

CIRCULAR DATED 14 APRIL 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your legal, financial, tax or other professional adviser immediately.

If you have sold all your shares in the capital of China Sunsine Chemical Holdings Ltd. (the “**Company**”), you should forward this Circular, immediately to the purchaser or to the bank, stockbroker or agent through whom you effected the sale for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200609470N)

CIRCULAR TO SHAREHOLDERS ACCOMPANYING

THE NOTICE OF ANNUAL GENERAL MEETING

DATED 14 APRIL 2010

in relation to

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Act” or “Companies Act”	The Companies Act (Chapter 50) of Singapore, as amended or re-enacted from time to time
“ACRA”	Accounting and Corporate Regulatory Authority of Singapore
“AGM”	The annual general meeting of the Company
“2009 AGM”	The AGM of the Company held on 22 April 2009
“2010 AGM”	The AGM of the Company to be held on 29 April 2010 at 9.30 a.m. at FTSE room, 9th floor, Capital Tower, 168 Robinson Road, Singapore 068912
“Articles” or “Articles of Association”	The Articles of Association of the Company
“CDP”	The Central Depository (Pte) Limited
“China” or “PRC”	People’s Republic of China
“2008 Circular”	The circular to Shareholders dated 14 April 2008
“2009 Circular”	The circular to Shareholders dated 7 April 2009
“Company”	China SunSine Chemical Holdings Ltd.
“Directors”	Directors of the Company as at the date of this Circular
“EGM”	The extraordinary general meeting of the Company
“2008 EGM”	The EGM of the Company held on 27 April 2008
“EPS”	Earnings per share
“Group”	The Company and its subsidiary
“Latest Practicable Date”	26 February 2010, being the last practicable date prior to the printing of this Circular
“Listing Manual”	The Listing Manual of the SGX-ST
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	An on-market purchase of Shares by the Company, transacted on the SGX-ST through the ready market, through one or more duly licensed stock brokers appointed by the Company for the purpose
“NAV”	Net asset value
“Off-Market Purchase”	An off-market purchase of Shares by the Company effected pursuant to an equal access scheme as defined in the Companies Act.

“Ordinary Resolution”	A resolution proposed and passed as such by a majority consisting of 50% or more of the total number of votes cast for and against such resolution at a meeting of Shareholders
“Register”	The register maintained by the Company setting out details of the Shareholders and their respective shareholdings
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Share Purchase Mandate”	General and unconditional mandate given by Shareholder to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shares”	Ordinary shares in the capital of the Company
“Substantial Shareholder”	A person (including a corporation) who has an interest in not less than five (5) per cent. of the issued voting shares of the Company
“Take-over Code”	Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as may from time to time be issued or amended
“S\$” and “cents”	Singapore dollars and cents respectively
“%” or “per cent.”	Percentage or per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference to a time of day and to dates in this Circular is made by reference to Singapore time and dates unless otherwise stated.

Any reference in this Circular to any statute or enactment is a reference to any statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200609470N)

Directors

Xu Cheng Qiu
Liu Jing Fu
Xu Jun
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14 April 2010

To: The Shareholders of China Sunsine Chemical Holdings Ltd.

Dear Sir/Madam

1. INTRODUCTION

- 1.1 The Directors of the Company are proposing to seek the approval of Shareholders for the proposed renewal of the Share Purchase Mandate during the 2010 AGM.
- 1.2 The purpose of this Circular is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate to be tabled at the 2010 AGM and to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Background

At the 2008 EGM, Shareholders had approved the adoption of the Share Purchase Mandate to effect the Company to purchase or otherwise acquire its issued Shares. The rationale for the authority and limits on, and the financial effects of, the Share Purchase Mandate were set out in the 2008 Circular.

The Share Purchase Mandate was renewed by Shareholders at the 2009 AGM. The rationale for the authority and limits on, and the financial effects of, the renewal of the Share Purchase Mandate during the 2009 AGM were set out in the 2008 Circular. Such mandate was also expressed to take effect until the conclusion of the Company's forthcoming annual general meeting. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the 2010 AGM, to take effect from and on the date of the 2010 AGM up to the date of the next AGM to be held or required to be held.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2.2 Rationale for the Share Purchase Mandate

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.3.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced.
- (b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.
- (c) Share purchase mandates help buffer short-term share price volatility and off-set the effects of short-term share price speculation, thereby boosting Shareholders' confidence and employees' morale.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if renewed at the 2010 AGM, are substantially the same as were previously approved by Shareholders at the 2009 AGM, and, for the benefit of Shareholders, are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the respective general meetings at which the Share Purchase Mandate is approved or renewed (as the case may be). Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 477,357,000 Shares in issue (excluding Treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2010 AGM, not more than 47,735,700 Shares (representing 10% of the issued ordinary share capital of the Company as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.3.2 below.

