SCALING GREATER HEIGHTS

峻煌生化科技集团有限公司

China Sun Bio-Chem Technology Group Company Limited

CHINA SUN BIO-CHEM TECHNOLOGY GROUP COMPANY LTD.
ANNUAL REPORT 2007

Vision

To be a leading producer of corn and starch-based products in the PRC.

Mission

To increase stakeholder value by enhancing our product portfolio through our strong research & development capabilities and by building on our scale.

Contents

Corporate Profile

Established in 1995 and listed on the SGX Mainboard in 2004, China Sun Bio-chem Technology Group Company Ltd. ("China Sun") is the leading modified starch producer and one of the top corn starch manufacturers in the People's Republic of China (PRC). It also started producing non-fuel ethanol products in May 2007.

China Sun produces more than 200 varieties of modified starch, corn starch and other corn based by-products, and non-fuel ethanol products. Its strong R&D team continues to develop new varieties to meet evolving customers' needs.

The Group currently has a total of 7 production facilities in China - 2 in Tongliao (Inner Mongolia), 2 in Shenyang (Liaoning Province), 1 in Tieling (Liaoning Province) and the rest in Suzhou (Jiangsu Province) and Shunde (Guangdong Province), with the annual capacities to produce 716,000 tonnes of corn starch, 172,000 tonnes of modified starch products, 100,000 tonnes of ethanol products and 340,000 tonnes of by-products collectively.

Through its extensive distribution network spanning over 100 cities across the PRC, China Sun sells its products to over 500 customers in diverse industries such as food processing, paper, building materials and textile manufacturing, waste water treatment and pharmaceutical.

Corn remains an essential crop for the PRC. As the world's second largest corn producer, the PRC accounts for nearly 20% of the world's production. In recent years, as a result of population and economy growth, the development of the corn processing industry has been enhanced by the substantial increase in demand of various corn-based products.

Corn Starch Facilities
1 **Tongliao**
2 **Shenyang**
3 **Tieling**

Modified Starch Facilities
4 **Tongliao**
5 **Suzhou**
6 **Shunde**

Ethanol Facility
7 **Shenyang**

Corn Sweetener Facility
8 **Suzhou (construction in progress)**

BUSINESS MODEL

Business Model

OUTSTANDING IN OUR FIELD

We have a strong reputation for being a reliable manufacturer of quality corn starch, modified starch and cornbased by-products. We have established long-term business relationships with partners and customers from diverse industries across the PRC, including food processing, paper, building materials and textile manufacturing, waste water treatment and pharmaceutical.

Our business model is based on five areas of growth:

- Processing of corn into corn starch and other corn-based by-products like fibre, gluten and germ and steep liquor
- Manufacturing of modified starch products with applications across a wide range of industries
- Manufacturing of non-fuel ethanol for food processing and industrial use
- Development and manufacturing of corn sweetener
- Extensive R&D of starch products to derive greater value downstream products

Our corn starch manufacturing facilities are based in Shenyang and Tongliao, which are located within the corn producing areas in the north and north-eastern parts of China. The processed corn starch and other corn-based by-products are then distributed across the various provinces in the PRC and sold to a wide range of industrial and commercial customers. A small portion of the products are also distributed to customers overseas.

We produce modified starch from corn starch and different varieties of starches found in potato, tapioca and wheat, to meet the specific needs of our customers. The majority of our modified starch production capacity is located in our Suzhou plant to meet the demands from our customers who are mostly located in this region. We also produce modified starch in Shunde and Tongliao.

We have a new ethanol manufacturing facility in Shenyang, with a production capacity of 100,000 tonnes per annum of non-fuel ethanol and 100,000 tonnes per annum of corn-based by-products. Our non-fuel ethanol is mainly sold to customers located in the region for the production of food alcohol and as industrial solvent.

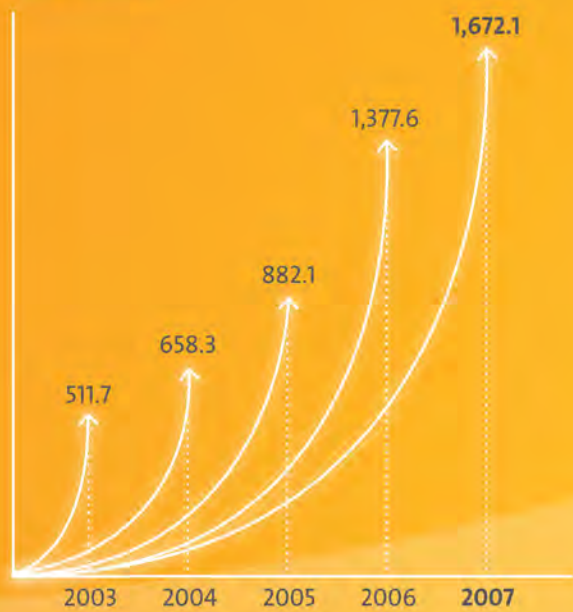
Our R&D teams are based in our Suzhou and Shunde facilities, sited close to industries that require our products for their manufacturing processes. To date we have produced more than 200 types of modified starch products for an assortment of uses.

Construction of a new corn sweetener plant in Suzhou with a production capacity of 120,000 tonnes per annum is in progress and is expected to start production in 2008.

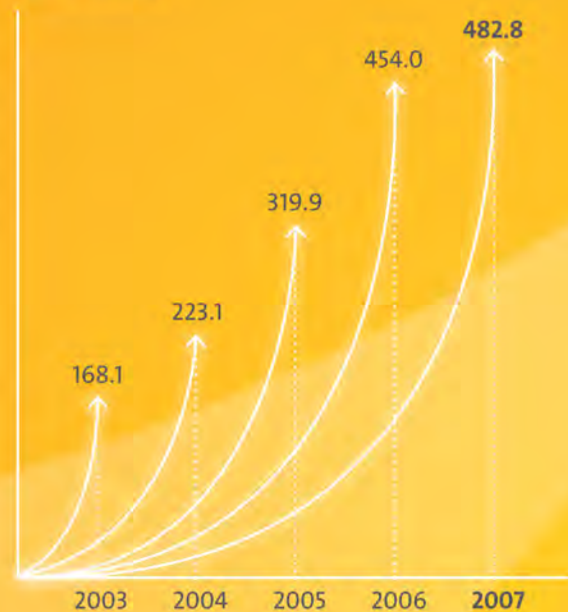
We continue to endeavor towards our vision of becoming a leading producer of corn and starch-based products in the PRC. Through our expansion, we strive to achieve greater profits and growth, to value-add to our stakeholders.

Financial Highlights

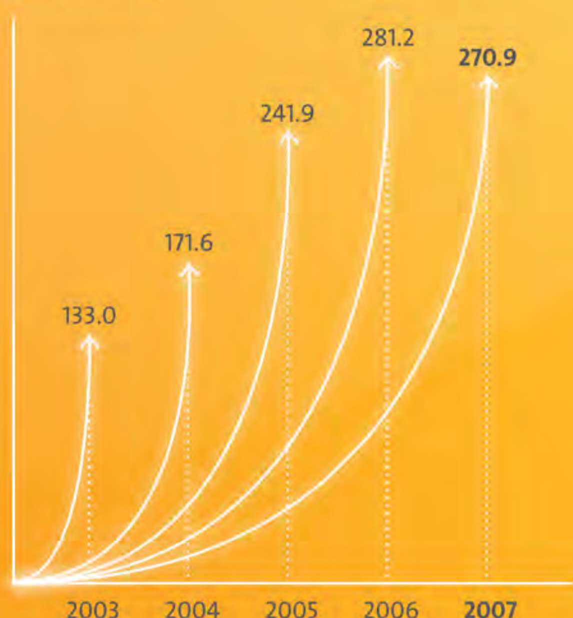
SALES
(RMB million)



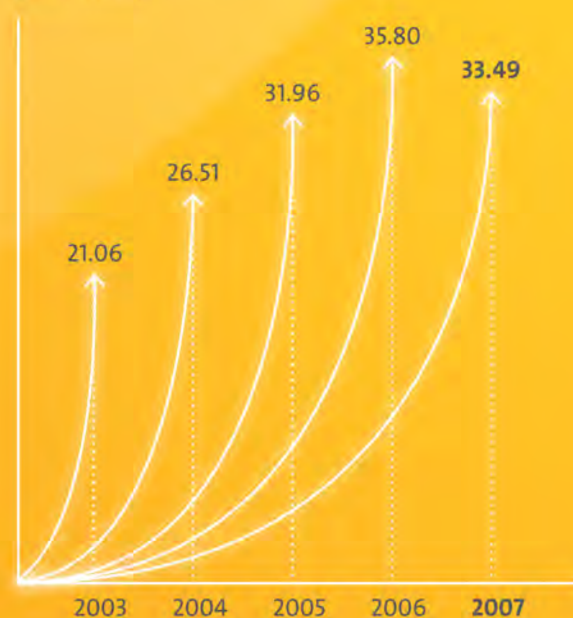
GROSS PROFIT
(RMB million)



TOTAL PROFIT
(RMB million)



EARNINGS PER SHARE
(RMB cents)



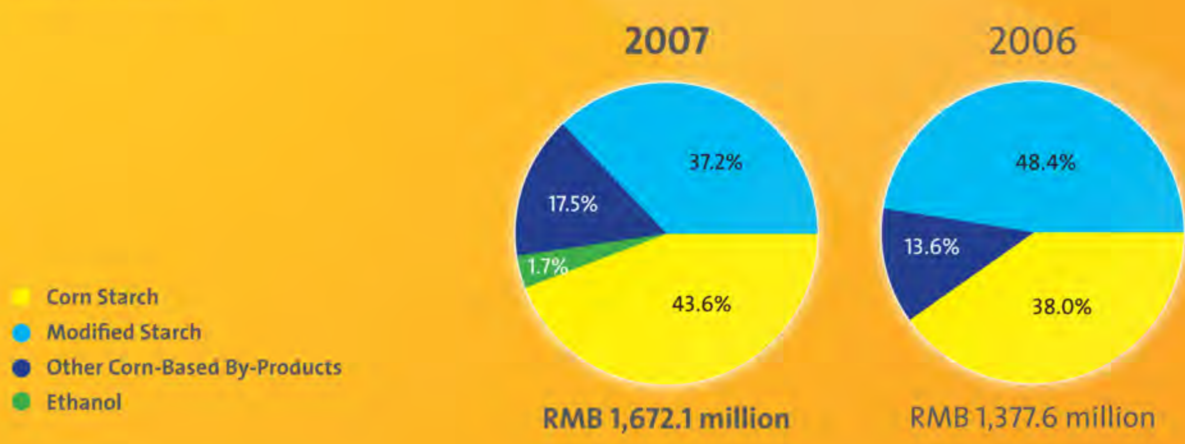
INCOME STATEMENTS FOR FINANCIAL YEARS ENDED 31 DECEMBER

	2007 (RMB million)	2006 (RMB million)	Change
Sales	**1,672.1**	1,377.6	^ 21.4%
Gross Profit	**482.8**	454.0	^ 6.3%
EBITDA	**491.6**	417.0	^ 17.9%
Total Profit	**270.9**	281.2	v 3.7%
Gross Profit Margin	**28.9%**	33.0%	
Total Profit Margin	**16.2%**	20.4%	

BALANCE SHEETS AS AT 31 DECEMBER

	2007 (RMB million)	2006 (RMB million)	Change
Net Current Assets	**1,264.8**	1,370.9	v 7.7%
Total Assets	**2,571.5**	2,318.0	^ 10.9%
Shareholders' Funds	**1,484.9**	1,229.7	^ 20.8%
Net Cash	**196.8**	512.7	v 61.6%
Return on Equity	**18.3%**	22.9%	

SALES BY PRODUCTS



CHAIRMAN'S MESSAGE

A YEAR OF EXPANSION

As robust demand continues to grow in the booming PRC market, building our scale to the next level is pivotal for us to increase our share in the corn and starch space. We set out the year to grow our capacities with the expansion and acquisition of new facilities, enhance our capabilities with the launch of our new non-fuel ethanol products and increase our efficiency with the streamlining of our operations.

We are pleased with the significant progress made during the year in our effort to enhance our overall capabilities with a view to maintaining our market leadership. Our fledgling non-fuel ethanol began commercial production in May 2007. We acquired Tieling Wanshunda Starch Co. Limited ("Tieling Wanshunda") whose corn processing plant in Tieling City, Liaoning Province, China, began commercial production ahead of schedule, in the first quarter of 2008. Construction and installation of our new corn sweetener production facilities at Suzhou are currently underway for scheduled commercial production by 2008. We also successfully moved our modified corn starch production lines from Shenyang to Tongliao during FY2007 for greater efficiencies.

RECORD REVENUE ON SOLID FOUNDATION

I am pleased to report that our Group achieved record high revenue of RMB1.7 billion in FY2007, an increase of 21% from the RMB1.4 billion FY2006. This was supported by higher sales volume and average selling prices for corn starch and by-products, as well as maiden 7-month RMB39 million revenue contribution from our nascent non-fuel ethanol plant. Gross profit increased 6.3% from RMB454.0 million in FY2006 to RMB482.8 million in FY2007 on gross profit margin of 29%.

These results were achieved against a backdrop of high raw material costs in FY2007. However, strong domestic demand for animal feed and corn oil helped to counter the effects of higher raw material costs. The Group's strategy to increase capacity through new acquisitions while streamlining operations to enhance efficiencies and achieve economies of scale also contributed positively to the Group's performance.

"We are pleased with the significant progress made during the year in our effort to enhance our overall capabilities with a view to maintaining our market leadership."

The shift of our modified starch production lines from Shenyang to Tongliao during the year was a move in this direction. The negative effects of the resulting temporary production disruption were cushioned by buoyant market demand and greater operating efficiency after the relocation. The strong foundation of our established business segments also helped to mitigate start-up loss registered by our budding non-fuel ethanol segment as it offered lower initial selling price as part of its market penetration strategy and incurred higher unit fixed cost from low utilization during this gestation period.

Overall, our Group delivered RMB270.9 million in total profit after tax in FY2007 compared to RMB281.2 million in FY2006.

HONING GROWING SCALE

Our Group's growth strategy is on track to deliver positive results. Amidst thriving demand for our products, rising raw materials costs will continue to pose challenges to the Group in FY2008. However, our strong business fundamentals and financial strengths will provide solid foundations while our winning strategies will keep us on track to continue on a growth path. Barring unforeseen circumstances, we expect prospects for the Group in FY2008 to be positive as our expanding facilities are geared up to capitalize on the vast opportunities in the vibrant domestic market. With these facilities ramping up their capacities to meet demand, we anticipate better returns through greater economies of scale and lower unit costs.

Prospects for our new non-fuel ethanol segment are encouraging. Our successful market penetration strategy based on initial low price and high product quality had enabled us to gain considerable foothold in this market. Our products have started to gain customer confidence which will allow us to increase selling prices to improve profit margin. In FY2008, we expect sales to grow and the utilization of this facility to increase from the 14% in FY2007. This will help us achieve lower unit costs through greater economies of scale. Plans are also in place to produce downstream ethanol derivative products, using existing ethanol production facilities, to enhance overall profit margin for the Group.

The Group is also positioned to meet growing demand for corn-based products. Our newly acquired Tieling Wanshunda which started commercial production in the first quarter of 2008 is beginning to ramp up. We expect to achieve 80% utilization rate for this 300,000-tonne corn starch facility by the end of FY2008, adding positively to revenue and yield.

