6</u></b>	<b><u>409.0</u></b>
Share capital		313.5	313.5	313.5	313.5
Treasury shares		(13.0)	(6.7)	(13.0)	(6.7)
Merger reserve		0.3	0.3	-	-
Statutory reserves		27.5	27.5	-	-
Exchange on translation		(6.7)	(5.4)	(5.4)	(5.3)
Retained profits		251.1	211.3	91.9	94.8
<b>TOTAL EQUITY</b>		<b><u>572.7</u></b>	<b><u>540.5</u></b>	<b><u>387.0</u></b>	<b><u>396.3</u></b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
		-	-	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	(6)	14.2	9.5	-	-
Other payables and accruals	(6)	65.9	49.8	14.6	12.7
Deferred grant		2.7	0.3	-	-
Loans from a director	(7)	20.7	37.1	-	-
Research and development costs payable		15.1	15.1	-	-
Bank borrowing	(8)	50.0	-	-	-
Current tax payable		7.9	10.0	-	-
		<u>176.5</u>	<u>121.8</u>	<u>14.6</u>	<u>12.7</u>
<b>TOTAL LIABILITIES</b>		<b><u>176.5</u></b>	<b><u>121.8</u></b>	<b><u>14.6</u></b>	<b><u>12.7</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>749.2</u></b>	<b><u>662.3</u></b>	<b><u>401.6</u></b>	<b><u>409.0</u></b>

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

### Amount repayable in one year or less, or on demand

As at 30/09/2009		As at 31/12/2008	
Secured	Unsecured	Secured	Unsecured
RMB'million	RMB'million	RMB'million	RMB'million
-	70.7 <sup>(1)</sup>	-	37.9

### Details of any collateral

(1) Amount relates to RMB 50.0 million of unsecured loan from ICBC in China.

Remaining amount of RMB 20.7 million was an existing loan from a director, and is unsecured, interest-free and our Audit Committee has approved for it to be fully repaid in current financial year.

### Notes to Statement of Financial Position

Note (1) Property, plant and equipment has increased by RMB 23.5 million from RMB 170.9 million to RMB 194.4 million due mainly to purchase of machinery and equipment relating to various projects in 9M2009 amounting to approximately RMB 43.7 million less depreciation and amortization of RMB 19.3 million.

Note (2) Short-term available for sale investments have declined by RMB 17.6 million due to the maturity of the RMB 40 million notes during the 9 months and new net investments of RMB 22.4 million into new notes.

Note (3) Inventories has decreased from RMB 66.2 million at year-end FY2008 to RMB 43.9 million as at 3Q2009 due to lower raw materials inventory as production was running at full capacity, and lower finished goods as finished goods were shipped to customers to meet orders. The Group aims to balance production and sales volume, so as to minimize inventory risks.

Note (4) Trade receivables increased by RMB 33.6 million from RMB 101.2 million to RMB 134.8 million due to higher sales in current quarter (RMB 201.7 million) compared to 4Q2008 (RMB 137.1 million), for which sales was slower towards end December 2008. We have also extended credit term for some customers but generally maintained a tight collection policy. Provision for impairment of trade receivables stands at RMB 4.3 million (FY2008: RMB 6.1 million), adequate to cover potential default.

Note (5) Other receivables, deposits and prepayment increased by RMB 26.5 million from RMB 85.7 million to RMB 112.2 million due mainly to a deposit cum loan to the local Shanxian government amounting to RMB 25.0 million for our purchase of 2 parcels of land (collectively, the "Land Parcels"), and for the government to relocate current lessees of the Land Parcels and to prepare the Land Parcels for our use. The Land Parcels have a total size of about 446 mu (or about 297,330 square metres) bordering north and south of our Facility 2 at the Shanxian Economic Zone which are in the process of being acquired from the local government as part of our expansion plans. This deposit cum loan is secured by a different piece of land (of approximately 168mu) and is scheduled for repayment by end of this year, less the total amount for the cost of the purchase of the Land Parcels. It is noted that the parcel of land bordering the north of Facility 2 is used for construction of new plant as described in Para 10.

Note (6) Trade and other payables increased by RMB 20.8 million from RMB 59.3 million to RMB 80.1 million due mainly to increase in purchases of raw materials at September month-end of RMB 4.7 million, notes payable of RMB 9.3 million, increase of RMB 1.6 million advance payments received from customers, higher staff costs payables of RMB 1.6 million, and higher business taxes payable of RMB 2.1 million.

Note (7) Loan from a director was reduced by approximately RMB 16.4 million to RMB 20.7 million as a result of part repayment to our director in 1Q2009.