2.3.2 Duration of Authority

Purchases or acquisitions pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the 2010 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (i) the date on which the next AGM is held or required by law to be held; or
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) Market Purchase; and/or
- (b) Off-Market Purchase.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and the Memorandum and Articles of Association of the Company as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Pursuant to the Companies Act, an Off-Market Purchase must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (ii) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase, it must issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any purchase or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases.

2.3.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

For the purposes of determining the Maximum Price:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) consecutive Market Days, on which transactions in the Shares were recorded on the SGX-ST, immediately preceding the day on which the purchase or acquisition of Shares was made or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition unless such Share is held by the Company as a treasury share. On such cancellation, all rights and privileges attached to the Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased by the Company will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date and purpose of the sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Reporting Requirements

Within 30 days of the passing of the Shareholders' resolution to approve the proposed Share Purchase Mandate, the Directors shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases and the total number of Shares purchased by the Company, the Company's issued ordinary share capital before and after the purchase of Shares, and the amount of consideration paid by the Company for the purchases.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form.

The Listing Manual states that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe.

2.7 Sources of Funds

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the Articles of Association and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company may purchase or acquire its Shares out of distributable profits, or out of capital, so long as the Company is solvent. It is an offence for a Director or officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:

- (a) the company is able to pay its debts in full at the time which the share purchase is being conducted and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of payment pursuant to the share purchase; and
- (b) the value of the company's assets exceeds its liabilities (including contingent liabilities) and will not, after the proposed share purchase, become less than the value of its liabilities (including any contingent liability).

The Company intends to use internal and external sources of funds to finance the Company's purchase or acquisition of the Shares. The Directors will principally consider the availability of internal resources, as well as in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NAV and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made solely out of capital and/or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued share capital will be diminished by the total number of the Shares purchased by the Company. The NAV of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the earnings and/or the NAV value per Share of the Group.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the unaudited financial statements of the Group for the financial year ended 31 December 2009 are based on the assumptions set out below:

- (a) based on 477,357,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the 2010 AGM, the purchase by the Company of 10% of its issued shares will result in the purchase or acquisition of 47,735,700 shares.
- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 47,735,700 Shares at the Maximum Price of S\$0.2499 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding 26 February 2010), the maximum amount of funds required for the purchase or acquisition of the 47,735,700 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$11,929,151 or approximately RMB 57.98 million based on the exchange rate of RMB1=S\$0.20574 as at 31 December 2009.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 47,735,700 Shares (being the maximum number of Shares the Company is able to purchase or acquire Off-Market with available capital and profits of the Company) at the Maximum Price of S\$0.2856 for one (1) Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding 26 February 2010), the maximum amount of funds required for the purchase or acquisition of the 47,735,700 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$13,633,316 or RMB 66.26 million based on the exchange rate of RMB1=S\$0.20574 as at 31 December 2009.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a) and (b) above and assuming that:

- (i) such purchase or acquisition of Shares is financed solely by internal sources of funds;
- (ii) the Share Purchase Mandate had been effective on 31 December 2009; and
- (iii) the Company had purchased or acquired 47,735,700 Shares through a Market Purchase or through an Off-Market Purchase, as the case may be, (representing approximately 10% of its issued ordinary share capital at the Latest Practicable Date) on 26 February 2010,

the financial effects of the:

- (1) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and the remainder with profits of the Company and held as treasury shares; and
- (2) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and the remainder with profits of the Company and cancelled,

on the unaudited financial statements of the Company and the Group for the financial year ended 31 December 2009 are set out below.