In Suzhou, the construction and installation of a corn sweetener production facility is currently underway and scheduled for completion and production later this year.

Our Group also has plans to expand our product offerings. We are looking into the production of downstream ethanol derivative products using our existing ethanol production facilities. This will allow us to maximize our current capacities to enhance profit margins.

DIVIDENDS

To show our appreciation to our shareholders for their support, the Group has proposed a final dividend of 0.70 Singapore cent per ordinary share for FY2007. This represents 10.7% of the Group's FY2007 net profit.

APPRECIATION

We welcome on Board Mr. Dang Zhentai who joined us as Executive Director in September 2007, replacing Mr. Xu Zu Miao. We thank Mr. Xu for his many contributions to the Group. I also wish to extend my appreciation to all Board members for their invaluable contributions. To our stakeholders, business partners and associates, we thank you for your continued support.

Last but not least, I wish to thank the management and staff of the Group for your hard work and dedication in pursuit of business excellence in our operations. Let us continue to work together as a team to scale greater heights in FY2008.

SUN GUIJI
Executive Chairman and CEO

董事长报告

产能扩张之年

随着中国市场需求的持续增长，扩充集团生产规模，增加集团在玉米和淀粉市场占有率是非常关键的。通过扩张和收购新的生产设施，我们今年开始形成新的生产能力。同时，我们通过推出全新非燃料乙醇产品以及提高公司的运营效率，以增强集团整体经营能力。

令人感到振奋的是集团在向市场领导地位迈进的这一年当中所取得的巨大成绩。我们刚刚建成的的非燃料乙醇工厂已在2007年5月正式投入商业生产。我们并购的铁岭万顺达淀粉有限公司（铁岭万顺达），其玉米加工厂位于中国辽宁省铁岭市，也开始其商业生产，并早于设定的2008年一季度的投产日期。我们在苏州的全新淀粉糖制造厂正在进行建设和安装，按项目进度预期到2008年底投入商业生产。我们也在2007财政年度将变性玉米淀粉生产线从沈阳成功地迁移到通辽，以更大地提高生产运营效率。

在稳固基础上收入创历史新高

我很高兴向大家报告：本集团在2007财政年度销售收入取得创记录的17亿元人民币，同比2006财政年度14亿元人民币的收入，增长21%。这一增长的原因，一方面是因为更高的销售量以及玉米淀粉和副产品的平均销售价格，另一方面刚刚投入生产七个月的集团非燃料乙醇工厂贡献了3千9百万元人民币的收入。整个集团毛利润增长了百分之六点三，从2006财政年度的4.54亿元人民币提升到2007财政年度的4.83亿元人民币，毛利率为29%。

这一成绩的取得是在克服了2007财政年度原料价格上涨因素。由于内地对动物饲料与玉米油的强烈需求抵消了原料价格的上涨。集团的战略是通过新的收购，并通过运营改善，提高生产效率，从而获得规模经济效益，提升集团整体绩效的目标。

将变性玉米淀粉生产线从沈阳迁移到通辽也是对这一战略的体现。工厂迁移导致的短暂生产中断的负面影响，因蓬

勃的市场需求和搬迁后产生的更高生产运作效率，被大为减轻。同时，集团已有业务单元的稳固发展基础，也帮助减轻了处于运营初期的非燃料乙醇产品单元，因采取较低的销售定价作为市场渗透策略所造成的亏损，以及因生产初期设施利用率低，而导致的较高单位固定成本摊销。

总的来说，集团2007财政年的总税后盈利是2.79亿元人民币，相比2006财政年为2.81亿元人民币。

继续专注于业务规模的增长战略

本集团的业务增长战略已取得积极成果。市场对我集团产品仍有强大需求，但持续上涨的原料价格却是集团在2008年所面临的最大挑战。但是，集团所拥有的良好业务发展基础以及雄厚财务实力为今后业务增长提供了稳固的基础。同时，我们的制胜战略也让集团在业务扩张的发展道路上步伐稳健。剔除无法预测的因素，我们展望集团2008财年，发展前景光明。集团不断扩充的生产设施将充分利用内地蓬勃发展的市场商机。因此，我们预计：通过这些新增生产能力来满足需求，以达到更大的规模经济并降低单位成本，从而集团在2008财年将取得更好的回报。

展望集团全新的非燃料乙醇生产单元也是前景令人鼓舞。我们采取的基于低价格与高质量的产品渗透战略，已成功地在市场上站稳脚跟。我们的产品也已开始获得消费者信心，从而得以让我们提高产品售价以改善边际利润。在2008财政年，我们预计销售额会增长，而生产设备的使用率也将从2007年的14%继续提高。通过充分发挥生产的更大规模经济性，也将帮助降低单位成本。此外，利用现有乙醇生产设施，生产下游各类乙醇衍生产品的计划也在进行当中，从而这将增加集团的总体利润率。

同时，本集团也定位于满足市场不断增长的对玉米相关加工产品的需求。我们新收购的铁岭万顺达自2008年第一季财政年开始其商业生产以来已开始不断提升其生产能力。我们预计这座拥有三十万吨生产力能力的玉米淀粉制造厂将能于2008财政年底达到百分之八十的利用率，从而必将增加本集团的收入与收益。

在苏州，新的淀粉糖制造厂正在兴建中，按项目计划预计今年晚些时候将能完工并投入生产。

另外，集团也正计划扩展公司产品线。集团当前正在考虑利用现有乙醇生产设施，生产下游各类乙醇衍生产品。这将最大化地利用集团现有生产能力，以增强边际利润率。

股东红利分配

为了答谢股东们的支持，集团已提议2007财政年度每股普通股获0.7分新币红利。这将占集团2007财政年度净利润的百分之十点七。

致谢

我们欢迎自2007年9月份以执行董事身份取代徐祖苗先生加入董事会的党振太先生。在此，我们要向为集团做出重大贡献的徐先生致以最高的谢意。我也要感谢所有董事们做出的巨大贡献。我们也要感谢公司利益相关者、生意伙伴、各界朋友，长久以来对集团发展给予的持续支持。

最后，我也想借此机会向集团管理层与全体员工致谢，因为有你们持续不懈的工作态度，集团才有今日卓越的成就。让我们继续携手合作，让集团在2008财年更上一层楼。

孙贵吉
董事长及首席执行官

OPERATIONS REVIEW & PROSPECTS

FINANCIAL REVIEW

SALES

FY2007 was a challenging year marked by high raw material costs. Yet, the Group generated record sales of RMB1.7 billion in FY2007, representing an increase of 21% over the RMB1.4 billion FY2006. This was achieved on the back of strong domestic demand for animal feed and corn oil, which translated into higher sales volume and ability to raise selling prices, as well as maiden contribution from the new ethanol plant.

The leading contributor in FY2007 was the Group's corn starch segment which contributed 44% to Group revenue. This was followed closely by the modified corn starch segment which contributed 37%. By-products segment contributed 17% while the new ethanol plant which started non-fuel ethanol commercial production in May 2007 made its maiden contribution of 2% to Group revenue in FY2007.

Sales volume increased 25% and 30% for corn starch and by-products whose average selling prices also rose 12% and 23% respectively. Supported by strong domestic demand for animal feed and corn oil, the Group was able to increase selling prices to pass on higher raw corn prices partially to its customers.

To enhance operational efficiency, the Group moved its modified corn starch production lines from Shenyang Wanshunda and Tongliao Gaofeng in stages during FY2007 to its larger production base owned by Tongliao Wanshunda. The relocation, completed in August 2007, caused temporary disruptions to the production of modified corn starch. The negative impacts of the disruption was alleviated by strong demand for the product which helped to moderate the decrease in modified starch revenue to 8% for FY2007 from the level in FY2006.

The new ethanol plant, which began non-fuel ethanol commercial production in May 2007, made a maiden 7-month revenue contribution of RMB39 million in FY2007.

To meet thriving demand, the Group has been actively enhancing capacity, efficiency and utilization of its facilities. Average utilization rates of corn starch, modified starch, ethanol and by-products production capacities were about 96%, 91%, 14% and 82% respectively in FY2007. Utilisation rates of corn starch increased significantly to meet increasing demand from existing and new customers. Thus, the proportion of revenue generated by this product rose. The capacity utilization of the new ethanol plant is expected to rise to meet the expected increases in sales.

GROSS PROFIT

Group gross profit increased 6% from RMB454 million in FY2006 to RMB483 million in FY2007. Gross profit margin moderated to 29% in FY2007 from 33% in FY2006 due mainly to higher raw corn, starch and chemical prices, as well as a loss registered by the start-up non-fuel ethanol segment as it offered lower initial selling price as part of its market penetration strategy and incurred higher unit fixed cost from low initial utilization. Despite rising costs, the average gross margin of by-products increased significantly from 9% in FY2006 to 20% in FY2007, following the increasing demand of high value by-products like protein and germs.

TOTAL PROFIT

Expanding business led to higher distribution costs and administrative expenses while finance costs increased mainly as a result of the accounting of amortisation costs (non-cash) of the US$100 million convertible bonds issued in October 2006. Overall total profit fell 4% to RMB271 million while basic earnings per share decreased 7% to RMB33.49 cents in FY2007.

FINANCIAL POSITIONS

The Group continued to build on its financial strength. As of 31 December 2007, the Group had cash balance of RMB927 million. Working capital amounted to RMB1.3 billion while current ratio was strong at 4.6 times. The Group's net cash stands at a healthy RMB197 million and gearing at 0.5 times.

SCALING NEW HEIGHTS

Well embedded in a market exposed to tremendous demand boom, the Group's potential for growth remained unfazed by the challenging environment of raw material price inflation.

The Group's intensifying growth path is well-supported by its strong financial muscles and entrenched business fundamentals. Efforts will not be spared in expanding the scale of the business not just organically but also through new potential investments. Relentless market studies will be conducted to seek new collaborative opportunities domestically and globally.

The newly acquired Tongliao Wanshunda's corn processing plant in Tieling City, Liaoning, PRC had began commercial production in the first quarter of 2008 ahead of schedule, and is expected to add positively to sales from 2008. Utilization of this plant's 300,000 tonnes annual corn starch capacity is targeted to reach 80% by the end of 2008. The construction and installation of the new corn sweetener production facilities at Suzhou is experiencing a delay due to the unusual cold weather in southern part of China and they are expected to be completed in the second half of 2008. Production will commence thereafter. Part of Tongliao Wanshunda's capacity (about 100,000 tonnes) would then be used to supply raw materials to the new sweetener plant in Suzhou.

Demand for the Group's new non-fuel ethanol products has been promising since its roll-out in May 2007. After the initial lower-price strategy to establish the Group's foothold in this new product segment and as the products mature and gain customer confidence, the Group targets to increase its selling price to offset the rising raw material prices and improve profit margin. Utilisation of this new plant has been improving as inroads into this market continue to be made. The Group is optimistic of the prospects of this new product segment as unit costs fall and greater economies of scale is achieved with higher utilization.

The Group will continue to actively pursue strategies to streamline its operations for greater efficiencies and to optimize its utilization for higher returns. The relocation and consolidation of its modified corn starch production lines from Shenyang to Tongliao during the year was one such move in this direction. These initiatives to enhance operational efficiencies had helped to weather the storm of rising raw material price and support the Group's performance in FY2007. More importantly, these create robust operations and place the Group on solid footing for further growth.

PRODUCT INNOVATION

Even as the Group is confident of the market's ability to absorb higher selling prices given the resilient and burgeoning demand conditions, the Group believes in the importance to sharpen its competitive edge and broaden its capabilities with quality product innovation and diversification. Product research and development ("R&D") therefore remains a cornerstone in the Group's success.

The Group plans to commit additional resources in R&D to expand product offerings. Efforts will be intensified in the production of downstream ethanol derivative products, such as starch chemicals for use in different industries, using its existing ethanol production facility to improve profit margin.

As the increasingly affluent population becomes ever more health conscious, demand for healthier sugar products, like corn sweetener, has notably increased in China over the last couple of years. Demand for various corn-based products in China remains on the rise. To fulfill customers' evolving needs and pursuits of better quality of life, R&D initiatives will be heightened to develop new modified starch product varieties and to improve production processes and technologies.

Board of Directors

SUN GUIJI
Executive Chairman and CEO

Sun Guiji is our Executive Chairman and CEO, and the founder of our Group. He is responsible for the overall management of our Group and for developing the investment and business strategies of our Group.

Mr Sun has 15 years of management and operations experience in the corn processing industry. Prior to establishing our subsidiary, Shenyang Wanshunda, in 1995, he was working in a state owned enterprise in the PRC during the period from 1981 to 1995. Between 1992 and 1995, his employer assigned him to oversee the operations of one of its investments, namely the Liaoning Starch Factory in PRC, where he gained his experience in the corn starch industry.

Mr Sun obtained a PRC Economist Certificate from the Quarry Administrative Department in the Jilin Province of the PRC. He is currently a committee member of the PRC Starch Association. Mr Sun was awarded (National Municipal Entrepreneur) by Ministry of Agriculture in 2004.

SUN KAI
Executive Director

Sun Kai is our Executive Director and is also the General Manager of our subsidiary, Suzhou Gaofeng. He joined our Group in 2000, and is responsible for the sales and marketing functions and logistics control of our Group.

He obtained a Diploma in Economic Laws from Wuhan University in 2000, and Master's Degree of Science in Purchasing and Logistics from the University of Salford of England in 2004.

DANG ZHENTAI
Executive Director

Dang Zhentai was appointed as an Executive Director of the Company on 1 September 2007. He joined the Group in 2004 and has been acting as the Group Deputy General Manager since then. He is responsible for the day-to-day operations, and oversees the production and management of various operating subsidiaries.

Mr Dang has over 20 years of working experience in various industries, with more than 10 years of management experience in the corn processing industry. He was the General Manager of Tieling Corn Refining Co., Limited before he joined our Group. He graduated from Tieling College of Education.

CHONG WING HONG
Non-Executive Director

Chong Wing Hong is our Non- Executive Director, who joined our Group in 1995.

He has over 10 years of experience in the corn starch trading business, and has been involved in the starch business industry in the PRC through sourcing starch from the PRC for resale to South East Asian countries since 1993.

Mr Chong was one of the beneficial owners of parties to the equity joint ventures relating to Shenyang Wanshunda and Tongliao Wanshunda respectively prior to the restructuring exercise undertaken in connection with our initial public offering in 2004. He was involved in the strategic decisions of these subsidiaries in the past years.

Mr Chong has completed his secondary school education in the PRC.

LAI SENG KWOON
Independent Director

Mr. Lai was appointed as an Independent Director of the Company on 12 July 2004.

He is a certified public accountant practising under the name of SK Lai & Co. He has more than 27 years of extensive and varied experience in accounting, tax, corporate and financial matters and had previously worked with KPMG in Singapore and in the United States before he set up his own practice in 1994.

Mr. Lai is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Certified Public Accountants of Singapore. He is currently a member of the Audit Committee of the Singapore Sports Council and the Finance Committee of the Singapore Scout Association. He also serves as an Independent Director on a number of other companies listed on SGX.

