



## China SunSine Chemical Holdings Ltd.

112 Robinson Road #11-01 Singapore 068902  
Tel: (65) 6220-9070 Web: www.ChinaSunSine.com

Company Registration No.: 200609470N

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### RESPONSE TO SGX-ST QUERIES ON COMPANY'S ANNOUNCEMENT DATED 12 MARCH 2019

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The Board of Directors (the "**Board**") of China SunSine Chemical Holdings Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") wishes to provide the following information in response to the queries from Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 14 March 2019 with regards to our announcement dated 12 March 2019 entitled "*Business Updates: Entry into Investment Agreement by Shandong SunSine with Local Government for acquisition of land*" (the "**Company's Announcement**").

*Unless otherwise stated, all capitalized terms used herein have the same meaning ascribed to them in the Company's Announcement.*

#### **SGX Queries:**

*We refer to China SunSine Chemical Holdings Ltd's / the Company's announcement dated 12 March 2019 and titled 'Business Updates: Entry into Investment Agreement by Shandong SunSine with Local Government for acquisition of land' (the "Company's Announcement"). The abbreviations used in the Company's Announcement are adopted.*

- a. *We note that 'a total investment amount of up to RMB 2.5 billion [is payable by Shandong SunSine], of which RMB 1.5 billion will be invested in property, plant and equipment'. Please disclose the Company's intended use of the remaining RMB 1 billion of proceeds.*
- b. *Please provide a breakdown of how much of the RMB 2.5 billion will be invested in each of the land, property, plant and equipment and the capacity of the plant and the impact on the Company's operations and financial performance as a result of the acquisition.*
- c. *We note the statement "The unit price of the land will be determined by an open tender..." Please disclose and elaborate on how the acquisition of the land is certain if this will be subjected to an open tender.*
- d. *The Company had stated that the "lease period will be as set out in the Land Use Rights Certificate to be issued". Please explain the methodology by which the parties computed the total investment amount of up to RMB 2.5 billion if (1) the unit price of the land and/or (2) the lease period of the land and (3) the terms of land use have not been determined/ valued. Please clarify the date when the Company expects to obtain the Land Use Rights Certificate.*
- e. *The Company intends to fund the total investment amount of RMB 2.5 billion with "internal resources [which is] not expected to have any material impact on the consolidated net tangible assets per share or earnings per share of the Group for the financial year ending 31 December 2019." Based on the Company's latest unaudited FY2018 financial results, cash and cash equivalents amounted to RMB 1 billion as at 31 December 2018. Please elaborate how the payment of the total investment amount will be funded and the payment terms, if applicable.*

#### **Company's response:**

- a. This piece of Land is reserved by the Local Government as a comprehensive chemical production base to satisfy the long-term development strategy of Shandong SunSine. The total amount of RMB 2.5 billion, which we have agreed with the Local Government to invest, in phases, is an estimated figure. Approximately RMB 1.5 billion is estimated to be invested in property, plant and equipment,



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while the balance RMB 1.0 billion is estimated to be utilized as working capital. However, the final investment amount can only be determined after the respective budgets for the specific projects have been drawn up.

- b. The detailed plans for this investment have not been finalized. The Project will be a long-term investment, and will be developed in phases over many years. The purpose of the acquisition of the Land is to position the company for future growth and expansion of our capacities so as to consolidate our market leadership position into the future. The Local Government has not set any timeline for Shandong SunSine to complete this investment. It will therefore be up to Shandong SunSine to determine strategically how to implement its long-term expansion plan which will ultimately depend on, *inter alia*, the market conditions and demand from its customers at the relevant time. Shandong SunSine is only required to pay RMB 20,000 per mu (1 mu is equivalent to approximately 666.67 m<sup>2</sup>) as a deposit upon execution of the Agreement. As such, the Company does not expect the acquisition of the Land to have any material impact on its operations and financial performance in the current financial year.
- c. It is a requirement of China's Ministry of Natural Resources that any acquisition or disposal of land must go through an open tender process. However, as the Land is an industrial land which is located in Shanxian Chemical Zone, and the Local Government has agreed to grant the Land to Shandong SunSine on the terms described in paragraph a above, the Company is fairly confident of securing the Land.
- d. The total investment amount of up to RMB 2.5 billion is an estimated amount, and is comparable to the current total asset value of Shandong SunSine (excluding the other subsidiaries of the Company) of RMB 2.6 billion, which occupies a land area of approximately 609 mu in Shanxian. The lease period for an industrial land is usually 50 years from the date of the grant of the Land Use Rights ("LUR"). However, the Local Government will issue several LUR Certificates in respect of different parcels of the Land separately based on the timing of the projects to be undertaken by Shandong SunSine on the various parcels of the Land. The date of issuance of the relevant LUR Certificate in respect of each parcel would therefore depend on the date of commencement of each project.
- e. As stated above and in the Company's Announcement, the investment will be carried out in phases over a long-term horizon. As such, we do not expect this investment to have any material impact on the consolidated net tangible assets per share or earnings per share of the Group in the current and subsequent financial years. The Group will make further announcements in relation to any specific expansion project at the appropriate time.

### BY ORDER OF THE BOARD

Xu Chengqiu  
Executive Chairman  
16 March 2019