(1) Purchases made out of capital and held as treasury shares

(A) Market Purchases (47,735,700 Shares, representing the maximum 10%)

As at 31 December 2009	Group		Company	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	88.3	88.3	14.1	14.1
Share capital	313.5	313.5	313.5	313.5
Reserves	40.6	40.6	(5.4)	(5.4)
Accumulated profits	258.7	258.7	87.4	87.4
Treasury shares	(13.4)	(71.4)	(13.4)	(71.4)
Shareholders' funds	599.4	541.4	382.1	324.1
NAV	599.4	541.4	382.1	324.1
Current assets	550.1	492.1	28.2	0.7
Current liabilities	166.8	166.8	10.1	10.1
Borrowings	50.0	50.0	0	0
Cash and cash equivalents ⁽¹⁾	195.7	137.7	4.7	0.7
Number of shares ('000) ⁽²⁾	477,357	429,621	477,357	429,621
Treasury shares ('000)	14,337	62,073	14,337	62,073
Financial Ratios				
NAV per Share (RMB cents) ⁽²⁾	125.56	126.02	80.04	75.44
Gearing (times) ⁽³⁾	0.08	0.09	0	0
Current ratio (times)	3.3	3.0	2.8	0.1
EPS (RMB cents) ⁽⁴⁾	18.41	20.55	n.a.	n.a.

Notes:

- (1) Bank balances and fixed deposits (unsecured).
(2) NAV per share as shown here is computed based on the number of shares as at the Latest Practicable Date
(3) Total borrowings divided by Shareholders' funds.
(4) The actual EPS for FY2009 is RMB18.41 cents, calculated based on actual weighted-average number of shares of 479.659 million. However, for illustration purposes, we use the year-end issued shares of 477.357 million as the denominator before share purchase to show the effects of this share purchase.

(B) Off-Market Purchases (47,735,700 Shares, representing the maximum 10%)

As at 31 December 2009	Group		Company	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	88.3	88.3	14.1	14.1
Share capital	313.5	313.5	313.5	313.5
Reserves	40.6	40.6	(5.4)	(5.4)
Accumulated profits	258.7	258.7	87.4	87.4
Treasury shares	(13.4)	(79.7)	(13.4)	(79.7)
Shareholders' funds	599.4	533.1	382.1	315.8
NAV	599.4	533.1	382.1	315.8
Current assets	550.1	483.8	28.2	0.7
Current liabilities	166.8	166.8	10.1	10.1
Borrowings	50.0	50.0	0	0
Cash and cash equivalents⁽¹⁾	195.7	129.4	4.7	0.7
Number of shares⁽²⁾ ('000)	477,357	429,621	477,357	429,621
Treasury shares ('000)	14,337	62,073	14,337	62,073
Financial Ratios				
NAV per Share (RMB cents)⁽²⁾	125.56	124.09	80.04	73.51
Gearing (times)⁽³⁾	0.08	0.09	0	0
Current ratio (times)	3.3	2.9	2.8	0.1
EPS (RMB cents)⁽⁴⁾	18.41	20.55	n.a.	n.a.

Notes:

- (1) Bank balances and fixed deposits (unsecured).
(2) NAV per share as shown here is computed based on the number of shares as at the Latest Practicable Date
(3) Total borrowings divided by Shareholders' funds.
(4) The actual EPS for FY2009 is RMB18.41 cents, calculated based on actual weighted-average number of shares of 479.659 million. However, for illustration purposes, we use the year-end issued shares of 477.357 million as the denominator before share purchase to show the effects of this share purchase.

(2) Purchases made out of capital and cancelled

(A) Market Purchases (47,735,700 Shares, representing the maximum 10%)

As at 31 December 2009	Group		Company	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	88.3	88.3	14.1	14.1
Share capital	313.5	255.5	313.5	255.5
Reserves	40.6	40.6	(5.4)	(5.4)
Accumulated profits	258.7	258.7	87.4	87.4
Treasury shares	(13.4)	(13.4)	(13.4)	(13.4)
Shareholders' funds	599.4	541.4	382.1	324.1
NAV	599.4	541.4	382.1	324.1
Current assets	550.1	492.1	28.2	0.7
Current liabilities	166.8	166.8	10.1	10.1
Borrowings	50.0	50.0	0	0
Cash and cash equivalents⁽¹⁾	195.7	137.7	4.7	0.7
Number of shares⁽²⁾ ('000)	477,357	429,621	477,357	429,621
Treasury shares ('000)	14,337	14,337	14,337	14,337
Financial Ratios				
NAV per Share (RMB cents)⁽²⁾	125.56	126.02	80.04	75.44
Gearing (times)⁽³⁾	0.08	0.09	0	0
Current ratio (times)	3.3	3.0	2.8	0.1
EPS (RMB cents)⁽⁴⁾	18.41	20.55	n.a.	n.a.