LOO CHOON CHIAW
Independent Director

Mr Loo Choon Chiaw was appointed as an Independent Director of the Company on 8 July 2006. He has been an advocate and solicitor of the Supreme Court of Singapore since 1981. He is the Managing Partner of Loo & Partners, a law firm in Singapore. He qualified as a Barrister-at-Law of Lincoln's Inn, London and obtained his Master of Law degree from the University of London. He is a fellow of the Chartered Institute of Arbitrators, London, and a member of the Panel of Arbitrators of the Singapore International Arbitration Centre, Beijing Arbitration Commission and the Wuhan Arbitration Commission. Mr Loo is presently an independent director of AA Group Holdings Ltd, Allied Technologies Limited , Celestial Nutrifoods Limited, China Milk Products Group Limited, FerroChina Limited and Ionics EMS, Inc.. Mr Loo was previously an independent director of OKP Holdings Limited and Spindex Industries Limited.

TEO MOH GIN
Independent Director

Mr Teo Moh Gin was appointed on 1 May 2006. He is the director of Vive Capital which specializes in mergers and acquisitions. He was previously the Chief Corporate Officer of Richland Group, a regional logistics player in Asia. Previous to that he was the Managing Director of Global Business Insights Pte Ltd (GBI), a market entry specialist and consultancy company which was a subsidiary of IE Singapore Holdings.

Prior to joining GBI, Mr Teo held senior management positions in leading organisations such as GKE International Ltd, Transworld Carnival Corporation, SESAMI Inc, System Access Ltd, Credit Suisse Bank, Government of Singapore Investment Corporation and Andersen Consulting.

He was the Executive Vice President with GKE International and was responsible for mergers and acquisitions, as well as business development in the region for the logistics company. He gained much experience in working overseas as he handled many of the M&A and implementation of business development plans in China and the rest of Asia Pacific region.

Mr Teo graduated from the National University of Singapore in 1983 and obtained a Post-Graduate Diploma in Business Administration from the University of Manchester and University of Wales in 1998.

Senior Management Profile

LI BINGSHAN
Group General Manager

Li Bingshan is the General Manager of our Group. He joined our Group in February 2005. He is responsible for the daily operations, and assists the Executive Chairman and CEO in business development and strategic planning of our Group. He has more than 20 years experience in corn-based biochemical manufacturing industries.

Prior to joining us, Mr. Li worked as the Deputy General Manager in Jilin China Resources Corporation and CEO in Amylase Valley Corporation. Mr. Li holds a Master Degree from the University of Jilin.

ZHANG JUN
Senior Engineer

Zhang Jun is the senior engineer of our Group and is responsible for engineering and product development in ethanol products. She joined our Group in March 2005, and prior to joining us, she worked as the technical manager and chief engineer of different companies in PRC engaging in agricultural product development.

Ms. Zhang obtained her qualifications in fermentation and biochemistry at Jilin Province Light Industries School and China Central Radio and TV University in the PRC, respectively.

WONG CHI KWAN
Chief Financial Officer

Wong Chi Kwan is the Chief Financial Officer of the Group and he joined our Group in May 2006. He oversees matters relating to accounting, financial administration, and the compliance and reporting obligations of the Group.

Mr Wong has 20 years of experience in accounting and financial management in various business sectors in Hong Kong, New Zealand and China.

Mr Wong holds a Bachelor Degree in Commerce from University of Otago of New Zealand. He is a non-practising member of New Zealand Institue of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants.

ZENG YAN
Group Deputy General Manager

Zeng Yan is the Group Deputy General Manager and he joined our Group in May 2007. He is responsible for the day-to-day administrative management and oversees the strategic development of the Group.

Mr Zeng has over 20 years of working experience in various industries, with more than 10 years of management experience in the corn refining industry. He was the Deputy General Manager of Hong Mei Group Limited before he joined our Group. He graduated from Gansu Radio & Television University.

XU ZU MIAO
Group Technical Director

Xu Zu Miao is our Group Technical Director and he joined our Group in 2000. He was also acting as an Executive Director for the Group from 2004-2007. He is responsible for the research and development activities undertaken by the Group and the development of new products for the Group.

Mr Xu has over 40 years of research and development experience in the area of modified starch, and is experienced in the field of research, development and application of modified starch products in the PRC. He is currently the Vice-Chairman of the Modified Starch Committee of the PRC Starch Association.

Corporate Information

BOARD OF DIRECTORS
Sun Guiji / *Executive Chairman and CEO*
Sun Kai / *Executive Director*
Dang Zhentai / *Executive Director*
Chong Wing Hong / *Non-Executive Director*
Lai Seng Kwoon / *Independent Director*
Loo Choon Chiaw / *Independent Director*
Teo Moh Gin / *Independent Director*

AUDIT COMMITTEE
Lai Seng Kwoon / *Chairman*
Loo Choon Chiaw
Teo Moh Gin
Chong Wing Hong

INVESTMENT COMMITTEE
Lai Seng Kwoon / *Chairman*
Loo Choon Chiaw
Teo Moh Gin
Sun Guiji

NOMINATING COMMITTEE
Teo Moh Gin / *Chairman*
Lai Seng Kwoon
Loo Choon Chiaw
Chong Wing Hong

REMUNERATION COMMITTEE
Loo Choon Chiaw / *Chairman*
Lai Seng Kwoon
Teo Moh Gin

COMPANY SECRETARY
Chew Kok Wye

REGISTERED OFFICE
The Offices of Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KYI-IIII
Cayman Islands

HEAD OFFICE
32nd Floor, The Spaces International Centre
No. 8 Dongdaqiao Road
Chaoyang District
Beijing, PRC
100020

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

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner-in-charge: Tham Tuck Seng (since 2004)

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

PRINCIPAL BANKERS
The Agriculture Bank of China
Guangdong Development Bank
China Construction Bank

CORPORATE GOVERNANCE

China Sun Bio-chem Technology Group Company Ltd. (the "Company") is committed to maintaining a high standard of corporate governance. The Company understands good corporate governance is an integral element of a sound corporation and enables a company to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering to protect the shareholders' interests. This also helps the Company create long-term value and returns for the shareholders.

The Company is pleased to report on its corporate governance processes and activities that were in place throughput the financial year as required by the Code of Corporate Governance (the "Code") prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST"). For easy reference, sections of the Code under discussion are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

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 Management to achieve this and the Management remains accountable to the Board.

The Board of Directors (the "Board") comprises three executive directors, one non-executive director and three independent directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company.

Besides carrying out its statutory responsibilities, the Board oversees and approves the formulation of the Group's overall long-term strategic objectives and directions. The Board also oversees and reviews the management of the Group's business affairs and financial controls, performance and resource allocation. The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly, half year and full year's results and interested person transactions of a material nature.

The full Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened when they are deemed necessary. In the course of the year under review, the number of board meetings held and attended by each board member is as follows:

Name of director	Number of Board Meeting held	Attendance
Sun Guiji	5	5/5
Sun Kai	5	4/5
Xu Zu Miao (Resigned on 01.09.2007)	5	2/4
Dang Zhentai (Appointed on 01.09.2007)	5	1/1
Chong Wing Hong	5	4/5
Lai Seng Kwoon	5	5/5
Teo Moh Gin	5	5/5
Loo Choon Chiaw	5	5/5

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Investment Committee (the "IC"), an Audit Committee (the "AC"), a Nominating Committee (the "NC") and a Remuneration Committee (the "RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

New directors will be given appropriate training when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the Company's business and governance practices. Directors have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory requirements and accounting standards.

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.

The Board comprises seven directors, of whom three are independent directors:-

Sun Guiji	(Executive Chairman and Chief Executive Officer)
Sun Kai	(Executive Director)
Dang Zhentai	(Executive Director)
Chong Wing Hong	(Non-Executive Director)
Lai Seng Kwoon	(Independent Director)
Teo Moh Gin	(Independent Director)
Loo Choon Chiaw	(Independent Director)

The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. With three of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. The independence of each independent director will be reviewed annually.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The profiles of the directors are set out on pages 14 to 16 of this Annual Report. The Board considers its current Board size appropriate for the nature and scope of the Group's operations.

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.

Mr Sun Guiji currently holds the dual positions of Executive Chairman and Chief Executive Officer of the Company and the Board believes that such arrangement is in the interest of the Group, since Mr Sun is the most appropriate person to undertake the positions given his vast experience, expertise and familiarity with both our organization and the industry. All major decisions made by the Executive Chairman and CEO are reviewed by the respective Board Committees.

His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. Both the NC and the RC comprise entirely of non-executive directors and are chaired by the independent directors of the Company. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Company had established an IC shortly after it is admitted to the SGX-ST. The IC is principally responsible for overseeing the overall investment strategy and policy of the Company, and for the oversight of their implementation by, and performance of, the Company's investment personnel.

The IC comprises the following members, three of whom are independent directors:

Lai Seng Kwoon (Chairman)	Independent Director
Loo Choon Chiaw	Independent Director
Teo Moh Gin	Independent Director
Sun Guiji	Executive Chairman and Chief Executive Officer

The duties and power of IC are as follows:

1) to make recommendations to the Board on the Company's investment strategy and policy, asset allocations, cash position and continuing appointment of its investment managers;

2) to keep abreast of trends and major issues in the relevant investment markets, so as to bring appropriate knowledge to the deliberations on investment strategy and performance;

3) to receive and consider the activity reports produced each month by the investment personnel for each of the portfolios managed, and to review investment performance both in actual terms and against benchmark levels;

4) to obtain satisfaction that the processes of investment management are suitable for the Company's purposes and are being implemented in a professional and well controlled manner;

5) to review whether any undesirable investment or operational risks exist within the portfolios;

6) to review whether the investment activities are in line with agreed procedures and limits;

7) to review the list of approved trading counter-parties and their respective limits;

8) if applicable, to obtain satisfaction that the tax burdens arising from investment activity are optimised;

9) to review available information or other circumstances to address whether the Company's investment activities or decisions are appropriate;

10) to review whether the Company's investment activities or decisions complies with all applicable laws, regulations and guidelines relating thereto;

11) to consider, when appropriate, the Company's role as a shareholder in relation to governance issues arising from its equity investments; and

12) to review and agree from time to time the appropriate performance benchmarks for each of the projects and the tactical disposition of assets within agreed strategic benchmark ranges.

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

The NC is responsible for making recommendations on all board appointments and re-nominations having regard to the director's contribution and performance.

The NC comprises the following members, three of whom are independent directors:

Teo Moh Gin (Chairman)	Independent Director
Lai Seng Kwoon	Independent Director
Loo Choon Chiaw	Independent Director
Chong Wing Hong	Non-Executive Director

The duties and powers of the NC are as follows:

1) to ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;

2) to determine the independence of each director in accordance with the paragraph 2.1 of the Code on an annual basis;

3) to formulate and decide whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and

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

The NC met twice in FY2007 with full attendance save for the absence of Mr Chong Wing Hong on 12 August 2007. The NC has recommended to the Board the re-elections of Mr Chong Wing Hong and Mr Lai Seng Kwoon as Directors, pursuant to Article 86(1) of the Company's Bye-Law, and the re-election of Mr Dang Zhentai as Director, pursuant to Article 85(6) of the Company's Bye-Law, at the forthcoming AGM.

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention are being given by the Directors of the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

CORPORATE GOVERNANCE

Information required in respect of the academic and professional qualification, directorship or chairmanship both present and those held over the preceding three years in other listed companies is set out in the "Board of Directors" section of this Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the "Directors' Report" section of this Annual Report.

The year of initial appointment and last re-election of each of the Directors are set out below:

Name	Age	Position	Date of Initial Appointment	Date of Last re-election
Sun Guiji	56	Executive Chairman/Chief Executive Officer	28 June 2004	19 April 2006
Sun Kai	31	Executive Director	28 June 2004	19 April 2006
Dang Zhentai	46	Executive Director	1 September 2007	-
Chong Wing Hong	35	Non-Executive Director	9 July 2004	27 April 2005
Lai Seng Kwoon	50	Independent Director	16 September 2004	27 April 2005
Teo Moh Gin	49	Independent Director	1 May 2006	23 April 2007
Loo Choon Chiaw	53	Independent Director	8 July 2006	23 April 2007

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 Board performance is linked to the overall performance of the Group. The Board should ensure compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The assessment takes into account a set of quantitative and qualitative performance criteria in evaluating the Board's performance. The performance criteria include an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code. The criteria for the individual assessment of Directors include attendance record, intensity of participation at meetings, the quality of intervention and special contributions.

The Board and the NC have endeavoured to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

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

Directors are from time to time furnished with detailed information concerning the Group to support their decision-making process. Management accounts of the Group's performance, position, and prospects are provided to Executive Directors on a monthly basis and to all members of the Board on a quarterly basis. The Board has separate and independent access to Management and the Company Secretary at all times. The Company Secretary attends the Board meetings and ensures that the Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act and the SGX-ST.

Whenever the Directors, whether as a group or individually, require independent professional advice, the Directors will seek independent and professional advice for the furtherance of their duties. The cost associated with such professional services will be borne by the Company.

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom are independent directors:-

Loo Choon Chiaw (Chairman)	Independent Director
Lai Seng Kwoon	Independent Director
Teo Moh Gin	Independent Director

Sun Guiji resigned as a member of the RC with effect from 5 March 2007.

The duties and powers of the RC are as follows:

1) to recommend to the Board a framework of remuneration for the directors and senior management;

2) 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;

3) 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;

4) in the case of service contracts of directors, to review and to recommend to the Board the terms of renewal of the service contracts. There should be a fixed appointment period for all directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC is to consider what compensation commitments the directors' contracts of service, if any would entail in the event of early termination. The RC is to aim to be fair and avoid rewarding poor performers; and

5) to consider the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

The RC's recommendations will be submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

Two RC meetings were held in FY2007 and attended by all members.

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 the executive director's remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting ("AGM").

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The Company entered into service contracts with three executive directors, namely Mr Sun Guiji, Mr Sun Kai and Mr Dang Zhentai. The service contracts were entered for a period of 2.5 years. The service contracts of Mr Sun Guiji and Mr Sun Kai commenced from 1 July 2007 and shall expire on 31 December 2009, while the service contract for Mr Dang Zhentai commenced from 1 September 2007 and shall expire on 28 February 2010. The service contracts provide for termination by either the executive director or the Company upon giving written notice of not less than six months.

Mr Sun Kai is the son of Mr Sun Guiji. Apart from the foregoing, the Company does not have any employees occupying managerial positions who are immediate family members of a Director or CEO.

The Company has a share option scheme known as China Sun Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company on 6 October 2004 and was subsequently amended by the shareholders of the Company at an Extraordinary General Meeting on 27 April 2005. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. During the current financial year, 10,000,000 share options have been granted under the ESOS.

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 remuneration paid or payable to the Directors and executive officers for services rendered during the financial year ended 31 December 2007 are as follows:

Remuneration bands	Salary %	Performance Bonus %	* Fee %	Other Bonus %	Total %
DIRECTORS					
Above S$500,000					
Sun Guiji	27	73	-	-	100
Sun Kai	19	81	-	-	100
Below S$250,000					
Chong Wing Hong	–	–	100	–	100
Lai Seng Kwoon	–	–	100	–	100
Teo Moh Gin	–	–	100	–	100
Loo Choon Chiaw	–	–	100	–	100
Dang Zhentai	100	–	–	–	100
EXECUTIVE OFFICERS					
Below S$250,000					
Li Bing Shan	100	–	–	–	100
Zhang Jun	100				100
Poon Tsz Kin	100	-	-	-	100
Wong Chi Kwan	100	-	-	-	100
Zeng Yan	100	-	-	-	100

** These fees are subject to approval of the shareholders at the forthcoming AGM.*

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed and balanced analysis and explanation of the Group's financial position and prospects.

