



China SunSine Chemical Holdings Ltd.

112 Robinson Road #11-01 Singapore 068902
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Company Registration No.: 200609470N

PROPOSED ACQUISITION OF HEZE YONGSHUN ENVIRONMENTAL PROTECTION TECHNOLOGY CO., LTD

1. INTRODUCTION

The Board of Directors (the “**Board**”) of China SunSine Chemical Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Shandong Shanxian Chemical Co., Ltd (“**Shandong SunSine**”), has, on 17 July 2020, entered into an Equity Transfer Agreement (“**Equity Transfer Agreement**”) with Mr. Li Pin (李品) and Mr. Yao Xianfeng (姚显峰) (collectively, the “**Vendors**”) and Heze Yongshun Environmental Protection Technology Co., Ltd (“**Yongshun Company**”), pursuant to which Shandong SunSine shall acquire (the “**Acquisition**”) all the equity interests (“**Equity Interests**”) of Yongshun Company from the Vendors for a total consideration of RMB 43 million (or approximately S\$ 8.5 million, based on the exchange rate of RMB 5.0302 to S\$1.00 as at 17 July 2020) (the “**Consideration**”).

2. INFORMATION ON YONGSHUN COMPANY

- 2.1 Yongshun Company is a limited liability company established in Shanxian County, Heze City, Shandong Province, the People’s Republic of China (“**PRC**”). It is principally engaged in the business of treatment of dangerous waste materials, with an annual capacity of 15,000 tons. It has a paid-up capital of RMB 20 million and owns a land area of approximately 215 mu (or approximately 143,334 square metres), buildings with gross floor area of approximately 14,350 square metres, auxiliary facilities, machinery and other assets.
- 2.2 The audited book value of net assets and net tangible assets of Yongshun Company as at 31 May 2020 are approximately RMB 36 million and RMB 21 million, respectively (or approximately S\$ 7.2 million and S\$ 4.2 million, respectively). Yongshun Company has made a net profit of approximately RMB 340,000 for the period from 1 January 2020 to 31 May 2020.

3. RATIONALE FOR THE ACQUISITION

- 3.1 The Group generates dangerous waste materials during the production of rubber chemicals, such as resin, tar, etc. According to the PRC’s environmental protection laws and regulations, these dangerous waste materials have to be treated by approved and qualified waste treatment companies before they can be safely discharged. The Group spends heavily on the treatment and disposal of dangerous waste materials every year. For the financial year ended 31 December 2019 (“**FY2019**”), the Group generated approximately 5,000 tons of dangerous waste materials and incurred approximately RMB 25 million for their treatment and disposal.
- 3.2 Yongshun Company is the only qualified dangerous waste treatment company in Shanxian area, with sufficient treatment capacity to meet our Group’s demands, and thus has built up a long-term business relationship with the Group. The Board is of the view that it is in the best interest of the Group to acquire Yongshun Company in order to better manage its whole production process. As environmental protection measures form an integral part of the Group’s operations, the Acquisition will promote the long-term sustainable growth of the Group, and at same time, reduce the Group’s



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overall cost on waste treatment and disposal. This Acquisition will also bring in additional revenue for the Group from Yongshun Company's excess treatment capacity after serving our needs.

4. CONSIDERATION

- 4.1 The Consideration of RMB 43 million was arrived at on a "willing buyer willing seller" basis, after taking into account an independent valuation on the business and assets of Yongshun Company carried out by Jinan Hongqiao Asset Valuation Partnership ("**Independent Valuer**"), which valuation was commissioned by the Company. Based on the report of the Independent Valuer issued on 30 June 2020 ("**Valuation Report**"), the value of Yongshun Company amounted to approximately RMB 43.4 million. The Independent Valuer adopted the open market value method and the adjusted basic land cost ratio method to determine the valuation of the land, the replacement cost method to determine the valuation of the buildings, and the cost method to determine the valuation of the rest of the assets of Yongshun Company. For comparison purposes, the Independent Valuer also adopted the discounted future cashflow method to determine the value of the Equity Interests, which amounted to approximately RMB 58.6 million.
- 4.2 In order to better reflect the value of Yongshun Company post-Acquisition, the management of the Company intends to prepare a new set of accounts of Yongshun Company based on the Valuation Report after the Acquisition.
- 4.3 Under the Equity Transfer Agreement, the Consideration shall be paid within two weeks upon execution of the formal agreement in respect of the Acquisition.

5. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

- 5.1 The relative figures for the Acquisition computed based on the Group's audited consolidated financial statements for FY2019 in accordance with the applicable bases set out in Rule 1006 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (as set out in the table below), amounted to less than 5%, and is therefore considered a non-discloseable transaction as defined under Chapter 10 of the Listing Manual :-

(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	2.3%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	2.5%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable



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(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable
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- 5.2 Yongshun Company's net profits of RMB 9.1 million for the period from 1 January 2019 to 31 December 2019 accounted for approximately 2.3% of the Group's consolidated net profits for FY2019.
- 5.3 The aggregate value of the Consideration of RMB 43 million (or approximately S\$ 8.5 million) represents approximately 2.5% of the Company's market capitalization of approximately RMB 1.736 billion (or approximately S\$ 345 million) as at 16 July 2020¹.

6. FINANCING AND FINANCIAL EFFECTS

The Acquisition will be funded by internal resources and are 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 2020.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
21 July 2020

¹ "Market capitalisation" of the Company is determined by multiplying the number of shares in issue (excluding treasury shares) by the weighted average price of such shares transacted on the market day preceding the date of the Equity Transfer Agreement.