Note (8) Unsecured bank loans of RMB 50.0 million were received from the Industrial and Commercial Bank of China (ICBC) and was used as working capital.

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

Statement of Cash Flows

	Note	3 <sup>rd</sup> quarter ended		9 months ended	
		30/09/2009	30/09/2008	30/09/2009	30/09/2008
		RMB'million		RMB'million	
<b>Cash flows from operating activities</b>					
Profit before taxation		28.8	52.7	70.7	113.8
Adjustments for:-					
Depreciation and amortization		6.8	4.9	19.3	13.6
Impairment /(writeback) on receivables		-	5.9	(1.8)	5.9
Interest income		(0.1)	(1.0)	(2.4)	(4.1)
Interest expense		0.2	0.1	0.3	0.1
Translation difference		0.1	(1.8)	(1.9)	(1.5)
Loss on disposal of fixed assets		-	-	0.2	-
<b>Operating profit before working capital changes</b>		<b>35.8</b>	<b>60.8</b>	<b>84.4</b>	<b>127.8</b>
Changes in working capital:					
Inventories		5.8	(8.6)	22.4	(38.3)
Trade and other receivables		(43.1)	0.5	(58.4)	(39.5)
Trade and other payables and accruals		1.0	16.0	20.7	29.4
Cash deposit released from /(pledged with) bank		(8.8)	2.7	(29.1)	1.9
<b>Cash (used in)/ generated from operations</b>		<b>(9.3)</b>	<b>71.4</b>	<b>40.0</b>	<b>81.3</b>
Income taxes paid		(4.0)	(5.4)	(11.4)	(8.7)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1)</b>	<b>(13.3)</b>	<b>66.0</b>	<b>28.6</b>	<b>72.6</b>
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment		(15.9)	(20.9)	(43.7)	(59.4)
Proceeds from/ (Investment in) AVS financial asset		(10.0)	100.0	17.6	95.0
Interest income received		0.1	4.5	2.4	5.1
<b>Net cash (used in)/generated from investing activities</b>	<b>(2)</b>	<b>(25.8)</b>	<b>83.6</b>	<b>(23.7)</b>	<b>40.7</b>
<b>Cash flows from financing activities</b>					
Interest expense paid		(0.2)	(0.1)	(0.3)	(0.1)
Share buyback		(1.4)	(0.7)	(6.0)	(0.7)
Dividend paid		-	-	(21.6)	(25.1)
Grant received/(utilized)		3.0	(2.8)	3.1	(4.8)
Repayment of borrowings from a director		-	-	(16.4)	(13.2)
Proceeds/(repayment of )bank loan		(30.0)	-	50.0	-
<b>Net cash generated from/ (used in) financing activities</b>	<b>(3)</b>	<b>(28.6)</b>	<b>(3.6)</b>	<b>8.8</b>	<b>(43.9)</b>
<b>Net (decrease)/ increase in cash and bank balances</b>		<b>(67.7)</b>	<b>146.0</b>	<b>13.7</b>	<b>69.4</b>
<b>Cash and bank balances at beginning of period</b>		<b>265.6</b>	<b>34.7</b>	<b>184.2</b>	<b>111.3</b>
<b>Cash and bank balances at end of period</b>	<b>(4)</b>	<b>197.9</b>	<b>180.7</b>	<b>197.9</b>	<b>180.7</b>

Notes to Cash flows for 3Q2009

- (1) Net cash used in operating activities amounting to about RMB 13.3 million was due mainly to the increase in notes receivables in the current period. In addition, we are utilizing bills of exchange issued by the banks which require cash to be pledged with the banks.
- (2) Net cash used in investing activities amounting to RMB 25.8 million was mainly due to the purchase of capital equipment and construction work carried out for the business, as well as investment in short term notes.
- (3) Net cash used in financing activities amounting to RMB 28.6 million was due to the repayment of RMB 30 million bank loan during the current period.
- (4) Balance shown here for 3Q2009 exclude an amount of RMB 29.1 million pledged with the banks for bank facilities.