The Management currently provides the Board with a continual flow of relevant information on a timely basis in order to assist the Board in effectively discharging its duties.

Principle 11: The Board should establish an Audit Committee ('AC') with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members, three of whom are independent directors:-

Lai Seng Kwoon (Chairman)	Independent Director
Loo Choon Chiaw	Independent Director
Teo Moh Gin	Independent Director
Chong Wing Hong	Non-Executive Director

The roles and functions of the AC are as follows:

1) to review with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

2) to review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the co-operation and assistance given by the management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

3) to ensure that the internal audit function is adequate and has appropriate standing within the Company, ensure the adequacy of the internal audit function , and review the scope and results of the internal audit procedures including the effectiveness of the internal audit function;

4) to ensure that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually by the internal and/or external auditors;

5) to review and ensure the integrity of the financial statements of the of the Company and its subsidiaries before submission to the Board for approval, focusing in particular, on significant financial reporting issues, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/ regulatory requirements;

6) to commission and review and discuss with the external auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response;

7) to review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors, and where the external auditors also supply a substantial volume of non-audit services to the Company, keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

8) to review the independence of the external auditors annually, and recommend to the Board the appointment, re-appointment or removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;

9) to approve internal control procedures and arrangements for all interested person transactions;

10) ensure that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action;

11) to review transactions falling within the scope of the SGX-ST Listing Manual, in particular, matters pertaining to Interested Person Transactions and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;

12) to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

13) to ensure that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and

14) generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

The AC shall have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the management and full discretion to invite any Director or Executive Officer of the Group to attend its meetings, and be given reasonable resources to enable it to discharge its functions properly and effectively.

The AC shall meet with the external auditors, and with the internal auditors, without the presence of the Company's management, at least annually.

The AC may undertake such further functions as may be agreed to by the AC and the Board from time to time.

The Board is of the view that the AC members have accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.

There was no non-audit fee paid to the external auditors for FY2007 as there were no non-audit services provided to the Group. Accordingly, the AC is satisfied of the independence and objectivity of the external auditors. The AC has recommended to the Board the re-appointment of PricewaterhouseCoopers as external auditors of the Company at the forthcoming AGM.

The AC met 4 times in the year under review and the following is the number of AC meetings held and the attendance of each of the AC members:-

Name of AC member	Number of AC Meeting held	Attendance
Lai Seng Kwoon	4	4/4
Chong Wing Hong	4	1/4
Teo Moh Gin	4	4/4
Loo Choon Chiaw	4	4/4

The Company has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regards, the AC adopted a whistle-blower policy during FY2007.

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

The Group's internal control systems are designed to provide reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to the date of this Report, is adequate to meet the needs of the Group in its current business environment.

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

Given the geographical dispersion of Group's activities, the Board recognises the importance of maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. An internal audit team is in place to review the effectiveness of the Group's material internal control, including financial, operational and compliance controls, and risk management. The team comprises internal audit staff members headed by an internal audit manager and is independent of the activities it audits, and it abstains from audit of certain activities where conflict of interests might arise. They are responsible directly to the AC. The AC has approved the annual audit plan to cover major control areas and the progress is on track.

The AC reviews the activities of the internal audit team on a regular basis to ensure the adequacy of the internal audit function, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

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

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 Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company regularly conveys pertinent information, gather views or input, and address shareholders' concerns. In this regards, the Company provides timely information to its shareholders via SGXNET announcements and news releases. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period.

Corporate Governance

The Company does not practice selective disclosure. All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice will also be advertised in a local newspaper and made available on SGXNET. The Company will encourage shareholders' participation at AGMs and all shareholders will be given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company will ensure that there are separate resolutions at general meetings on each distinct issue.

The Board supports the Code's principle to encourage shareholder participation. The Company's Bye-laws allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. In addition, the Company has operated a local office in Singapore and appointed local investor relation representatives so to improve the shareholders communication.

DEALING IN SECURITIES

The Group has complied with Rule 1207(18) of the Listing Manual of the SGX-ST with respect to dealings in securities. The Group has procedures in place prohibiting directors and executives of the Group from dealing in the Company's shares during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of the financial year, and one month before the full year results, and ending on the date of the announcement of the relevant results. In addition, Directors and executives shall not deal in the Company's securities on short term considerations or if they are in possession of unpublished material price-sensitive information of the Group. In addition, directors and executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

RISK 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 AC.

INTERESTED PERSON TRANSACTIONS

Disclosure of interested party transactions is set out on page 68 of this Annual Report. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the SGX-ST Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

1) The Board meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9.

2) The AC also meets quarterly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

MATERIAL CONTRACTS AND LOANS

There are no material contracts (including loans) of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholders subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Financial Statements

For the financial year ended 31 December 2007

Directors' Report

For the financial year ended 31 December 2007

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company at 31 December 2007.

Directors

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

Sun Guiji
Sun Kai
Chong Wing Hong
Lai Seng Kwoon
Teo Moh Gin
Loo Choon Chiaw
Dang Zhen Tai (appointed on 1 September 2007)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under “Share options” on pages 30 to 32 of this report.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31 December 2007	At 1 January 2007	**At 31 December 2007**	At 1 January 2007
The Company				
Ordinary shares of HK$0.25 each				
Sun Guiji	**312,533,904**	312,533,904	**-**	-
Lai Seng Kwoon	**-**	-	**50,000**	50,000

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the China Sun Employee Share Option Scheme as set out below and under “Share options” on pages 30 to 32 of this report.

Directors' interests in shares or debentures (continued)

	Number of unissued ordinary shares of HK$0.25 each under options held by directors	
	At 31 December 2007	At 1 January 2007, or date of appointment, if later
2005 Market Price Options		
Chong Wing Hong	**140,000**	140,000
Dang Zhen Tai	**1,320,000**	1,320,000
Lai Seng Kwoon	**500,000**	500,000
Xu Zu Miao *	**-**	1,120,000
2006 Market Price Options		
Chong Wing Hong	**400,000**	400,000
Lai Seng Kwoon	**200,000**	200,000
Teo Moh Gin	**500,000**	500,000
2007 Market Price Options		
Chong Wing Hong	**300,000**	-
Dang Zhen Tai	**1,000,000**	-
Lai Seng Kwoon	**200,000**	-
Loo Choon Chiaw	**500,000**	-
Teo Moh Gin	**200,000**	-

*: Xu Zu Miao resigned as the director of the Company during the financial year.

(c) Mr Sun Guiji, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries.

(d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2008 were the same as those as at 31 December 2007.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

(a) China Sun Employee Share Option Scheme

The China Sun Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company on 6 October 2004. The details of the Scheme were set out in the Company's prospectus dated 26 October 2004.

Share options (continued)

(a) China Sun Employee Share Option Scheme (continued)

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and full-time employees of the Group. The exercise price of the granted options is either equal to the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for the five market days immediately preceding the date of grant (the "Market Price Option") or at a price discounted to not more than 20% of the market price as determined by a committee made up from the board of directors and approved by the shareholders in a general meeting (the "Incentive Option"). A Market Price Option can be exercised during a period commencing after the first anniversary of the offering date and expiring on the fifth to tenth anniversary of such offering date. An Incentive Option can be exercised after the second anniversary of the offering date and expiring on the fifth to tenth anniversary of the offering date. The options may be exercised in full or in part on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company within the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash and all options are settled by physical delivery of shares.

By virtue of an ordinary resolution passed at the Extraordinary General Meeting held on 27 April 2005, the shareholders of the Company approved amendments to the Scheme to allow participation of all directors (other than controlling shareholders) and also appointed a Remuneration Committee to administer the Scheme. The Remuneration Committee comprises 4 directors, Loo Choon Chiaw (Chairman), Sun Guiji, Lai Seng Kwoon and Teo Moh Gin. Sun Guiji stepped down as a member of the Remuneration Committee on 5 March 2007.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

The Scheme become operative upon the Company granting Market Price Option to subscribe for 27,639,000 ordinary shares of the Company on 28 September 2005 ("2005 Market Price Options"). The Company also granted Market Price Option to subscribe for 10,700,000 ordinary shares of the Company on 9 June 2006 ("2006 Market Price Options"). Particulars of the 2005 and 2006 Market Price Options were set out in the Directors' Report for the financial years ended 31 December 2005 and 31 December 2006 respectively.

On 23 August 2007, the Company granted Market Price Option to subscribe for 10,000,000 ordinary shares of the Company at an exercise price of S$0.51 per share ("2007 Market Price Options"). The 2007 Market Price Options are exercisable one year after the grant date and expiring on the fifth or tenth anniversary of the grant date. The total fair value of the 2007 Market Price Options granted was estimated to be RMB12,439,000 using the Binomial Option Pricing Model.

Details of the Market Price Option granted to directors of the Company were as follows:

	No. of unissued ordinary shares of the Company under options			
	Granted in financial year ended 31 December 2007	**Aggregate granted since commencement of scheme to 31 December 2007**	**Aggregate exercised since commencement of scheme to 31 December 2007**	**Aggregate outstanding as at 31 December 2007**
Name of director				
Chong Wing Hong	300,000	840,000	-	840,000
Dang Zhen Tai	1,000,000	2,320,000	-	2,320,000
Lai Seng Kwoon	200,000	900,000	-	900,000
Loo Choon Chiaw	500,000	500,000	-	500,000
Teo Moh Gin	200,000	700,000	-	700,000

No option has been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited).

Share options (continued)

(a) China Sun Employee Share Option Scheme (continued)

No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme since commencement, except as follows:

	No. of unissued ordinary shares of the Company under options			
	Granted in financial year ended 31 December 2007	**Aggregate granted since commencement of scheme to 31 December 2007**	**Aggregate exercised since commencement of scheme to 31 December 2007**	**Aggregate outstanding as at 31 December 2007**
Name of participant				
Employee of the Group				
Poon Tsz Kin	1,500,000	3,100,000	(800,000)	2,300,000
Li Bing Shan	1,500,000	3,100,000	(1,400,000)	1,700,000

No option was granted at a discount during the financial year.

(b) During the financial year, 3,010,000 (2006: 1,000,000) ordinary shares of HK$0.25 each of the Company were allotted and issued at the exercise price of S$0.39, upon the exercise of the 2005 Market Price Options.

(c) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the China Sun Employee Share Option Scheme outstanding at end of the financial year was as follows:

	Number of unissued ordinary shares under option at 31 December 2007	**Exercise price**	**Exercise period**
Options relating to China Sun Employee Share Option Scheme:			
2005 Market Price Options	21,869,000	S$0.39	28.9.2006 - 27.9.2015
2005 Market Price Options	1,760,000	S$0.39	28.9.2006 - 27.9.2010
2006 Market Price Options	9,400,000	S$0.64	9.6.2007 - 8.6.2016
2006 Market Price Options	1,100,000	S$0.64	9.6.2007 - 8.6.2011
2007 Market Price Options	8,800,000	S$0.51	23.8.2008 - 22.8.2017
2007 Market Price Options	1,200,000	S$0.51	23.8.2008 - 22.8.2012
	44,129,000		

(d) Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under option granted by the Company or its subsidiaries as at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re-appointment.

On behalf of the directors

SUN GUIJI (Director)

SUN KAI (Director)

31 March 2008

Statement by Directors

For the financial year ended 31 December 2007

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 69 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 then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

SUN GUIJI (Director)

SUN KAI (Director)

31 March 2008

Independent Auditor's Report To The Members of China Sun Bio-chem Technology Group Company Ltd.

For the financial year ended 31 December 2007

We have audited the accompanying financial statements of China Sun Bio-chem Technology Group Company Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 69, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account of the Group and balance sheets of the Company and of the Group, and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) make accounting estimates that are reasonable in the circumstances.

Auditor's 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 as to whether the financial statements are free from 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 auditor's 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 auditor considers 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 management, 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, the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to present fairly, in all material aspects, the state of affairs of the Company and of the Group as at 31 December 2007, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers
Public Accountants and
Certified Public Accountants

Singapore, 31 March 2008

Consolidated Income Statement

For the financial year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Sales	5	**1,672,068**	1,377,550
Cost of sales		**(1,189,315)**	(923,517)
Gross profit		**482,753**	454,033
Other gains – net	5	**81,359**	24,970
Expenses			
- Distribution and marketing		**(38,160)**	(28,013)
- Administrative		**(74,095)**	(59,890)
- Finance	8	**(91,069)**	(24,736)
Profit before income tax	6	**360,788**	366,364
Income tax expense	9	**(89,842)**	(85,198)
Total profit		**270,946**	281,166
Earnings per share attributable to the equity holders of the Company			
- Basic (RMB cent)	10	**33.49**	35.80
- Diluted (RMB cent)	10	**28.07**	29.87

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

Balance Sheets

As at 31 December 2007

	Note	The Group		The Company	
		2007	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**693,367**	1,188,265	**79,220**	468,163
Restricted cash and cash equivalents	12	**233,213**	5,000	**233,213**	-
Trade and other receivables	13	**362,487**	324,889	**220,000**	155,000
Inventories	14	**187,893**	141,986	**-**	-
Other current assets	15	**140,816**	65,593	**638**	628
		1,617,776	1,725,733	**533,071**	623,791
Non-current assets					
Loan to a subsidiary	16	**-**	-	**703,243**	589,480
Investments in subsidiaries, at cost	17	**-**	-	**168,876**	168,876
Property, plant and equipment	18	**953,714**	592,240	**-**	-
		953,714	592,240	**872,119**	758,356
Total assets		**2,571,490**	2,317,973	**1,405,190**	1,382,147
LIABILITIES					
Current liabilities					
Trade and other payables	19	**198,767**	208,364	**13,464**	10,823
Current income tax liabilities	9	**24,254**	22,448	**-**	-
Borrowings	20	**130,000**	124,000	**-**	-
		353,021	354,812	**13,464**	10,823
Non-current liabilities					
Derivative financial instruments	21	**133,747**	176,944	**133,747**	176,944
Borrowings	20	**599,808**	556,520	**599,808**	556,520
		733,555	733,464	**733,555**	733,464
Total liabilities		**1,086,576**	1,088,276	**747,019**	744,287
NET ASSETS		**1,484,914**	1,229,697	**658,171**	637,860
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	**215,001**	214,272	**215,001**	214,272
Share premium	22	**346,158**	340,534	**346,158**	340,534
Other reserves	23	**154,807**	130,930	**15,380**	8,658
Retained earnings		**768,948**	543,961	**81,632**	74,396
TOTAL EQUITY		**1,484,914**	1,229,697	**658,171**	637,860

