



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

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

This Letter to Shareholders has been made available on SGXNET and the Company's website at the URL <https://www.chinasunsine.com>. **A printed copy of this Letter to Shareholders will NOT be despatched to Shareholders.**

LETTER TO SHAREHOLDERS

Board of Directors:

Xu Cheng Qiu	Executive Chairman
Liu Jing Fu	Executive Director and Chief Executive Officer
Xu Jun	Executive Director
Lim Heng Chong Benny	Lead Independent Director
Xu Chun Hua	Independent Director
Koh Choon Kong	Independent Director
Yan Tang Feng	Independent Director

Registered Office:

112 Robinson Road
#11-01
Singapore 068902

8 April 2021

**To: The Shareholders of
China Sunsine Chemical Holdings Ltd. (the "Company")**

Dear Sir / Madam

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1 INTRODUCTION

1.1 Notice of AGM. We refer to:

- (a) the Notice of Annual General Meeting of the Company dated 8 April 2021 (the "**Notice**"), accompanying the annual report of the Company for the financial year ended 31 December 2020 ("**FY2020 Annual Report**"), convening the Annual General Meeting of the Company to be held on 30 April 2021 at 4.00 p.m. by electronic means (the "**2021 AGM**"); and
- (b) Resolution 15, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 2.1 below), as proposed in the Notice.

1.2 **Letter to Shareholders.** The purpose of this Letter to Shareholders (the "**Letter**") is to provide shareholders of the Company ("**Shareholders**") with information relating to Resolution 15 proposed in the Notice (the "**Proposal**").

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- 1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.
- 1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 2.1 **Background.** At the Annual General Meeting of the Company held on 27 May 2020 (the “**2020 AGM**”), Shareholders had approved, *inter alia*, the renewal of the mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire its issued ordinary shares (“**Shares**”).

The rationale for, the authority and limits on, and the financial effects of, the Share Purchase Mandate were set out in the Letter to Shareholders dated 5 May 2020 (the “**2020 Letter**”) and Resolution 9 set out in the notice of the 2020 AGM dated 5 May 2020.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Resolution 9 at the 2020 AGM and will expire on the date of the forthcoming 2021 AGM. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the 2021 AGM.

As at 29 March 2021, being the latest practicable date prior to the printing of this Letter (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 1,541,500 Shares by way of Market Purchases (as defined in paragraph 2.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2020 AGM.

The highest and lowest price paid for the Company’s purchase or acquisition of its Shares (“**Share Purchases**”) was S\$0.375 and S\$0.340 per Share, respectively. The total consideration paid for all the Share Purchases was approximately S\$0.54 million, excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses.

As at the Latest Practicable Date, 12,667,900 Shares were held as treasury shares, and there were no Shares of the Company held as Subsidiary Holdings (as defined under paragraph 2.3.1 below).

- 2.2 **Rationale for the Share Purchase Mandate.** The rationale for the Company to undertake the Share Purchases is as follows:
- (a) In managing the business of the Company and its subsidiaries (collectively, the “**Group**”), the management team strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. Share Purchases are one of the ways through which the return on equity of the Group may be enhanced. Share Purchases are intended to be made as and when the Directors believe them to be of benefit to the Company and/or the Shareholders.
 - (b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to Shareholders.
 - (c) 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.
 - (d) Share Purchases help to buffer short-term share price volatility and off-set the effects of short-term share price speculation, thereby boosting Shareholders’ confidence and employees’ morale.

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The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share Purchases 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.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described 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 no Share Purchases would be made in circumstances which would or may have a material adverse effect on the financial condition of the Company.

2.3 Authority and Limits of the Share Purchase Mandate. The authority and limitations placed on Share Purchases by the Company under the Share Purchase Mandate, if renewed at the 2021 AGM, are substantially the same as were previously approved by Shareholders at the 2020 AGM. For the benefit of Shareholders, these 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 by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the 2021 AGM at which the renewal of the Share Purchase Mandate is approved, unless the Company has, at any time during the period set out in paragraph 2.3.2 below, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), in which event the total number of Shares shall be taken to be the total number of Shares as altered. Under the Companies Act and the listing manual of the SGX-ST (“**Listing Manual**”), any Shares which are held as treasury shares or Subsidiary Holdings (as defined below) will be disregarded for the purposes of computing the 10% limit.