Notes:

- (1) Bank balances and fixed deposits (unsecured).
- (2) NAV per share as shown here is computed based on the number of shares as at the Latest Practicable Date
- (3) Total borrowings divided by Shareholders' funds.
- (4) The actual EPS for FY2009 is RMB18.41 cents, calculated based on actual weighted-average number of shares of 479.659 million. However, for illustration purposes, we use the year-end issued shares of 477.357 million as the denominator before share purchase to show the effects of this share purchase.

(B) Off-Market Purchases (47,735,700 Shares, representing the maximum 10%)

As at 31 December 2009	Group		Company	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	88.3	88.3	14.1	14.1
Share capital	313.5	247.2	313.5	247.2
Reserves	40.6	40.6	(5.4)	(5.4)
Accumulated profits	258.7	258.7	87.4	87.4
Treasury shares	(13.4)	(13.4)	(13.4)	(13.4)
Shareholders' funds	599.4	533.1	382.1	315.8
NAV	599.4	533.1	382.1	315.8
Current assets	550.1	483.8	28.2	0.7
Current liabilities	166.8	166.8	10.1	10.1
Borrowings	50.0	50.0	0	0
Cash and cash equivalents⁽¹⁾	195.7	129.4	4.7	0.7
Number of shares⁽²⁾ ('000)	477,357	429,621	477,357	429,621
Treasury shares ('000)	14,337	62,073	14,337	62,073
Financial Ratios				
NAV per Share (cents)⁽²⁾	125.56	124.09	80.04	73.51
Gearing (times)⁽³⁾	0.08	0.09	0	0
Current ratio (times)	3.3	2.9	2.8	0.1
EPS (cents)⁽⁴⁾	18.41	20.55	n.a.	n.a.

Notes:

- (1) Bank balances and fixed deposits (unsecured).
- (2) NAV per share as shown here is computed based on the number of shares as at the Latest Practicable Date
- (3) Total borrowings divided by Shareholders' funds.
- (4) The actual EPS for FY2009 is RMB18.41 cents, calculated based on actual weighted-average number of shares of 479.659 million. However, for illustration purposes, we use the year-end issued shares of 477.357 million as the denominator before share purchase to show the effects of this share purchase.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate authorises the Company to purchase or acquire up to 10% of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased as treasury shares.

2.9 Taxation

Section 10J of the Income Tax Act stipulates that when a company purchases or acquires its own shares from a shareholder using funds other than contributed capital of the company, the payment by the company shall be deemed to be a dividend paid by the company to the shareholder. Accordingly, the Company will, in repurchasing its own Shares out of profits, be deemed to have paid a dividend to its Shareholders from whom the Shares are purchased.

In relation to a Market Purchase, in the case of the Company (since it is listed on the SGX-ST), the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the share repurchase, subject to approval being obtained from Shareholders at an extraordinary general meeting held for the purposes of approving the Share Purchase Mandate. Proceeds received by Shareholders who sell their Shares to the Company in a Market Purchase through the special trading counter will, subject to the fulfilment of certain conditions, be treated for income tax purposes as the receipt of a dividend. This treatment will apply only if the payment for the share repurchase is not made from the Company's contributed capital.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes as proceeds from the sale of the Shares rather than as a dividend. Whether or not these proceeds are taxable in the hands of such Shareholders will depend on whether the proceeds are receipts of an income or a capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase, (i.e. where the share repurchase is made other than on the SGX-ST), pursuant to an equal access scheme authorised in accordance with the requirements under the Companies Act, will be treated for income tax purposes as the receipt of a dividend provided the Shareholders are not transferees to whom Section 10N of the Income Tax Act applies (for example, in securities lending or repurchase arrangements).

With the one-tier corporate tax system, resident companies pay a final tax on their corporate profits and thereafter, may distribute tax exempt (one-tier) dividends to their shareholders. The Company is currently under the one-tier corporate tax system. Accordingly, any payment resulting from a share repurchase will be deemed to be a dividend under Section 10J of the Income Tax Act. By the same token, in cases where a shareholder is regarded as having received a dividend, that dividend will be exempt from Singapore tax.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this Circular and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this Circular, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Purchase Mandate.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or tax implications of Share purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.10 Listing Manual

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.3.4 above, conforms to this restriction.