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
2007						
Balance at 1 January 2007		214,272	340,534	130,930	543,961	1,229,697
Total recognised gains						
- Net profit for the financial year		-	-	-	270,946	270,946
Transfer from retained earnings to statutory reserves	23	-	-	17,155	(17,155)	-
Issue of shares through exercise of employee share option scheme	22 & 23	729	5,624	(467)	-	5,886
Employee share option scheme - value of the employee services	23	-	-	7,189	-	7,189
Dividends paid	25	-	-	-	(28,804)	(28,804)
Balance at 31 December 2007		**215,001**	**346,158**	**154,807**	**768,948**	**1,484,914**
2006						
Balance at 1 January 2006		204,691	206,918	99,807	330,619	842,035
Total recognised gains						
- Net profit for the financial year		-	-	-	281,166	281,166
Transfer from retained earnings to statutory reserves	23	-	-	28,622	(28,622)	-
Issue of shares						
- conversion of the convertible bonds	22 & 23	9,327	133,712	(5,002)	-	138,037
- exercise of employee share option scheme	22 & 23	254	1,923	(212)	-	1,965
Share issue expenses						
- conversion of the convertible bonds		-	(2,019)	-	-	(2,019)
Employee share option scheme - value of the employee services	23	-	-	7,715	-	7,715
Interim dividends paid	25	-	-	-	(39,202)	(39,202)
Balance at 31 December 2006		**214,272**	**340,534**	**130,930**	**543,961**	**1,229,697**

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Total profit		**270,946**	281,166
Adjustments for:			
Income tax expense		**89,842**	85,198
Amortised cost of debt component of convertible bonds		**83,050**	20,005
Change in fair value of derivative financial instruments		**(43,197)**	(3,857)
Depreciation of property, plant and equipment		**39,738**	25,887
Dividend income from money market fund		**(6,960)**	(1,230)
Loss/(Gain) on disposal of property, plant and equipment		**219**	(21)
Interest expense		**8,019**	4,731
Interest income		**(20,469)**	(12,141)
Share option expenses		**7,189**	7,715
Unrealised exchange gains		**(39,760)**	(2,172)
		388,617	405,281
Change in working capital:			
Inventories		**(45,907)**	(102,458)
Trade and other receivables		**(37,598)**	(151,741)
Other current assets		**(75,223)**	(60,103)
Trade and other payables		**(50,253)**	72,985
Decrease/(Increase) in restricted cash and cash equivalents		**5,000**	(5,000)
Cash generated from operations		**184,636**	158,964
Income tax paid		**(88,036)**	(71,411)
Net cash provided by operating activities		**96,600**	87,553
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	17(a)	**(260,300)**	-
Dividend received from money market fund		**6,960**	1,230
Interest income		**20,469**	12,141
Proceeds from disposals of property, plant and equipment		**31**	99
Purchases of property, plant and equipment		**(100,508)**	(120,875)
Net cash used in investing activities		**(333,348)**	(107,405)
Cash flows from financing activities			
Dividends paid		**(28,804)**	(39,202)
(Increase)/Decrease in restricted cash and cash equivalents		**(233,213)**	96,958
Interest paid		**(8,019)**	(4,731)
Net proceeds from the issue of convertible bonds		**-**	765,569
Net proceeds from the issue of new shares		**5,886**	1,965
Proceeds from bank loans		**190,000**	85,000
Repayments of bank loans		**(184,000)**	(26,800)
Share issue expenses arising from conversion of convertible bonds		**-**	(2,019)
Net cash (used in)/provided by financing activities		**(258,150)**	876,740
Net (decrease)/increase in cash and cash equivalents		**(494,898)**	856,888
Cash and cash equivalents at beginning of the financial year	11	**1,188,265**	331,377
Cash and cash equivalents at end of the financial year	11	**693,367**	1,188,265

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

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

1. General information

China Sun Bio-chem Technology Group Company Ltd. (the "Company") is incorporated and domiciled in the Cayman Islands and is publicly traded on the main board of the Singapore Exchange Securities Trading Limited (the "Singapore Exchange"). The principal place of business is at 32nd floor, The Spaces International Centre, No. 8 Dongdaqiao Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are described in Note 17.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2007

On 1 January 2007, the Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new and amended FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures

The adoption of the above new and amended FRS did not result in any substantial changes to the Group's accounting policies or any significant impact on these financial statements.

FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively. Please refer to Note 27 for the new disclosures arising from the adoption of these new and amended FRS.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue and related cost can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised as follows:

(i) Sale of goods
Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and the collectibility of the related receivable is reasonably assured.

(ii) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

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

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(iv) Government grants
Government grant is recognised initially in the consolidated balance sheet as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as income in the income statement on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group for capitalised finance costs are set off against the capitalised amount. Grants that compensate the Group for the cost of an asset are recognised in the income statement as income on a systematic basis over the useful life of the asset.

2.3 Group accounting

(i) Subsidiaries
Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

(ii) Acquisitions of subsidiaries
Acquisitions of subsidiaries from related parties are accounted for as reconstructions of businesses under common control using the historical cost method similar to the "pooling of interest" method.

Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. The consolidated financial statements include the results of operations, and the assets and liabilities, of the combined entities as part of the Group for the whole of the current and preceding periods.

Any excess or deficiency of the nominal value of the shares issued in exchange for the nominal value of shares acquired is taken to shareholders' equity as a merger reserve/deficit.

All other acquisitions with unrelated parties are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

(iii) Eliminations on consolidation
In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to Note 2.4 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2.4 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment

(i) *Measurement*
All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment recognised initially includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management including borrowing costs incurred for plant under construction. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(ii) *Depreciation*
Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Land use rights	over the terms of leases of 50 years
Buildings	20 years
Machinery and equipment	10 years
Motor vehicles	10 years
Office equipment, furniture and fittings	5 years

No depreciation is provided for assets under construction until the construction is completed and the assets are transferred to the appropriate categories of property, plant and equipment and are available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement for the financial year in which the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(iii) *Subsequent expenditure*
Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the income statement during the financial year in which it is incurred.

(iv) *Disposal*
On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

2.6 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence indication that these assets may be impaired.

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

2. Significant accounting policies (continued)

2.6 Impairment of non-financial assets (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

2.7 Financial assets

(i) Classification
The Group has only one category of financial assets, which is loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) Measurement
Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and recognises an allowance for impairment when such evidence exists.

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.8 Borrowings and borrowing cost

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

(i) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2. Significant accounting policies (continued)

2.8 Borrowings and borrowing cost (continued)

(ii) Convertible bonds

On issuance of foreign currency convertible bonds, the proceeds are allocated between the liability component and the embedded derivatives. At inception, the embedded derivatives are recognised at fair value, while the difference between the total proceeds and the fair value of the embedded derivatives is recognised as the convertible bond liability.

The embedded derivatives are subsequently carried at fair value with fair value changes recognised in the income statement, while the liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an option is exercised, the carrying amounts of the liability component and the embedded derivatives are derecognised with a corresponding recognition of the share capital and share premium. When the option is allowed to lapse, the carrying amount of the embedded derivatives will be taken to retained earnings.

(iii) Borrowing costs

Borrowing costs incurred to finance the development of buildings are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The cost capitalised is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

2.9 Trade and other payables

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

2.10 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes for derivative financial instrument are included in the income statement within other gains – net in the financial year when the changes arise.

2.11 Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current ask prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are used to determine fair values of the financial instruments.

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

2.12 Operating leases

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

2. Significant accounting policies (continued)

2.12 Operating leases (continued)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal production capacity) but excludes borrowing costs. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Income taxes

Current income tax for current and prior periods are recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2.15 Provisions for other liabilities and charges

Provisions for asset dismantlement, removal or restoration and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

2. Significant accounting policies (continued)

2.15 Provisions for other liabilities and charges (continued)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement when the changes arise except for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in income statement immediately.

2.16 Employee compensation

(i) Defined contribution plans
Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Social Insurance Funds, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised as employee compensation expense in the financial year to which they relate.

(ii) Share-based compensation
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital and share premium accounts when new ordinary shares are issued.

2.17 Currency translation

(i) Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the Company's and its principal subsidiaries' functional and presentation currency. The Company adopted RMB as its functional currency as the underlying investments are in the PRC.

(ii) Transactions and balances
Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, except for currency translation differences on the net investment in foreign operations. These currency translation differences are recognised in the currency translation reserve within equity in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

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.

2. Significant accounting policies (continued)

2.17 Currency translation (continued)

(iii) Translation of Group entities' financial statements

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

(a) Assets and liabilities are translated at the closing rates at the date of the balance sheet;

(b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(c) All resulting exchange differences are recognised in the currency translation reserve within equity.

(iv) Consolidation adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in the income statement as part of the gain or loss on sale.

2.18 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and short-term investments. Short-term investments are classified as cash equivalents when these investments are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents are presented net of restricted cash.

2.20 Dividends to Company's shareholders

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

3. Comparative figures

The following comparative figures have been re-classified to confirm to current year's presentation.

Reclassification of investments in institutional money market fund

The Group and the Company had previously presented the investment in institutional money market fund as "financial assets, at fair value through profit or loss".

Following the press release issued by the Institutional Money Market Fund Association on 2 May 2007 which highlighted the key features of institutional money market funds that can be regarded as cash equivalents in accordance with International Accounting Standard 7 – Cash Flow Statements (equivalent to FRS 7 – Cash Flow Statements), management had considered the key features of the investment in institutional money market fund and concluded that it is more appropriate to reclassify this investment as "cash and cash equivalents".

3. Comparative figures (continued)

Reclassification of investments in institutional money market fund (continued)

Accordingly, certain comparative figures have been restated to reflect this reclassification and the effects on the financial statements are summarised as follows:

	RMB'000
Balance sheets of the Group and the Company as at 31 December 2006:	
- Financial assets, at fair value through profit or loss	(157,576)
- Cash and cash equivalents	157,576
Cash flow statement of the Group for the year ended 31 December 2006:	
- Net cash used in investing activities	(157,576)
- Net increase in cash and cash equivalents	157,576

4. Critical accounting estimates, assumptions and judgements

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

The estimates, assumptions and judgements made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of derivative financial instruments

The Group and the Company carry derivative financial instruments at fair value. The derivative financial instruments arise from the derivatives (namely the conversion option, call option and put option) embedded in the convertible bonds issued in 2006 (Note 21).

Fair value of the embedded derivatives at inception date and at balance sheet date were assessed by an independent valuer on a market basis using the binomial model (the "Model"). In arriving at the fair value of the embedded derivatives, extensive accounting estimates, assumptions and judgements were used.

The Model uses observable data, to the extent practicable. However, areas such as volatility of share price of the Company, dividend yield and annual risk free interest rate require management to make estimates and judgement to a certain extent. The amount of embedded derivatives and the convertible bonds liability at initial recognition and subsequent measurement would differ if the independent valuer uses a different valuation model and parameter value. Should there be a change in the methodology and parameter value used, the fair value of these embedded derivatives and the corresponding amount of the convertible bond, and the related amortisation and exchange gains/losses of the convertible bonds would be changed accordingly, and hence, will have an impact to the Group's and the Company's profitability.

Please refer to Note 27 for the sensitivity analysis on the changes in the key parameters used that will have an impact to the Group's and the Company's profitability.

5. Revenue and other gains (net)

	The Group	
	2007	2006
	RMB'000	RMB'000
Sales		
Sales of goods	**1,672,068**	1,377,550
Other gains/(losses) - net		
Change in fair value of embedded derivative financial instruments in		
- 2005 Convertible Bonds [i]	**-**	(39,316)
- 2006 Convertible Bonds [ii] (Note 21)	**43,197**	43,173
	43,197	3,857
Dividend income from money market fund	**6,960**	1,230
Foreign exchange gain (net)	**6,063**	7,402
(Loss)/Gain on disposal of property, plant and equipment	**(219)**	21
Government grant	**4,000**	-
Interest income	**20,469**	12,141
Others	**889**	319
	81,359	24,970
	1,753,427	1,402,520

(i) "2005 Convertible Bonds" refer to the S$20 million 1% convertible bonds issued in 2005. The 2005 convertible bonds were fully converted in 2006.

(ii) "2006 Convertible Bonds" refer to the US$100 million zero coupon convertible bonds issued in 2006 (See Note 21 for more details).

6. Profit before income tax

The following items have been included in arriving at profit before income tax:

	The Group	
	2007	2006
	RMB'000	RMB'000
Charging:		
Depreciation of property, plant and equipment (Note 18)	**39,738**	25,887
Employee compensation (Note 7)	**49,435**	41,568
Transportation expenses	**33,391**	24,900
Rental on operating lease	**3,236**	3,538
Travelling expenses	**3,098**	3,304

Included in the cost of sales are the following items:

	The Group	
	2007	2006
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**31,068**	20,043
Employee compensation	**12,055**	9,110

7. Employee compensation

	The Group	
	2007	2006
	RMB'000	RMB'000
Wages and salaries	**39,965**	31,827
Employer's contribution to defined contribution plans	**2,281**	2,026
Share option expense (Note 23)	**7,189**	7,715
	49,435	41,568

Key management's remuneration is disclosed under related party transactions in (Note 28).

8. Finance expense

	The Group	
	2007	2006
	RMB'000	RMB'000
Finance expense:		
- interest on bank loans	**9,764**	7,354
- interest on 2005 Convertible Bonds	**-**	491
- amortisation cost of convertible bonds	**83,050**	20,005
	92,814	27,850
Less: Amount capitalised in construction-in-progress	**(1,745)**	(3,114)
Finance expense recognised in the income statement	**91,069**	24,736

9. Income tax expense

(a) Income tax expense

	The Group	
	2007	2006
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Current income tax	**89,842**	85,198

The Group does not have any assessable income in the Cayman Islands and British Virgin Islands.

Some subsidiaries of the Group enjoy tax concession in the PRC made available to foreign investment production enterprises. Pursuant to the Income Tax Law of the PRC, these subsidiaries are exempted from taxation for the first two profitable years and a 50% relief from the normal PRC income tax rates applicable to the subsidiaries for the next three profitable years thereafter.

For the financial year ended 31 December 2007, the subsidiaries are still enjoying their tax exemptions or concession years and the details are set out below:

(i) Suzhou Gao Feng Fine Chemicals Co., Ltd.'s ("Suzhou Gao Feng") applicable enterprise income tax ("EIT") rate is 24%. Suzhou Gao Feng is exempted from the 3% local income tax.
(ii) Shenyang Wanshunda Group Co., Ltd.'s ("Shenyang Wanshunda") applicable EIT rate is 24% and the local income tax rate is 3%.
(iii) Tongliao Wanshunda Starch Co., Ltd. ("Tongliao Wanshunda") enjoys its third year of concessionary EIT rate of 15%. Tongliao Wanshunda is exempted from the 3% local income tax.
(iv) Tongliao Gao Feng Fine Chemicals Co., Ltd. ("Tongliao Gao Feng") enjoys its second year of concessionary EIT rate of 15%. Tongliao Gao Feng is exempted from the 3% local income tax.
(v) Foshan Shunde Gao Feng Starch Chemicals Co., Ltd.'s ("Shunde Gao Feng") applicable EIT rate is 24%. Shunde Gao Feng is exempted from the 3% local income tax.

The Group's operations arise mainly from the PRC. The tax expense on profit differs from the amount that would arise using the PRC standard rate of income as explained below:

	The Group	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**360,788**	366,364
Tax calculated at 33% (2006: 33%)	**119,060**	120,900
Effect of differences in tax rates of different subsidiaries	**(11,084)**	(14,667)
Effect of tax exemption	**(12,262)**	(10,445)
Effect of concessionary tax rate	**(21,174)**	(15,801)
Deferred tax assets not recognised	**15,302**	5,211
Tax charge	**89,842**	85,198

9. Income tax expense (continued)

(a) Income tax expense (continued)

The Group has unutilised tax losses of RMB74,550,000 (2006: RMB17,523,000) available for offsetting against future taxable income subject to the relevant provisions of the income tax rules and agreement by the local tax authorities. The related tax benefits on the unutilised tax losses have not been recognised in the financial statements as, in the opinion of management, their realisation cannot be reasonably ascertained or the tax rate that are expected to apply is zero when the related tax benefits are realised.