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

Unaudited Statement of Changes in Equity

**GROUP**

	Share Capital	Statutory, Merger, Exchange reserves	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2009	306.8	22.4	211.3	540.5
Total Comprehensive Income for 1H2009	-	(2.0)	36.4	34.4
Interim dividend declared	-	-	(21.6)	(21.6)
Shares buy back held in treasury	(4.6)	-	-	(4.6)
<b>Balance as at 30 June 2009</b>	<b>302.2</b>	<b>20.4</b>	<b>226.1</b>	<b>548.7</b>
Total comprehensive income for 3Q2009	(0.3)	0.7	25.0	25.4
Share buyback-held in treasury	(1.4)	-	-	(1.4)
<b>Balance as at 30 September 2009</b>	<b>300.5</b>	<b>21.1</b>	<b>251.1</b>	<b>572.7</b>
Balance as at 1 January 2008	313.5	31.4	124.0	468.9
Total Comprehensive Income for 1H2008	-	0.2	53.5	53.7
Interim dividend declared	-	-	(25.0)	(25.0)
<b>Balance as at 30 June 2008</b>	<b>313.5</b>	<b>31.6</b>	<b>152.5</b>	<b>497.6</b>
Total comprehensive income for 3Q2008	-	(2.1)	44.4	42.3
Share buyback-held in treasury	(0.7)	-	-	(0.7)
<b>Balance as at 30 September 2008</b>	<b>312.8</b>	<b>29.5</b>	<b>196.9</b>	<b>539.2</b>

**COMPANY**

	Share Capital	Exchange Reserve	Retained Profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Balance as at 1 January 2009	306.8	(5.3)	94.8	396.3
Total Comprehensive Income for 1H2009	(0.4)	(0.9)	18.2	16.9
Interim dividend declared	-	-	(21.6)	(21.6)
Shares buy back held in treasury	(4.2)	-	-	(4.2)
<b>Balance as at 30 June 2009</b>	<b>302.2</b>	<b>(6.2)</b>	<b>91.4</b>	<b>387.4</b>
Total comprehensive income for 3Q2009	(0.3)	0.8	0.5	1.0
Share buyback-held in treasury	(1.4)	-	-	(1.4)
<b>Balance as at 30 September 2009</b>	<b>300.5</b>	<b>(5.4)</b>	<b>91.9</b>	<b>387.0</b>
Balance as at 1 January 2008	313.5	0.3	(8.2)	305.6
Total Comprehensive Income for 1H2008	-	(0.2)	34.3	34.1
Interim dividend declared	-	-	(25.0)	(25.0)
<b>Balance as at 30 June 2008</b>	<b>313.5</b>	<b>0.1</b>	<b>1.1</b>	<b>314.7</b>
Total comprehensive income for 3Q2009	-	(2.6)	(7.7)	(10.3)
Share buyback-held in treasury	(0.7)	-	-	(0.7)
<b>Balance as at 30 September 2008</b>	<b>312.8</b>	<b>(2.5)</b>	<b>(6.6)</b>	<b>303.7</b>

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

	Number of shares	Resultant issued and paid up share capital S\$
As at 1 January 2008, 31 March 2008, 30 June 2008	491,694,000	62,649,185
Share buyback – held as treasury	(792,000)	(151,821)
As at 30 September 2008	<b>490,902,000</b>	<b>62,497,364</b>
Share buyback – held as treasury	(6,461,000)	(1,263,215)
<b>Balance as at 31 December 2008</b>	<b>484,441,000</b>	<b>61,234,149</b>
Share buyback – held as treasury	(3,126,000)	(521,104)
<b>Balance as at 31 March 2009</b>	<b>481,315,000</b>	<b>60,713,045</b>
Share buyback – held as treasury	(2,403,000)	(458,143)
<b>Balance as at 30 June 2009</b>	<b>478,912,000</b>	<b>60,254,902</b>
Share buyback – held as treasury	(1,350,000)	(301,439)
<b>Balance as at 30 September 2009</b>	<b>477,562,000</b>	<b>59,953,463</b>

There are no outstanding convertibles issued by the Company as at 30 September 2009.

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

See above table.

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

See above table. There is no sale, transfer, disposal, cancellation of treasury shares at the end of 3Q2009. Total number of treasury shares at end 3Q2009 stands at 14,132,000.

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

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

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

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

Not applicable.



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

The accounting policies and methods of computation used in the preparation of this announcement are consistent with those used in the audited financial statements for the year ended 31 December 2008, except for the adoption of the revised Financial Reporting Standard (FRS) disclosed in paragraph 5 below.

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

On 1 January 2009, the Group adopted the revised FRS 1, Presentation of Financial Statements (FRS 1(R)). FRS 1(R) requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The revised FRS 1(R) also introduces the statement of comprehensive income which presents all items of income and expense recognized in profit or loss, together with all other items of comprehensive income, either in one single statement of comprehensive income, or in two linked statements. The Group has opted to present the comprehensive income in one single statement.

