



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

ESTABLISHMENT OF A WHOLLY-OWNED SUBSIDIARY

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 wholly-owned subsidiary of the Company, Shandong SunSine Chemical Co., Ltd (“**Shandong SunSine**”), has established a wholly-owned subsidiary (“**New Subsidiary**”) in Shanxian County, Heze City, Shandong Province, the People’s Republic of China (“**PRC**”) on 30 December 2013. The relevant details of the New Subsidiary are as follows:

Name of New Subsidiary : Shanxian Guangshun Heating Co., Ltd.

Registered & paid-up capital : RMB 10 million

Principal Activities : Production and supply of heating power, including preparation and implementation of the project

Steam is one of the important heating supplies used by Shandong SunSine for desiccation of our products. Currently, in Shanxian Chemical Industrial Zone (“**SCIZ**”), steam is also used by other companies for heating and/or power supply. Each company in SCIZ has its own small boiler devices (“**Private Boilers**”) to provide steam for its own usage. This has resulted in higher carbon emission and energy wastage. In order to control and reduce carbon emission, Shanxian County government (“**Local Government**”) has mandated that a centralized heating company (“**CHC**”) be set up to provide steam to all the companies in SCIZ at market rate. Consequently, all Private Boilers will be shut down once the CHC is in operation, and the companies in the SCIZ will be required to purchase steam from CHC. As Shandong SunSine is the largest company in the SCIZ and consumes the highest volume of steam (alone accounting for more than 50% of the total consumption by all companies in the SCIZ), the Local Government has indicated to Shandong SunSine that either it sets up and operates the CHC, or provides financial assistance and/or guarantee to any third party which undertakes the operation of the CHC.

Management was of the view that instead of allowing another firm to control an important element of Shandong SunSine’s production needs which it currently fulfills on its own, and in addition having to provide financial guarantee to such firm, it would be to its long term benefit that Shandong SunSine set up and operate CHC (the “**Project**”) in order to better manage its exposure to such financial risk and any potential risk of disruption to production which may arise as a result of a third party operating the Project.

Accordingly, a feasibility study (“**Feasibility Study**”) was commissioned by Shandong SunSine and carried out by the Shandong Institute of Heating and Electricity, to assess the financial and operational feasibility of Shandong SunSine undertaking the Project.

Based on our needs for steam supply, our current steam cost, the requirements of Local Government, the results of the Feasibility Study, and the fact that it is customary practice in the PRC that users of steam pay the charges upfront before usage, and that the State Grid will purchase the by-product which is electricity from CHC which should ensure healthy cash-flow from operations, the Board is of the view that it is in the best interest of the Group to undertake the Project and for Shandong SunSine to establish a New Subsidiary to operate the same.

The establishment of the New Subsidiary was funded by internal resources, and is not expected to have any material impact on the net tangible assets per share or earnings per share of the Group for the current financial year ending 31 December 2013.

Save as disclosed above, none of the Directors, or controlling shareholders, or substantial shareholders of the Company has any interest, direct or indirect, in the above transaction.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
30 December 2013