(b) Movement in current income tax liabilities

	The Group	
	2007	2006
	RMB'000	RMB'000
At the beginning of the financial year	**22,448**	8,661
Income tax paid	**(88,036)**	(71,411)
Tax expense on profit	**89,842**	85,198
At the end of the financial year	**24,254**	22,448

(c) New tax law

On 16 March 2007, the National People's Congress approved the New Corporate Income Tax Law (**中华人民共和国企业所得税法**) and on 6 December 2007, the State Council approved the Detailed Implementation Regulations (**企业所得税法实施条例**) [hereinafter "the new CIT Law"]. The following sets out the key changes in the new CIT Law that would have an impact on the Group from 1 January 2008:

(i) *Foreign investment enterprises income tax rate*
Effective from 1 January 2008, all the PRC subsidiaries shall determine and pay the corporate income tax in accordance with the new CIT Law. For the subsidiaries which were subject to rates of 24% or 33% under the foreign investment enterprises income tax old regime, the new applicable CIT rate will be 25% starting from 1 January 2008.

(ii) *Two-year exemption and three-year half rate tax incentive scheme*
Under the old CIT Law, a foreign investment production enterprise will be entitled to a two year exemption from income taxes followed by three years of a 50% tax reduction from the normal PRC income tax rates applicable to the enterprise, commencing from the first cumulative profit-making year net of losses carried forward (the "two-year exemption and three-year half rate tax incentive scheme") as approved by the tax authorities. With the adoption of the new CIT Law, such tax preferential policy will not be granted any more.

The new CIT Law also addresses the transitional preferential enterprise income tax policies for enterprises established prior to the issuance of the new CIT Law. For those subsidiaries which have already commenced their tax holiday before 2008, they could continue to enjoy the remaining unutilised tax holidays until expiry; for those subsidiaries which have not commenced their tax holiday before 2008 due to losses, their tax holiday would be deemed to commence in 2008 and could be utilised until expiry.

As at 31 December 2007, certain subsidiaries of the Group were granted the status of two-year exemption and three-year half rate tax incentive scheme. Please refer to Note 9(a) for the details of these subsidiaries.

(iii) *Withholding tax on dividends*
Under the new CIT Law, dividends distributed to the foreign investor by Foreign Invested Enterprises ("FIE") will no longer be tax exempted. Such dividends will be subject to a 10% withholding tax starting from 1 January 2008.

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation jointly issued a circular clarifying that in a situation where the FIE declares a dividend in 2008 and beyond out of the accumulative retained earnings as of 31 December 2007, such dividends earned by the foreign investor shall be exempted from corporate withholding income tax ("WHT"). For dividend arising out of profits earned after 1 January 2008, WHT at 10% will be levied on the foreign investor.

10. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2007	2006
	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	**270,946**	281,166
	Shares'000	Shares'000
Weighted average number of ordinary shares outstanding for basic earnings per share	**809,113**	785,465
Basic earnings per share	**33.49 cent**	35.80 cent

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

The Company has two categories of dilutive potential ordinary shares: the convertible bonds and share options. However, its 2005 Convertible Bonds has an anti-dilutive effect on its 2006 earnings per share as its interest expense, fair value changes and foreign exchange differences per ordinary share obtainable on conversion exceed basic earnings per share. In addition, its 2006 Market Price Options has an anti-dilutive effect on its 2007 earnings per share as its exercise price is higher than the fair value (determined as the Company's average share price for the financial year).

The 2006 Convertible Bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense, fair value changes and foreign exchange differences (tax not applicable).

For the share options, the weighted average number of shares in issue has been adjusted as if all share options that are dilutive were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	**270,946**	281,166
Interest expense, net of fair value change and foreign exchange differences on the 2006 Convertible Bonds	**93**	(32,105)
Net profit used to determine diluted earnings per share	**271,039**	249,061
	Shares'000	Shares'000
Weighted average number of ordinary shares outstanding for basic earnings per share	**809,113**	785,465
Adjustments for:		
- 2006 Convertible Bonds	**146,357**	35,624
- share options	**10,077**	12,787
	965,547	833,876
Diluted earnings per share	**28.07 cent**	29.87 cent

11. Cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**614,162**	716,627	**15**	434
Short-term bank deposits	**28,816**	314,062	**28,816**	310,153
Money market fund	**50,389**	157,576	**50,389**	157,576
Cash and cash equivalents per consolidated cash flow statement	**693,367**	1,188,265	**79,220**	468,163

12. Restricted cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposits	**233,213**	-	**233,213**	-
Bank acceptance notes	**-**	5,000	**-**	-
	233,213	5,000	**233,213**	-

The restricted deposits as at 31 December 2007 relate to the deposits pledged as security for banking facilities extended to one of the subsidiaries (Note 20).

The restricted deposits as at 31 December 2006 relate to the deposits required by a bank for the purpose of issuing bank acceptance notes for one of the subsidiaries.

13. Trade and other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
- non-related parties	**318,021**	314,620	**-**	-
Value-added tax recoverable	**20,124**	10,269	**-**	-
Dividend receivable from a subsidiary	**-**	-	**220,000**	155,000
Other receivables	**24,342**	-	**-**	-
	362,487	324,889	**220,000**	155,000

14. Inventories

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finished goods	**45,246**	20,155	**-**	-
Work-in-progress	**1,005**	-	**-**	-
Raw materials	**141,642**	121,831	**-**	-
	187,893	141,986	**-**	-

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB1,187,878,000 (2006: RMB923,517,000).

15. Other current assets

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits	**128,357**	60,413	**638**	592
Prepayments	**12,459**	3,952	**-**	36
Deferred expenses	**-**	824	**-**	-
Others	**-**	404	**-**	-
	140,816	65,593	**638**	628

Included in the deposits of the Group is deposits for the purchase of raw materials amounting to RMB127,516,000 (2006: RMB56,608,000)

16. Loan to a subsidiary

The loan to a subsidiary is unsecured, interest-free and its settlement is neither planned nor likely to occur in the foreseeable future. In substance, the loan amount formed part of the Company's net investment in the subsidiary.

17. Investments in subsidiaries

The Company had the following subsidiaries as at 31 December 2007:

Name of companies	Principal activities	Country of incorporation/registration	Effective percentage of equity held by the Group	
			2007 %	2006 %
Held by the Company				
Sky Bright Group Limited (1) 天明集团有限公司	Investment holding	British Virgin Islands	100	100
China Sun Bio-chem Technology (Singapore) Co Pte Ltd. (2)	Investors relationship management, market research and administrative services	Singapore	100	100
Held by Sky Bright Group Limited				
Suzhou Gao Feng Fine Chemicals Co., Ltd (3) 苏州高峰精细化工有限公司	Production and sale of modified starch	People's Republic of China	100	100
Shenyang Wanshunda Group Co., Ltd (3) 沈阳万顺达集团有限公司	Production and sale of corn starch and modified starch	People's Republic of China	100	100
Tongliao Wanshunda Starch Co., Ltd (3) 通辽万顺达淀粉有限公司	Production and sale of corn starch	People's Republic of China	100	100
Foshan Shunde Gao Feng Starch Chemicals Co., Ltd (3) 佛山市顺德区高峰淀粉化学有限公司	Production and sale of modified starch	People's Republic of China	100	100
Tongliao Gao Feng Fine Chemicals Co., Ltd (3) 通辽高峰精细化工有限公司	Production and sale of corn starch and modified starch	People's Republic of China	100	100

17. Investments in subsidiaries (continued)

Name of companies	Principal activities	Country of incorporation/registration	Effective percentage of equity held by the Group 2007 %	2006 %
Held by Sky Bright Group Limited (continued)				
Sky Bright (Shenyang) Ethanol Co., Ltd (3) 天明（沈阳）酒精有限公司	Production and sale of ethanol	People's Republic of China	100	100
Tieling Wanshunda Starch Co., Ltd (3),(a) 铁岭万顺达淀粉有限公司	Production and sale of corn starch and corn sweetener	People's Republic of China	100	-
Suzhou Gao Feng Sweetener Industry Co., Ltd (3), (b) 苏州高峰糖业有限公司	Production and sale of corn sweetener	People's Republic of China	100	-
China Sun (Beijing) Bio-chem. Co., Ltd (3) 峻煌（北京）生化有限公司	Research and development of biochemical technologies	People's Republic of China	100	100

(1) Not required to be audited under the laws of the country of incorporation.
(2) Audited by PricewaterhouseCoopers Singapore.
(3) Audited by 沈阳荣正会计师事务所有限责任公司 (Shenyang Rongzheng Certified Public Accountants Co., Ltd), a member of The Chinese Institute of Certified Public Accountants for local statutory purpose.

(a) Acquisition of Tieling Wanshunda Starch Co., Ltd ("Tieling WSD")

In April 2007, Sky Bright Group Limited ("Sky Bright") entered into an agreement with an external party to acquire the entire share capital of Tieling WSD, an entity incorporated in the People's Republic of China, Liaoning Province, at a total consideration of RMB288,422,000. The ownership of Tieling WSD was legally transferred to Sky Bright in October 2007.

Management evaluated the business combination criteria within FRS 103 – *Business Combinations*, and concluded that the acquisition of Tieling WSD represented a purchase of assets rather than a business combination. Accordingly, the tangible and intangible assets acquired and liabilities assumed were recorded at their relative fair values at the date of acquisition based on total consideration and no goodwill was recorded.

The purchase consideration is allocated as follows:

	RMB'000
Land (Note 18)	40,493
Building (Note 18)	61,395
Machineries (Note 18)	184,637
Other non-current assets	332
Current assets	1,565
Total consideration	288,422
Less: Amount payable to the seller of Tieling WSD	(28,122)
Net cash outflow on acquisition	260,300

As at 31 December 2007, RMB28,122,000 is payable to the seller in relation to the above acquisition which would be paid upon completion of the upgrading and testing period of the machineries acquired (Note 19).

(b) Incorporation of Suzhou Gao Feng Sweetener Industry Co., Ltd ("Suzhou Sweetener")

During the financial year, Sky Bright incorporated a wholly-owned subsidiary, Suzhou Sweetener, with a registered capital of US$20million (equivalent to RMB146,092,000). Its initial paid-up capital amounted to US$6 million (equivalent to RMB45,710,000).

18. Property, plant and equipment

	Land use rights	Buildings	Machinery & equipment	Motor vehicles	Office equipment, furniture & fittings	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group							
2007							
Cost							
At 1 January 2007	43,917	78,573	230,026	9,221	3,030	339,958	704,725
Additions	9,558	1,411	2,741	1,574	1,195	98,458	114,937
Acquisition of subsidiary (Note 17)	40,493	61,395	184,637	-	-	-	286,525
Transfer from construction-in-progress ("CIP")	-	128,292	222,815	-	13	(351,120)	-
Disposals	-	-	(686)	(93)	-	-	(779)
At 31 December 2007	93,968	269,671	639,533	10,702	4,238	87,296	1,105,408
Accumulated depreciation							
At 1 January 2007	6,707	20,659	80,729	3,437	953	-	112,485
Depreciation charge	1,118	6,664	29,979	1,300	677	-	39,738
Disposals	-	-	(445)	(84)	-	-	(529)
At 31 December 2007	7,825	27,323	110,263	4,653	1,630	-	151,694
Carrying value							
At 31 December 2007	**86,143**	**242,348**	**529,270**	**6,049**	**2,608**	**87,296**	**953,714**
The Group							
2006							
Cost							
At 1 January 2006	43,917	71,893	215,397	7,567	1,926	120,948	461,648
Additions	-	-	1,174	2,104	1,099	239,162	243,539
Transfer from construction-in-progress	-	6,680	13,455	-	17	(20,152)	-
Disposals	-	-	-	(450)	(12)	-	(462)
At 31 December 2006	43,917	78,573	230,026	9,221	3,030	339,958	704,725
Accumulated depreciation							
At 1 January 2006	5,570	17,299	60,854	2,559	700	-	86,982
Depreciation charge	1,137	3,360	19,875	1,252	263	-	25,887
Disposals	-	-	-	(374)	(10)	-	(384)
At 31 December 2006	6,707	20,659	80,729	3,437	953	-	112,485
Carrying value							
At 31 December 2006	**37,210**	**57,914**	**149,297**	**5,784**	**2,077**	**339,958**	**592,240**

(a) As at 31 December 2007, one of the Group's subsidiaries, Shunde Gao Feng Chemicals Co., Ltd ("Shunde Gao Feng") is the owner of the buildings on a piece of land pursuant to the House Ownership Certificates issued by the relevant PRC authority. However, the full rights to the properties (comprising buildings and land) are subject to the grant of the land use rights for the land on which the buildings are erected. Shunde Gao Feng has applied for the grant of the land use rights from the relevant PRC authority whose procedures include the determination of the land premium and the payment thereof by Shunde Gao Feng. As at the date of these financial statements, Shunde Gao Feng has yet to receive the land use rights from the relevant authority.

18. Property, plant and equipment (continued)

Should Shunde Gao Feng eventually fail to obtain the land use rights from the relevant PRC authority, the subsidiary may be requested to vacate its buildings and relocate to new premises. In such an event, the carrying value of the building amounting to RMB3,646,000 (2006: RMB4,047,000) may not be recoverable. The management is of the view that the land use rights will be obtained and accordingly, no impairment charges against the carrying value of the buildings have been made in these financial statements.

In addition, on the basis that the machineries in this building can be used in another manufacturing subsidiary, the management is of the view that these machineries with a carrying value of RMB2,105,000 as at 31 December 2007 (2006: RMB2,213,000) are not impaired.

(b) Property, plant and equipment with a carrying value amounting to RMB75,683,000 had been pledged as security for bank borrowings undertaken in the previous financial year (Note 20). The pledge was fully discharged subsequent to the full repayment of the bank borrowings during the current financial year.

(c) One of the subsidiaries received grant of RMB1,745,000 (2006: RMB4,255,000) from the local finance bureau for the purpose of subsidising the borrowing costs incurred in the construction of the manufacturing plant. Capitalised interest of RMB1,745,000 (2006: RMB3,271,000) was set off against the interest subsidy received.

19. Trade and other payables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
- non-related parties	**51,184**	96,531	**-**	-
Bill payables	**-**	5,000	**-**	-
Accrued expenses	**8,052**	7,943	**-**	-
Social insurance fund payable	**143**	1,761	**-**	-
Amounts due to directors (non-trade)	**12,787**	10,669	**12,787**	10,669
Payables for construction of				
property, plant and equipment	**84,456**	71,922	**-**	-
Amount payable to seller of Tieling WSD (Note 17)	**28,122**	-	**-**	-
Other payables	**14,023**	14,538	**677**	154
	198,767	208,364	**13,464**	10,823

The amounts due to directors represented accrued directors' fee, salaries and performance bonus pursuant to their service agreements with the Group.