FRS 1(R) is a disclosure standard and has no impact on the financial position and results of the Group.

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

	<b>3Q2009</b>	<b>3Q2008</b>	<b>9 months 2009</b>	<b>9 months 2008</b>
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents)
<b>Basic Earnings per share (Basic EPS)</b> - based on weighted average number of shares on issue	5.24	9.16	12.79	20.05
The calculations of EPS is based on net profit and number of shares shown below: Profit attributable to equity holders (RMB'000)	25,048	45,025	61,437	98,580
Weighted average number of shares applicable to basic EPS ('000)	477,808	491,611	480,384	491,666

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive securities as at 30 September 2009.

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

	<b>Group</b>		<b>Company</b>	
	<b>30/09/2009</b>	<b>31/12/2008</b>	<b>30/09/2009</b>	<b>31/12/2008</b>
Net asset attributable to shareholders (RMB'000)	572,709	540,500	387,014	396,255
Net asset value per ordinary share (RMB cents)	119.92**	111.57	81.04	81.80
Number of issued shares * ('000)	477,562	484,441	477,562	484,441

\* number of issued shares excludes treasury shares

\*\* equivalent to 24.86 SGD cents at exchange rate of about 4.8231

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

RMB million	3Q2009	3Q2008	Change	9M2009	9M2008	Change
Group Revenue	201.7	258.6	(22%)	513.5	660.8	(22%)
Gross Profit	44.5	92.0	(52%)	110.4	184.9	(40%)
Profit before tax	28.8	52.6	(45%)	70.7	113.8	(38%)
Net profit	25.0	45.0	(44%)	61.4	98.6	(38%)

#### **Commentaries on performance**

Due to the continuing weakness in the pricing in current period and year-to-date, our **sales revenue** declined by 22% from RMB 258.6 million in 3Q2008 to RMB 201.7 million in 3Q2009. However our **Sales volume was up 76% year-on-year** from 7,130 tons in 3Q2008 to hit a record of **12,554 tons** in 3Q2009, and **up 13% quarter-on-quarter**. **Overall average selling price (ASP)** for all products declined from RMB 36.3k in 3Q2008 to RMB 16.1k in 3Q2009. Decrease in ASP was due to the 'Olympic effect' in comparative year, while current quarter pricing is a "recession year pricing". However the current quarter pricing has stabilized compared to 2Q2009 pricing of RMB 16.0k.

#### **Analysis of Sales and Volume**

	Sales Volume (Tons)				Sales (RMB'm)	
	3Q2009	3Q2008	9M2009	9M2008	3Q2009	3Q2008
Accelerators	11,127	6,887	29,427	23,996	186.9	253.6
Insoluble sulphur	1,182	83	2421	126	11.0	1.1
Anti-oxidant	125	104	746	104	1.3	2.1
Others	120	56	277	277	2.5	1.8
<b>Total</b>	<b>12,554</b>	<b>7,130</b>	<b>32,871</b>	<b>24,503</b>	<b>201.7</b>	<b>258.6</b>
Local Sales	8,066	3,874	21,467	14,410	121.7	127.1
International Sales	4,488	3,256	11,404	10,093	80.0	131.5

**Local sales** declined by 4% to RMB 121.7 million in 3Q2009 from RMB 127.1 million in 3Q2008, as the lower prices were offset by increase in sales volume of more than 100%. Key customers continued to include Hangzhou Zhongce, GITI Tyres, Double Coin Tyres, Sumitomo Rubber (China), Korean Kumho (China), and others.

**International sales** declined by 39% to RMB 80.0 million in 3Q2009 primarily due to low prices, although sales volume has picked up by 38%. Key customers include Bridgestone, Pirelli, Continental, Sumitomo Rubber, PT Gajah Tunggal and Goodyear, among others.

**Gross profit** declined by 52% from RMB 92.0 million in 3Q2008 to RMB 44.5 million in 3Q2009. Gross profit margins (GPM) declined from 35.6% in 3Q2008 to 22.1% in 3Q2009, due to the Olympic effect last year resulting in high prices of our products. It is noted that current gross margins is within the range of management's expectation of a sustainable long term margin.

**Other operating income** came in lower at RMB 1.4 million in 3Q2009 compared to RMB 3.6 million in prior year and consists of mainly investment income and sales of scrap materials.

**Selling and distribution expenses** declined by 54% to RMB 5.3 million in 3Q2009 due to generally lower shipping costs, lower sales commission, sales taxes and the cutback of most discretionary expenses in current year.