For this purpose, “**Subsidiary Holdings**” is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

2.3.2 Duration of Authority

Share Purchases may be made, at any time and from time to time, on and from the date of the 2021 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which Share Purchases pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

2.3.3 Manner of Share Purchases

Share Purchases under the Share Purchase Mandate may be made by way of:

- (a) an on-market Share Purchase, transacted on the SGX-ST’s trading system on which the Shares are being listed or quoted, through one or more duly licensed dealers appointed by the Company for the purpose of the Share Purchase (the “**Market Purchase**”); and/or

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- (b) an off-market Share Purchase (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme pursuant to Section 76C of the Companies Act and the Listing Manual (the “**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 and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

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

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed Share Purchases;
- (iv) the consequences, if any, of Share Purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) or other applicable take-over rules;
- (v) whether the Share Purchases, if made, could affect the listing of the Shares on the SGX-ST;
- (vi) details of any Share Purchases 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 Share Purchases, where relevant, and the total consideration paid for the Share Purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

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2.3.4 *Purchase Price*

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The maximum price to be paid for the Shares as determined by the Directors must not exceed:

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

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

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company 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, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase by the Company; and

“**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 calculated 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.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. 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.

2.5 **Treasury Shares.** Under the Companies Act, the 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 aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares held as treasury shares in excess of this limit shall be disposed of or cancelled by the Company in accordance with Section 76K of the Companies Act within six (6) months from the date such limit is exceeded, or such further period as may be allowed by the Singapore Accounting and Corporate Regulatory Authority (“**ACRA**”).

For this purpose, “**treasury shares**” shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act.

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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. A subdivision or consolidation of any treasury share is also 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 any share scheme, whether for employees, directors or other persons;
- (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 Rule 704(28) of 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 stating the following:

- (i) date of the sale, transfer, cancellation and/or use of such treasury shares;
- (ii) purpose of the sale, transfer, cancellation and/or use of such treasury shares;
- (iii) number of treasury shares which have been sold, transferred, cancelled, and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) 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
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 **Subsidiary Holdings.** Under the Companies Act, any subsidiary of the Company holding Shares in the Company shall have no right to vote at meetings of the Company, and the Subsidiary Holdings will be treated as having no voting rights. The Listing Manual also provides that such Subsidiary Holdings (in addition to treasury shares) shall be excluded from the total number of issued Shares for the purposes of calculating the maximum limit of issued Shares which can be purchased or acquired by the Company under the Share Purchase Mandate, as more particularly described in paragraph 2.3.1 above, and illustrated in paragraph 2.8.2 below.

As at the Latest Practicable Date, the Company does not have any Subsidiary Holdings.

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- 2.7 **Source of Funds.** Under the Companies Act, the Company may purchase or acquire its Shares out of its distributable profits, as well as out of capital, so long as the Company is solvent. For this purpose, pursuant to Section 76F(4) of the Companies Act, the Company is solvent if at the date of payment for the Share Purchases:
- (a) there is no ground on which the Company could be found to be unable to pay its debts;
 - (b) if:-
 - (i) it is intended to commence winding up within the period of 12 months immediately after the date of payment, the Company will be able to pay its debts in full within such period; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of payment; and
 - (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed Share Purchase become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal or external sources of funds to finance its Share Purchases. The Directors do not propose to exercise the Share Purchase Mandate in such a manner and to such extent that it would materially affect the working capital requirements, financial flexibility or the expansion and investment plans of the Group, taking into consideration the prevailing market conditions.

- 2.8 **Financial Effects.** The financial effects on the Company and the Group arising from Share Purchases which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, whether the Shares were purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2020 will depend, *inter alia*, on the principal assumptions set out below:

2.8.1 **Purchase or Acquisition out of Profits and/or Capital**

Under the Companies Act, Share Purchases by the Company may be made out of the Company's profits and/or capital 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 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 but the shareholders' equity of the Company will be reduced by such amounts.

2.8.2 **Number of Shares Purchased or Acquired**

Purely for illustrative purposes, based on 983,388,000 issued Shares as at the Latest Practicable Date (of which 12,667,900 Shares were held in treasury as at that date), and disregarding those 12,667,900 Shares held in treasury, and assuming no further Shares are issued or repurchased or held as Subsidiary Holdings, or held by the Company as treasury shares, on or prior to the 2021 AGM, the purchase by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 97,072,010 Shares.