While the Listing Manual does not expressly prohibit purchase of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the best practices guides on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchase during the period of one (1) month immediately preceding the announcement of the Company’s full-year results or two (2) weeks immediately preceding the announcement of the Company’s quarterly results, as the case may be, and ending on the date of announcement of the relevant results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The “public”, as defined under the Listing Manual, are persons other than the Directors, chief executive officer, Substantial Shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the register of Directors’ shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 175,599,450 Shares, representing 36.8% of the issued Shares, are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 127,863,750 Shares, representing 29.8% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.11 Implications under the Take-over Code

The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”). Consequently, depending on the number of Shares purchased by the Company and the total number of Shares issued by the Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate control of the Company and could become obliged to make an offer under Rule 14.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert, namely (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with one another. For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a general offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Purchase Mandate.

As at the Latest Practicable Date, none of our Directors or Substantial Shareholders will be obliged to make a mandatory take-over offer in the event that the Company purchased the maximum 10% of the issued Shares under the proposed Share Purchase Mandate.

As at the Latest Practicable Date, our Director, Xu Cheng Qiu and our Substantial Shareholder, Success More Group Limited (a company in which Xu Cheng Qiu has a majority shareholding of 74.3%) have a combined shareholding interest of approximately 62.12% in the Company and would not be obliged to make a general offer under Rule 14 and Appendix 2 of the Take-over Code to other Shareholders under the Take-over Code due to the Share Purchase Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Share Purchase Mandate is in force.

2.12 Previous Share Purchases

The following are details of Market Purchases made by the Company during the previous 12 months period up to the Latest Practicable Date:

Month of Purchase/ Acquisition	No. of Shares Purchased/ Acquired	Lowest Price Per Share (S\$)	Highest Price Per Share (S\$)	Total Consideration paid (S\$)
March 2009	1,900,000	0.145	0.170	309,409.03
April 2009	755,000	0.160	0.165	123,756.70
May 2009	93,000	0.195	0.195	18,241.25
June 2009	1,555,000	0.185	0.215	316,145.46
July 2009	915,000	0.200	0.210	186,704.62
August 2009	435,000	0.250	0.265	114,733.92
October 2009	205,000	0.250	0.255	52,581.24

There is no Off-Market Purchase made by the Company during the previous 12 months period up to the Latest Practicable Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 The interests of the Directors in the Shares, as extracted from the Register of Directors' shareholdings, as at the Latest Practicable Date are set out below:

	Number of Shares			Before Share Purchase (%)	After Share Purchase (%)
	Direct Interest	Deemed Interest	Total Interest		
Xu Cheng Qiu	2,869,000	293,642,550	296,511,550	62.12	68.16
Liu Jing Fu	720,000	–	720,000	0.15	0.17
Xu Jun	–	–	–	–	–
Ma Ying Qun	–	–	–	–	–
Paul Tan Lye Heng	150,000	–	150,000	0.03	0.03
Benny Lim Heng Chong	100,000	–	100,000	0.02	0.02
Ling Yong Wah	100,000	–	100,000	0.02	0.02
Xu Chun Hua	–	–	–	–	–
Koh Choon Kong	950,000	3,226,000	4,176,000	0.87	0.97

Note:

Percentage based on issued share capital as at the Latest Practicable Date (excluding treasury shares).

3.2 The interests of the Substantial Shareholders (other than Directors) in the Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date are set out below:

	Number of Shares			Percentage of Issued Ordinary Share Capital of the Company
	Direct Interest	Deemed Interest	Total Interest	
Success More Group Limited	293,642,550	–	293,642,550	61.51 %

Note:

Percentage based on issued share capital as at the Latest Practicable Date (excluding treasury shares).

4. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale and the information relating to the proposed Share Purchase Mandate set out in this Circular, the Directors believe that Ordinary Resolution 11 as set out in the Notice of 2010 AGM relating to the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. The Board recommends that Shareholders vote in favour of Ordinary Resolution 11 to be proposed at the 2010 AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by all the Directors who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA SUNSINE CHEMICAL HOLDINGS LTD.

Xu Cheng Qiu
Executive Chairman