20. Borrowings

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
- secured	**130,000**	110,000	**-**	-
- unsecured	**-**	14,000	**-**	-
	130,000	124,000	**-**	-
Non-current				
- convertible bonds (Note 21)	**599,808**	556,520	**599,808**	556,520
Total borrowings	**729,808**	680,520	**599,808**	556,520

Security granted

(i) Bank loan of RMB130,000,000 as at 31 December 2007 is secured over certain fixed deposits (Note 12) and supported by corporate guarantees provided by the Company (Note 29);

20. Borrowings (continued)

(ii) Bank loan of RMB110,000,000 as at 31 December 2006 was secured by a first mortgage over certain of the Group's property, plant and equipment (Note 18); and

(iii) Bank loan of RMB14,000,000 as at 31 December 2006 was unsecured, but was supported by corporate guarantees provided by certain subsidiaries of the Group.

21. Convertible bonds

On 4 October 2006, the Company issued zero coupon convertible bonds at a nominal value of US$100 million due on 4 October 2011 (the "2006 Convertible Bonds"). The 2006 Convertible Bonds will be redeemed on 4 October 2011 at 140.38% of their nominal value or can be converted into shares of the Company (the "conversion option") at the holder's option at a conversion price of S$1.0725 per share at any time on and after 14 November 2006 up to the close of business on 24 September 2011 if not called for redemption.

On 23 August 2007, the Company announced the adjustment on the conversion price from S$1.0725 per share to S$1.0706 per share. The adjustment was made to account for the dilutive impact on the share price arising from the issuance of the share options during the current financial year. Consequently, on full conversion, up to 146,357,183 (2006: 146,097,902) conversion shares ("Conversion Ratio") are expected to be issued and allotted to the holders of the 2006 Convertible Bonds.

The Company may, on or at any time after 4 October 2009 but not less than ten days prior to 4 October 2011, redeem the 2006 Convertible Bonds (the "call option") in whole but not in part at their early redemption amount if the closing price of the share for any 20 Trading Days out of the 30 consecutive trading days immediately prior to the date upon which notice of such redemption given was at least 130% of the applicable early redemption amount divided by the Conversion Ratio. The Company may also redeem the 2006 Convertible Bonds in whole but not in part at the applicable early redemption amount if at least 90% in principal amount of the 2006 Convertible Bonds has already been converted, redeemed or purchased and cancelled.

On 4 October 2009, the bondholders of the 2006 Convertible Bonds have the right at such holder's option, to require the Company to redeem (the "put option") all or part of the 2006 Convertible Bonds at their early redemption amount.

The early redemption amount is equal to 100% of the principal amount plus a premium such that the total amount represents, to the bondholders, a gross yield of 6.9% per annum calculated on semi-annual basis.

The carrying amount of the liability component of the 2006 Convertible Bonds at the balance sheet date is arrived at as follows:

	The Group & The Company	
	2007	2006
	RMB'000	RMB'000
Face value of convertible bonds issued on 4 October 2006, net of transaction costs	**765,569**	765,569
Embedded derivatives	**(220,117)**	(220,117)
Liability component at initial recognition	**545,452**	545,452
Accumulated amortisation cost		
- At 1 January	**16,966**	-
- Amortisation cost during the financial year	**83,050**	16,966
At 31 December	**100,016**	16,966
Accumulated exchange difference	**(45,660)**	(5,898)
Liability component at balance sheet date	**599,808**	556,520

The fair value of the liability component of the 2006 Convertible Bonds at 31 December 2007 is RMB853,786,000 (2006: RMB813,816,000). The fair value is calculated using cash flows discounted at a borrowing rate of 5.00% (2006: 6.48%).

21. Convertible bonds (continued)

The conversion, call and put options collectively form a single compound embedded derivative in the 2006 Convertible Bonds. The change in fair value of the single compound embedded derivative recognised in the other gains – net is as follows:

	2007	2006
	RMB'000	RMB'000
Fair value of single compound embedded derivative		
- At 1 January/At inception	**176,944**	220,117
- At 31 December	**133,747**	176,944
Change in fair value (Note 5)	**43,197**	43,173

22. Share capital and share premium

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 1,200 million shares (2006: 1,200 million shares) with a par value of HK$0.25 per share (2006: HK$0.25 per share).

(b) Issued ordinary share capital

	2007		2006	
	Shares'000	**RMB'000**	Shares'000	RMB'000
At the beginning of the financial year	**808,005**	**214,272**	770,641	204,691
Issue of shares on exercise of employee share options (Note (ii))	**3,010**	**729**	1,000	254
Conversion of the 2005 Convertible Bonds (Note (iii))	**-**	**-**	36,364	9,327
At the end of the financial year	**811,015**	**215,001**	808,005	214,272

(i) All issued shares are fully paid.

(ii) During the financial year, the Company issued 3,010,000 (2006: 1,000,000) ordinary shares of HK$0.25 each at a total premium of RMB5,624,000 (2006: RMB1,923,000) for cash upon exercise of options under the China Sun Employee Share Option Scheme - the 2005 Market Price Options.

(iii) In the previous financial year, the Company issued 36,363,636 ordinary shares of HK$0.25 each at a total premium of RMB133,712,000 upon the conversion of the 2005 Convertible Bonds.

(iv) The movement in the share premium account are set out in the consolidated statement of changes in equity.

All new issued shares as mentioned in the preceding paragraphs rank pari passu, in all respects, with the previous issued shares.

(c) Share options

Share options are granted to key management and employees under the China Sun Employee Share Option Scheme (the "Scheme") which became operative on 28 September 2005.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management or employee completing another 12 months of service to the Group.

Once the options are vested, they are exercisable for a contractual option term of 4 years or 9 years. The options may be exercised in full or in part in respect of 1 share or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company within the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 23 August 2007, options to subscribe for 10,000,000 ordinary shares of the Company at an exercise price of S$0.51 per ordinary share were granted pursuant to the Scheme ("2007 Market Price Options"). The 2007 Market Price Options are exercisable one year after the grant date and expire on the fifth or tenth anniversary of the grant date.

22. Share capital and share premium (continued)

(c) Share options (continued)

Movement in the number of ordinary shares outstanding under options and their exercise prices are as follows:

	Number of ordinary shares under options						
The Group & the Company	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
2007							
2005 Market Price Options	24,879,000	-	-	(3,010,000)	21,869,000	S$0.39	28.9.2006 - 27.9.2015
2005 Market Price Options	1,760,000	-	-	-	1,760,000	S$0.39	28.9.2006 - 27.9.2010
2006 Market Price Options	9,400,000	-	-	-	9,400,000	S$0.64	9.6.2007 - 8.6.2016
2006 Market Price Options	1,100,000	-	-	-	1,100,000	S$0.64	9.6.2007 - 8.6.2011
2007 Market Price Options	-	8,800,000	-	-	8,800,000	S$0.51	23.8.2008 - 22.8.2017
2007 Market Price Options	-	1,200,000	-	-	1,200,000	S$0.51	23.8.2008 - 22.8.2012
	37,139,000	10,000,000	-	(3,010,000)	44,129,000		
2006							
2005 Market Price Options	24,879,000	-	-	-	24,879,000	S$0.39	28.9.2006 - 27.9.2015
2005 Market Price Options	2,760,000	-	-	(1,000,000)	1,760,000	S$0.39	28.9.2006 - 27.9.2010
2006 Market Price Options	-	9,400,000	-	-	9,400,000	S$0.64	9.6.2007 - 8.6.2016
2006 Market Price Options	-	1,300,000	(200,000)	-	1,100,000	S$0.64	9.6.2007 - 8.6.2011
	27,639,000	10,700,000	(200,000)	(1,000,000)	37,139,000		

Out of the outstanding options for 44,129,000 (2006: 37,139,000) shares as at balance sheet date, options for 34,129,000 (2006: 26,639,000) shares were exercisable. Options exercised in 2007 resulted in 3,010,000 (2006: 1,000,000) shares being issued at a price of S$0.39 (2006: S$0.39) each.

The fair value of 2007 Market Price Options granted on 23 August 2007, determined using the Binomial Option Pricing model, is RMB12,439,000. The significant inputs into the model are share price of S$0.60 at the grant date, exercise price of S$0.51, standard deviation of expected share price returns of 50%, option life as shown above and annual risk-free interest rates of 2.54% for independent directors and 2.84% for other grantees. The volatility is based on the statistical analysis of daily share prices one year prior to the issuance of the share options.

23. Other reserves

(a) Composition

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share option reserve	**15,380**	8,658	**15,380**	8,658
Non-distributable statutory reserves (Note c)	**93,278**	76,123	**-**	-
Non-distributable merger reserve	**42,487**	42,487	**-**	-
Non-distributable capital reserves	**3,662**	3,662	**-**	-
	154,807	130,930	**15,380**	8,658

23. Other reserves (continued)

(b) Movements

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share option reserve				
Beginning of financial year	**8,658**	1,155	**8,658**	1,155
Employee share option scheme:				
- value of employee services (Note 7 and 22)	**7,189**	7,715	**7,189**	7,715
- exercise of share option	**(467)**	(212)	**(467)**	(212)
End of financial year	**15,380**	8,658	**15,380**	8,658
Non-distributable statutory reserves				
Beginning of financial year	**76,123**	47,501	**-**	-
Transfer from retained earnings	**17,155**	28,622	**-**	-
End of financial year	**93,278**	76,123	**-**	-
Non-distributable merger reserve				
Beginning and end of financial year	**42,487**	42,487	**-**	-
Non-distributable capital reserves				
Beginning and end of financial year	**3,662**	3,662	**-**	-

(c) Non-distributable statutory reserves

Subsidiaries established in the PRC (the "PRC Subsidiaries") are required to appropriate certain reserves by transferring from their profit after taxation in accordance with the relevant laws and regulations of the PRC and, if applicable, Articles of Association of the PRC Subsidiaries, after offsetting accumulated losses from prior years, and before any dividend is declared and paid.

(i) Reserve fund
In accordance with the regulations for the Implementation of the Law of the PRC on Enterprises Operated Exclusively with Foreign Capital, there is a legal requirement for the appropriation of not less than 10% of profit after income tax into the reserve fund for the PRC subsidiaries until the accumulated fund is 50% or more of their respective registered capital, where further transfers will not be required and subject to directors' recommendation. Upon the approval from the Board of Directors, the reserve fund can be used to offset accumulated losses or to increase capital.

For the current financial year, the board of directors of the PRC Subsidiaries approved to appropriate 10% of their profit after taxation to statutory surplus reserve amounting to RMB17,155,000 (2006: RMB28,622,000).

(ii) Enterprise expansion fund
Appropriation of enterprise expansion fund is an option for the PRC Subsidiaries. The percentage to be appropriated is determined by the board of directors of the PRC Subsidiaries. Upon approval from the board of directors, enterprise expansion fund can be used to expand production or to increase capital.

There is no appropriation of the enterprise expansion fund in 2007 and 2006.

24. Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary format – business segments – is based on the Group's management and internal reporting structure.

(a) Business segments

The Group's main business segments comprise the following:
(i) Corn starch products: development, manufacturing and sale of corn starch and its by-products.
(ii) Modified starch products: development, manufacturing and sale of modified starch products.
(iii) Ethanol products: development, manufacturing and sale of non-fuel ethanol products and its by-products.

24. Segment information (continued)

(a) Business segments (continued)

During the financial year, the Group commenced the commercial production of the non-fuel ethanol products.

Other operations of the Group mainly comprise investment holding, research and development of biochemical technologies and the new corn sweetener division which has not commenced operation. These operations do not constitute a separable reportable segment.

As at the balance sheet date, the construction work of the new corn sweetener production facilities is in progress and the production line is expected to commence its operation in 2008.

Inter-segment transactions are recorded at their transacted price which is generally at fair value. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash and exclude short-term bank deposits and financial investments. Segment liabilities comprise payables and provisions and exclude income tax liabilities, borrowings and derivative financial instruments. Capital expenditure comprise additions to property, plant and equipment.

Certain business segment information are as follows:

	Corn Starch* RMB'000	Modified Starch RMB'000	Ethanol* RMB'000	Other operations RMB'000	Consolidated RMB'000
2007					
Sales					
External sales	1,010,429	622,147	39,492	-	1,672,068
Inter-segment sales	52,462	182	-	-	52,644
	1,062,891	622,329	39,492	-	1,724,712
Elimination					(52,644)
					1,672,068
Segment results					
Profit/(Loss) from segmental operations	223,534	218,091	(35,299)	(57,084)	349,242
Other gains					89,919
Unallocated expenses of corporate expenses					(90,823)
Profit from operations					348,338
Interest income					20,469
Interest expense					(8,019)
Profit before income tax					360,788
Income tax expense					(89,842)
Net profit for the financial year					270,946
Other segment items					
Capital expenditure	316,772	1,769	8,019	74,902	401,462
Depreciation	20,538	5,570	13,000	630	39,738
Assets and liabilities					
Segment assets	1,474,582	264,836	421,435	98,219	2,259,072
Unallocated assets					312,418
Total assets					2,571,490
Segment liabilities	30,302	34,843	76,414	57,208	198,767
Unallocated liabilities					887,809
Total liabilities					1,086,576

*: Include the by-products sales of corn starch and ethanol, which are produced in the course of the manufacturing of the corn starch and ethanol products respectively.

24. Segment information (continued)

(a) Business segments (continued)

	Corn Starch* RMB'000	Modified Starch RMB'000	Ethanol* RMB'000	Other operations RMB'000	Consolidated RMB'000
2006					
Sales					
External sales	711,185	666,365	-	-	1,377,550
Inter-segment sales	51,385	570	-	-	51,955
	762,570	666,935	-	-	1,429,505
Elimination					(51,955)
					1,377,550
Segment results					
Profit/(Loss) from segmental operations	156,747	256,205	(10,131)	(34,847)	367,974
Other gains					10,985
Unallocated expenses of corporate expenses					(20,005)
Profit from operations					358,954
Interest income					12,141
Interest expense					(4,731)
Profit before income tax					366,364
Income tax expense					(85,198)
Net profit for the financial year					281,166
Other segment items					
Capital expenditure	14,294	1,668	226,674	903	243,539
Depreciation	17,142	7,455	889	401	25,887
Assets and liabilities					
Segment assets	848,840	393,328	388,498	210,669	1,841,335
Unallocated assets					476,638
Total assets					2,317,973
Segment liabilities	74,438	40,434	80,949	12,543	208,364
Unallocated liabilities					879,912
Total liabilities					1,088,276

(b) Geographical segments

The Group's sales are primarily in the PRC with insignificant exports during the current and previous financial year. Hence, segment information by geographical segments is not presented.

25. Dividends

Final dividend (tax not applicable) of 0.7 Singapore cent per share, amounting to S$5,656,000 (equivalent to RMB28,804,000), is paid during the current financial year.

Interim dividend (tax not applicable) of 1 Singapore cent per share amounting to S$7,706,000 (equivalent to RMB39,202,000) was paid during the previous financial year.