**Administrative expenses** declined by 62% to RMB 11.3 million in 3Q2009 due mainly to lower staff costs including bonuses, government levies, and generally lower discretionary expenses in current year compared to last year. In addition, the Company had made a provision of doubtful debt of RMB 5.9 million in prior year but none this year as current provision is adequate.

**Research costs** declined 87% to RMB 0.3 million due to cutback of R&D projects in current year, while **other operating expenses** reduced to less than RMB 0.05 million from RMB 0.4 million in 3Q2008 as prior year exchange loss of RMB 0.3 million was not repeated in current period.

**Profit before tax (PBT)** declined by 45% to RMB 28.8 million in 3Q2009 due to above factors. **Net profit attributable to shareholders** declined by 44% to RMB 25.0 million in 3Q2009 due to taxation of RMB 3.8 million which represents half-tax of 12.5%.

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

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

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

The global slowdown has continued to affect our Group's selling prices. International tyre sector appears to have stabilized, although we do not expect recovery in this financial year. The China market has shown good growth in the vehicle sales in this quarter, which has led to a corresponding growth in the domestic tyre production, benefiting our industry. In view of this, the Group expects selling prices to continue to be steady, with any adjustments depending on prices of raw materials.

**Risks / Concerns**

As noted in our 2Q2009 results announcement, the risk arising from the U.S. government's action in imposing additional tariffs of 35% on light truck and passenger car tyres imported from China in the first year, 30% and 25% in second and third year has crystallized effective from 26 September 2009. This may affect our sales volume to the Chinese tyre sector in the 4Q2009 and beyond.

However we noted that our October preliminary sales are not significantly affected, and we continue to take proactive action to mitigate such impact by diversifying our sales to other tyre companies less or not affected by the U.S. government action. We also noted that some tyre customers are diversifying their U.S. sales to other regions.

**Opportunities**

The Group continues to explore areas of cooperation with partners to serve our customers better. We are discussing with potential partners to work on other regions currently under-served by our products, and will make the appropriate announcements if any definitive agreement is made.

The Group has completed expansion of the antioxidant TMQ plant from 5,000 tons to 10,000 tons, and the additional facility is currently undergoing testing and trial production. The new MBTS plant in Facility 2 has commenced commercial production after satisfactory testing.

Expansion of insoluble sulphur plant to 7000 - 8000 tons capacity in progress to complete at year-end, and subsequently to 10,000 tons by 1H2010.

### **Launch of New Plant for production of Antioxidant 6PPD**

The Group has started construction work to build a new plant on a new parcel of land acquired from the government and bordering north of our current Facility 2, for producing antioxidant 6PPD which is widely used in the manufacture of tyres and other rubber products. Antioxidant 6PPD has superior antioxidant properties compared to TMQ, and major customers are all using this product. With a budget of not more than RMB 200 million, the project calls for the construction of a 30,000-ton facility for the manufacture of 6PPD as well as its key raw material.

Entire project will be built in Phases. Phase 1 for 15,000-ton capacity, expected completion end 1H2010, budgeted at RMB 100 million to RMB 120 million. Commercial product to be ready in 2H2010 for internal testing and customer testing. Once Phase 1 is successful, Phase 2 shall bring the plant to 30,000 tons capacity around end FY2011, depending on market demand condition. Funding for this project expected to come from internal resources, bank financing and/or external investors in the form of debt/equity securities. We expect this product to find immediate buyers from our current base of global tyre makers. There is no impact to our profit and loss in current financial year 2009.

Barring unforeseen circumstances, the Group expects to continue its profitability for FY2009.

#### **11. Dividend**

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

Any dividend declared for the current financial period reported on?

The directors do not declare any dividend for current period.

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

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

Nil

##### **(c) Date payable**

Nil

##### **(d) Books closure date**

Nil

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

Nil

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

No dividend has been declared for the quarter ended 30 September 2009.

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

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

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

Not applicable.

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

Not applicable

- 15. A breakdown of sales.**

Not applicable.

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

Not applicable.

- 17. Interested Person Transactions**

None

**BY ORDER OF THE BOARD**

**Xu Cheng Qiu**  
**Executive Chairman**  
**30 October 2009**

**Confirmation by the Board pursuant to Rule 705(4) of the SGX Listing Manual**

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited third quarter financial results for the period ended 30 September 2009 to be false or misleading in any material respect.

On behalf of the Board of Directors

\_\_\_\_\_  
**Xu Cheng Qiu**  
**Executive Chairman**

\_\_\_\_\_  
**Liu Jing Fu**  
**Executive Director**