



## China SunSine Chemical Holdings Ltd.

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

Company Registration No.: 200609470N

---

### RESPONSE TO SGX-ST QUERIES ON COMPANY'S INVESTMENT PROJECT

---

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 following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 24 March 2020 with regards to the Company's announcement dated 12 March 2019 entitled "*Business Updates: Entry into Investment Agreement by Shandong SunSine with Local Government for acquisition of land*", and announcement dated 16 March 2019 entitled "*Response to SGX-ST Queries on Company's Announcement dated 12 March 2019*" (collectively, the "**Company's Announcements**")

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

#### **SGX Queries:**

*On 12 March 2019, the Company's subsidiary, Shandong SunSine, entered into an agreement with the Shanxian County Government ("Investment Project") to acquire an estimated 800mu plot of land, to undertake a phased investment project at an estimated total project cost of RMB2.5bn. On 6 August 2019, the Company disclosed that following a re-survey, the estimated size of the plot of land was revised to 680mu. However, the Company did not disclose any updates on the Investment Project nor mentioned this in paragraph 10 of the Company's financial results dated 28 February 2020. Please therefore clarify the following:*

- (a) Is there any change to the total estimated investment cost of RMB2.5bn;*
- (b) Is there any change in the area of the land to be acquired from the PRC government;*
- (c) Has there been any material updates on the Investment Project;*
- (d) What is the status of the Investment Project? Has the Company secured any Land Use Rights certificates for the individual parcels of land and commenced development for any of these land parcels?*
- (e) Has the Company obtained funding for the project?*
- (f) Will the Company be seeking the board's and shareholders' approval for the project. Please provide reasons and basis for the Board's views.*

*We would like to remind the Company of its obligation under Listing Rule 703 to announce material information timeously. The Company had previously announced that it would make further announcements in relation to the expansion plan as and when further material development arises.*



**China Sunsine Chemical Holdings Ltd.**

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

**Company Registration No.: 200609470N**

*Please be informed that even if there is no further material development, the Company should inform shareholders accordingly in an announcement.*

**Company's response:**

- a. There is no revision to the Investment Agreement entered into with the Local Government, and therefore, there is no change to the total investment amount of up to RMB 2.5 billion. As stated in the Company's Announcements, the total investment amount, which we have agreed to invest, in phases, is an estimated figure, and the final investment amount can only be determined after the respective budgets for the specific projects have been drawn up. In compliance with Rule 703 of the Listing Manual of the SGX-ST ("**Listing Manual**"), the Company updated Shareholders via its financial results announcement dated 28 February 2020 that the budget for Phase 1 of its 30,000-ton per annum IS project ("**IS project**") is approximately RMB 270 million. Please also refer to paragraph c below for more details on the material updates on the Investment Project that had been disclosed by the Company.
- b. After the re-survey of the Land, the exact area of the Land to be acquired by the Company is 677 mu. In Paragraph 10 of our 2Q2019 results announcement dated 6 August 2019, we stated that the land area is approximately 680 mu. As there is no material difference between the actual land area after re-survey and the area as stated in our 2Q2019 results announcement, the Company did not issue a separate announcement.
- c. There were 2 material updates on the Investment Project as follows:
  - (1) Under Paragraph 10 of our 2Q2019 results announcement, we stated that "Further to the Company's announcements dated 12 March 2019, 16 March 2019 and 15 May 2019, the Group intends to set aside approximately 300 mu of the piece of land at Shanxian Chemical Zone ("Land") to build and construct a 60,000-ton per annum IS plant thereon, to be carried out in 2 phases over the next few years."
  - (2) Under Paragraph 10 of our FY2019 result announcement, we stated that "As stated in our 2Q2019 results announcement dated 6 August 2019, the Group is intending to utilise approximately 300 mu of the piece of land at Shanxian Chemical Zone to build and construct a 60,000-ton per annum IS plant thereon, to be carried out in 2 phases. The construction of Phase 1 30,000-ton IS plant has started and is targeted to be completed by the end of 2020. Commercial production will commence in 2021. The budget for this Phase 1 project is approximately RMB 270 million."
- d. We have started the construction of Phase 1 30,000-ton IS plant on the Land, and we are in the process of obtaining the Land Use Rights ("**LURs**") for a parcel of land of 95 mu. The rest of the LURs in respect of other parcels of Land will be applied for and processed parcel by parcel in line with the local government procedures and based on the timing of the individual projects to be undertaken by the Group.
- e. As stated above and in the Company's Announcements, the Investment Project is a long-term investment and will be developed in phases over many years, depending on the market demand of the Group's products, such as Accelerators, Insoluble-Sulphur, Anti-Oxidants. As such, we do not expect this investment to be funded externally.



## China SunSine Chemical Holdings Ltd.

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

Company Registration No.: 200609470N

- f. As the Investment Project will be carried out in phases over a long-term horizon, the Board will evaluate and approve each individual project on its own merits, taking into account, *inter alia*, the market conditions and projected demand at the relevant time. After due deliberation, the Board approved the expansion project for the Phase 1 30,000-ton IS plant during its FY2019 Board meeting held on 26 February 2020. The Board had taken into consideration factors such as the existing IS production utilisation rate which had exceeded 100%<sup>1</sup>, the existing and future market demand situation, the amount of capital required for this project and returns on investment, etc. The Board believes that this expansion project is in the best interest of all stakeholders, as it will further strengthen the Group's market leadership position.

The Board also noted that the Company had previously announced the Investment Project on 12 March 2019 and responded to SGX-ST's queries on 16 March 2019 on this matter. Shareholders also had opportunities to, and did in fact, raise questions on the Investment Project during the Company's annual general meeting held on 30 April 2019, and the Directors had addressed shareholders' queries at that time. As such, our shareholders are fully aware of the Company's acquisition of the Land for its business expansion, and that this Investment Project will be carried out over a long time horizon and under certain conditions as described above. The Group is confident that based on the Group's strong cash position of RMB 1,280 million as at 31 December 2019, it will be able to easily fund the IS project without any borrowings, and progressively complete the rest of its expansion plans without affecting its normal business operations. Given that the expansion projects constitute its ordinary course of business, and regular updates on the material developments of the Investment Project have been made during results announcements as well as financial results briefings conducted by the Company's Chief Financial Officer, the Board is of the view that no separate shareholders' meeting is required to be convened to seek shareholders' approval.

As the Investment Project will be carried out in phases and over a number of years, the management does not expect any individual project 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.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Investment Project. No person is proposed to be appointed as a Director of the Company in connection with the Investment Project. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

The Board would like to assure Shareholders that the Company will comply with its continuing disclosure obligations to keep Shareholders updated should there be any material developments (financial or otherwise) relating to the Investment Project, the Company or the Group.

### BY ORDER OF THE BOARD

Xu Chengqiu  
Executive Chairman  
25 March 2020

---

<sup>1</sup> Utilisation rate for a production line is based on actual production output and designated capacity for the production line taking into account certain running time assumption and downtime for repairs and maintenance in a given year. As such, the actual production output may exceed the designated capacity.