At the Annual General Meeting on 23 April 2008, a final dividend (tax not applicable) of 0.7 Singapore cent per share amounting to S$5,677,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

26. Commitments

(a) Capital commitments

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Property, plant and equipment	**15,693**	78,951	**-**	-

(b) Operating lease commitments

The Group leases office premises under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are analysed as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**3,111**	2,523	**-**	-
Later than one year but not later than five years	**3,060**	5,174	**-**	-
	6,171	7,697	**-**	-

27. Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for these risks with the management on a regular basis, for these to be executed by the Chief Financial Officer and the relevant department heads. The Audit Committee provides independent oversight of the effectiveness of the risk management process. It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Market risk

(i) Currency risk

The Group operates primarily in the People's Republic of China (the "PRC") and its sales and purchases are predominantly transacted in Renminbi ("RMB"). Foreign currency risk mainly arises from the cash and cash equivalents (including restricted cash and cash equivalents) which are denominated in Singapore dollar ("SGD") and United States dollar ("USD") and convertible bonds which are denominated in USD. As at balance sheet date, the Group's and the Company's exposure to currency risk are as follows:

	2007		2006	
	Denominated in		Denominated in	
	SGD	**USD**	SGD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
The Group				
Cash and cash equivalent, including restricted cash and cash equivalents	**312,433**	**14,098**	44,624	726,190
Convertible bonds, including embedded derivatives	**-**	**(733,555)**	-	(733,464)
	312,433	**(719,457)**	44,624	(7,274)
The Company				
Cash and cash equivalent, including restricted cash and cash equivalents	**312,433**	**-**	44,624	423,539
Convertible bonds, including embedded derivatives	**-**	**(733,555)**	-	(733,464)
	312,433	**(733,555)**	44,624	(309,925)

27. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

Management monitors the exposure to currency risk on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

Sensitivity analysis for currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD and USD exchange rates against RMB on the Group's and the Company's profit after tax. This analysis assumes that all other variables, including interest rates and income tax rates, remain constant.

	The Group Increase/(Decrease)		**The Company Increase/(Decrease)**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
SGD against RMB				
- strengthened 1% (2006: 5%)	**3,124**	2,231	**3,124**	2,231
- weakened 1% (2006: 5%)	**(3,124)**	(2,231)	**(3,124)**	(2,231)
USD against RMB				
- strengthened 1% (2006: 1%)	**(7,202)**	(297)	**(7,336)**	(3,009)
- weakened 6% (2006: 3%)	**43,212**	891	**44,013**	9,298

(ii) *Price risk*

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

The Group's and the Company's price risk mainly arises from its derivative financial instruments embedded in the convertible bonds (Note 21). The fair value of the derivative financial instruments at each reporting date was determined on a market basis using the binomial model (the "Model"). The fair value of the derivative financial instruments would differ if a different valuation model and parameter values are used, and hence, will have an impact to the Group's and the Company's profitability (Note 4).

The exposure on the price risk is not hedged. However, management monitors the exposure on a periodical basis and the Group endeavours to keep the net exposure at an acceptable level.

Sensitivity analysis for price risk

At balance sheet date, if there is a change in each of the following key parameters (with all other parameter values remaining constant), the impact to profit after tax would be as follows:

	The Group & The Company Increase/(Decrease)	
	2007 RMB'000	2006 RMB'000
Volatility of share price		
- increase by 10% (2006: 10%)	**(5,487)**	(18,762)
- decrease by 10% (2006: 10%)	**4,675**	4,925
Share price		
- increase by 50% (2006: 50%)	**(39,518)**	(109,836)
- decrease by 50% (2006: 50%)	**12,418**	55,817

27. Financial risk management (continued)

(a) Market risk (continued)

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

The Group's and the Company's exposure to cash flow interest rate risk arises primarily from their bank deposits and bank loans. The Group's bank deposits at floating rates form a natural hedge for its floating rate current bank loans. The Group's and the Company's financial assets and liabilities are contractually repriced at intervals of not more than 6 months (2006: 9 months) from the balance sheet date.

In addition, the Group and the Company are exposed to fair value interest rate risk on the liability component of the 2006 Convertible Bonds. Please refer to Note 21 for the terms of the 2006 Convertible Bonds.

The Group's exposure to interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rates.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates have been 50 (2006: 50) basis points higher or lower, with all other variables held constant, the Group's profit after tax would have been:

- RMB4,080,000 (2006: RMB5,436,000) higher/lower, arising mainly as a result of higher/lower interest income on floating rate bank deposits;

- RMB650,000 (2006: RMB559,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate bank loans; and

- RMB15,092,000 (2006: RMB18,366,000) higher and RMB15,437,000 (2006: RMB17,963,000) lower, arising mainly as a result of higher and lower market interest rate respectively in arriving at the fair value of the liability component of the 2006 Convertible Bonds.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. Credit risk arises mainly from cash at banks, deposits, money market fund, trade receivables and dividend receivable from a subsidiary.

(i) Cash at banks, deposits and money market fund (collectively known as the "liquid funds")
The credit risk on liquid funds is limited because the counterparties are banks or financial institutions which are regulated and have high credit ratings assigned by international credit-rating agencies. Management does not expect any counterparty to fail to meet its obligations.

(ii) Trade receivables
The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate the risk of financial loss from defaults. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross total trade receivables at any time during the financial year.

27. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Trade receivables (continued)

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
By product type				
- corn starch	**243,150**	224,198	**-**	-
- modified starch	**70,196**	90,422	**-**	-
- ethanol	**4,675**	-	**-**	-
	318,021	314,620	**-**	-

Neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. The Group's trade receivables which are neither past due nor impaired amounting to RMB313,119,000 (2006: RMB308,859,000).

Past due but not impaired
Trade receivables that are past due as at balance sheet date but not impaired amounting to RMB4,902,000 (2006: RMB5,761,000). The average age of these receivables is no longer than 3 months (2006: 3 months). Management does not expect any losses from non-performance by these customers.

There are no past due and impaired trade receivables as at 31 December 2007 and 2006.

(iii) Dividend receivable from a subsidiary
The Company's balance with a subsidiary is unsecured, interest-free and repayable on demand. No impairment allowance has been made on the receivable as management is of the view that it is recoverable.

(iv) Maximum exposure to credit risk
At the balance sheet date, the maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheet of the Group and the Company; and

- a nominal amount of RMB130 million (2006: nil) relating to corporate guarantees provided by the Company to banks for facilities granted to subsidiaries of the Group.

The Group's and the Company's financial assets are not secured by any collateral or credit enhancements.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mis-matches of the maturities of financial assets and liabilities.

The Group adopts prudent liquidity management by maintaining sufficient cash and marketable securities, and having an adequate amount of committed credit facilities. The Group maintains sufficient cash balances to provide flexibility in meeting its day to day funding requirement and to mitigate the effects of fluctuations in cash flows.

27. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

		Less than 1 year	Between 1 & 2 years	Between 2 & 5 years
		RMB'000	RMB'000	RMB'000
The Group				
At 31 December 2007	Trade and other payables	198,767	-	-
	Bank loans	132,031	-	-
	Convertible bonds	-	-	1,025,405
		330,798	-	1,025,405
At 31 December 2006	Trade and other payables	206,852	-	-
	Bank loans	131,204	-	-
	Convertible bonds	-	-	1,096,170
		338,056	-	1,096,170
The Company				
At 31 December 2007	Trade and other payables	13,464	-	-
	Convertible bonds	-	-	1,025,405
		13,464	-	1,025,405
At 31 December 2006	Trade and other payables	10,823	-	-
	Convertible bonds	-	-	1,096,170
		10,823	-	1,096,170

(d) Capital risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2007 and 2006.

In accordance with the regulations for the Implementation of the Law of the PRC on Enterprises Operated Exclusively with Foreign Capital, there is a legal requirement for the appropriation of not less than 10% of profit after income tax into the reserve fund for the PRC subsidiaries until the accumulated fund is 50% or more of their respective registered capital, where further transfers will not be required and subject to directors' recommendation (Note 23). This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2007 and 2006.

The Group monitors capital using a gross gearing ratio, which is total borrowings divided by total equity attributable to equity holders of the Group. The gearing ratio is reviewed by the Audit Committee on a regular basis. The gross gearing ratio as at 31 December 2007 is 49% (2006: 55%).

28. Related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties on terms agreed between the parties:

(a) Key management personnel compensation

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefit. The key management personnel compensation is analysed as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**16,083**	15,561
Share options expense	**882**	1,989
	16,965	17,550

Included in the above is total compensation to directors of the Company amounting to RMB13,318,000 (2006: RM12,924,000).

Included in the key management personnel compensation is bonus amounting to RMB8,950,000 (2006: RMB8,753,000) payable to certain directors (the "Directors") pursuant to the service agreements signed between the Directors and the Company.

(b) During the financial year, the Group pays fees amounting to RMB865,000 (equivalent to S$171,000) [2006: RMB695,000 (equivalent to S$137,000)] to firms, of which certain directors are the sole-proprietors, for the professional services rendered to the Group.

29. Contingent liabilities

As at 31 December 2007, the Company has issued corporate guarantees for the amount of RMB200 million to a bank for facilities granted to subsidiaries of the Group.

30. New Accounting Standards and FRS Interpretations

Certain new standards, and amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008, or later periods, if the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) INT FRS 111 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

The Group adopted INT FRS 111 on 1 January 2008. INT FRS 111 clarifies that the arrangement where an entity receives goods or services as consideration for its own equity-instruments shall be accounted for as an equity-settled share-based payment ("SBP") transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether group SBP arrangements shall be classified as equity-settled or cash-settled SBP arrangements.

The Group operates an employee share option scheme and issue new shares to settle the obligations arising from the plans. As the Group has been recognising those share option grants as equity-settled and does not operate any other SBP group arrangements, INT FRS 111 does not have any impact to the Group.

30. New Accounting Standards and FRS Interpretations (continued)

(b) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 *Segment Reporting* and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The expected impact is still being assessed in detail by management.

(c) Revised FRS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise borrowing costs that are attributable to qualifying assets immediately as an expense, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

31. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Sun Bio-chem Technology Group Company Ltd. on 31 March 2008.

Shareholding Statistics
As at 11 March 2008

SHARE CAPITAL

Authorised share capital	:	HK$300,000,000.00
Issued and fully paid	:	HK$202,753,763.75
Number of shares	:	811,015,055
Class of shares	:	Ordinary shares of HK$0.25 par value
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-999	12	0.21	1,807	-
1,000 - 10,000	2,861	49.04	20,893,473	2.58
10,001 - 1,000,000	2,934	50.29	135,408,000	16.69
1,000,001 AND ABOVE	27	0.46	654,711,775	80.73
	5,834	100.00	811,015,055	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 11 March 2008, approximately 60.96% 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.

Shareholding Statistics

As at 11 March 2008

TOP TWENTY SHAREHOLDERS

S/NO	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (S) PTE LTD	281,264,820	34.68
2	DBS NOMINEES PTE LTD	82,811,265	10.21
3	RAFFLES NOMINEES PTE LTD	75,615,044	9.32
4	HSBC (SINGAPORE) NOMINEES PTE LTD	60,773,265	7.49
5	UOB KAY HIAN PTE LTD	36,193,000	4.46
6	CITIBANK NOMINEES SINGAPORE PTE LTD	22,606,111	2.79
7	OCBC SECURITIES PRIVATE LTD	14,495,000	1.79
8	MERRILL LYNCH (SINGAPORE) PTE LTD	11,060,000	1.36
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	10,305,000	1.27
10	DMG & PARTNERS SECURITIES PTE LTD	8,052,000	0.99
11	DBSN SERVICES PTE LTD	8,025,000	0.99
12	PHILLIP SECURITIES PTE LTD	7,335,000	0.90
13	LIM & TAN SECURITIES PTE LTD	3,981,000	0.49
14	TAN JEE MENG	3,665,000	0.45
15	CIMB-GK SECURITIES PTE. LTD.	3,471,000	0.43
16	KIM ENG SECURITIES PTE. LTD.	3,308,270	0.41
17	DBS VICKERS SECURITIES (S) PTE LTD	3,220,000	0.40
18	HONG LEONG FINANCE NOMINEES PTE LTD	2,571,000	0.32
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,369,000	0.29
20	ING NOMINEES (SINGAPORE) PTE LTD	2,250,000	0.28
	TOTAL	**643,370,775**	**79.32**

SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders as at 11 March 2008)

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders				
Sun Guiji	-	-	316,533,904	39.03

* Mr Sun Guiji's deemed interest of 316,533,904 shares are held by nominee companies.

Property, Plant and Equipment

The following properties are owned by our Group:-

Location	Description	Tenure
Mashanjia Cun, Mashanjia Town, Yuhong District, Shenyang, Liaoning Province, the PRC	Production premises for the manufacturing of corn starch, corn based products and modified starch	50 years (Up to January 2048)
No. 188 Centre Street, Ke'erqin District, Tongliao, Inner Mongolia, the PRC	Production premises for the manufacturing of corn starch, and corn-based products	50 years (Up to June 2054)
No. 50 Huolinhe Street, Ke'erqin District, Tongliao Inner Mongolia, the PRC	Production premises for the manufacturing of modified starch products	50 years (Up to June 2054)
Industrial Park of Wuzong Development Zone, Suzhou, Jiangsu Province, the PRC	Production premises for the manufacturing of modified starch products	50 years (Up to September 2054)
Shenyang Agricultural New and Hi-tech Development zone, Shenyang, Liaoning Province, the PRC	Production premises for the manufacturing of ethanol products	50 years (Up to July 2055)
Liangcun Development Zone, Lecong Town,Shunde, Foshan, Guangdong Province, the PRC	Production premises for the manufacturing of modified products	NA
South Side, Lin Hu Avenue, Fenhu Economic Development Zone Wujiang City, Jiangsu Province, the PRC	Production premises for the manufacturing of corn sweetener	50 years (up to August 2057)

Notice of Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of China Sun Bio-chem Technology Group Company Ltd. will be held at Peach Garden @ 33 in The Executives' Club, 65 Chulia Street, #33-01 OCBC Centre, Singapore 049513, on Wednesday, 23 April 2008 at 3:30 p.m. for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and audited consolidated financial statements for the financial year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.7 Singapore cent per share, tax not applicable, amounting in aggregate to S$5,677,105 for the financial year ended 31 December 2007. **(Resolution 2)**

3. To approve the payment of Directors' fees of RMB1,138,320 for the financial year ended 31 December 2007. **(Resolution 3)**

4. To re-elect director retiring under Article 85(6) of the Articles of Association of the Company:- **(Resolution 4)**
   (i) Dang Zhentai

5. To re-elect directors retiring under Article 86(1) of the Articles of Association of the Company:-
   (i) Chong Wing Hong **[See Explanatory Note 1]** **(Resolution 5)**
   (ii) Lai Seng Kwoon **[See Explanatory Note 2]** **(Resolution 6)**

6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

Notice of Fourth Annual General Meeting

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolution as ordinary resolution:

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

   "That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company for the time being (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier." **(Resolution 8)**
   [See Explanatory Note 3]

BY ORDER OF THE BOARD

Chew Kok Wye
Company Secretary
Singapore, 8 April 2008

Notice of Fourth Annual General Meeting

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 office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) at 8 Cross Street #11-00 PWC Building Singapore 048424 not less than 48 hours before the time appointed for holding the above Meeting.

EXPLANATORY NOTES:

1. Mr Chong Wing Hong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

2. Mr Lai Seng Kwoon will, upon re-election as a Director of the Company, remain as Chairman and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

3. The Ordinary Resolution 8 in item 8 is to authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of China Sun Bio-chem Technology Group Company Ltd. (the "Company") will be closed on 2 May 2008 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) at 8 Cross Street #11-00 PWC Building Singapore 048424 up to 5.00 p.m. on 30 April 2008 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 30 April 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 23 April 2008, will be made on 13 May 2008.

BY ORDER OF THE BOARD

Chew Kok Wye
Company Secretary
Singapore, 8 April 2008

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TANGRAM DESIGN

SPIN CAPITAL ASIA

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