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2.8.3 *Maximum Price Paid for Shares Purchased or Acquired*

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 97,072,010 Shares at the Maximum Price of S\$0.55 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 97,072,010 Shares is S\$53.4 million or approximately RMB258.9 million (based on the exchange rate of RMB1:S\$0.2062 as at 29 March 2021).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 97,072,010 Shares at the Maximum Price of S\$0.63 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 97,072,010 Shares is S\$61.2 million or approximately RMB296.6 million (based on the exchange rate of RMB1:S\$0.2062 as at 29 March 2021).

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 2.8.1 to 2.8.3 above, the financial effects of the Share Purchases by the Company pursuant to the Share Purchase Mandate on the unaudited financial statements of the Group and the Company for the financial year ended 31 December 2020 are set out below and assuming the following:

- (1) the purchase or acquisition of 97,072,010 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made out of profits and either cancelled or held in treasury; and
- (2) the purchase or acquisition of 97,072,010 Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made out of profits and either cancelled or held in treasury.

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(1) Share Purchases by way of Market Purchases and cancelled or held in treasury

Purchases by way of Market Purchases and cancelled

As at 31 December 2020	<u>Group</u>		<u>Company</u>	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	218.8	218.8	44.8	44.8
Share capital	313.5	313.5	313.5	313.5
Reserves	566.1	566.1	51.8	51.8
Accumulated profits	1,870.4	1,870.4	74.6	74.6
Treasury shares	(29.3)	(29.3)	(29.3)	(29.3)
Shareholders' funds	2,720.7	2,461.8	410.6	151.7
Current assets	2,239.2	1,980.3	75.3	0.5
Current liabilities	451.4	451.4	14.7	198.8
Borrowings	–	–	–	–
Cash and cash equivalents ⁽¹⁾	1,326.2	1,067.3	6.4	0.5
No. of Shares ('000)	970,720	873,648	970,720	873,648
Weighted Average No. of Shares ('000)	972,544	897,052	972,544	897,052
No. of treasury shares ('000)	12,668	12,668	12,668	12,668
<u>Financial Ratios</u>				
NAV per Share (RMB cents) ⁽²⁾	280.28	282.41	42.30	17.99
Gearing ratio (times) ⁽³⁾	–	–	–	–
Current ratio (times) ⁽⁴⁾	4.96	4.39	5.12	0.003
EPS (RMB cents) ⁽⁵⁾	22.5	24.39	4.61	4.99

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Purchases by way of Market Purchases and held in treasury

As at 31 December 2020	<u>Group</u>		<u>Company</u>	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	218.8	218.8	44.8	44.8
Share capital	313.5	313.5	313.5	313.5
Reserves	566.1	566.1	51.8	51.8
Accumulated profits	1,870.4	1,870.4	74.6	74.6
Treasury shares	(29.3)	(288.2)	(29.3)	(288.2)
Shareholders' funds	2,720.7	2,461.8	410.6	151.7
Current assets	2,239.2	1,980.3	75.3	0.5
Current liabilities	451.4	451.4	14.7	198.8
Borrowings	–	–	–	–
Cash and cash equivalents ⁽¹⁾	1,326.2	1,067.3	6.4	0.5
No. of Shares ('000)	970,720	873,648	970,720	873,648
Weighted Average No. of Shares ('000)	972,544	897,052	972,544	897,052
No. of treasury shares ('000)	12,668	109,740	12,668	109,740
<u>Financial Ratios</u>				
NAV per Share (RMB cents) ⁽²⁾	280.28	282.41	42.30	17.99
Gearing ratio (times) ⁽³⁾	–	–	–	–
Current ratio (times) ⁽⁴⁾	4.96	4.39	5.12	0.003
EPS (RMB cents) ⁽⁵⁾	22.5	24.39	4.61	4.99

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(2) Share Purchases by way of Off-Market Purchases and cancelled or held in treasury

Purchases by way of Off-Market Purchases and cancelled

As at 31 December 2020	<u>Group</u>		<u>Company</u>	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	218.8	218.8	44.8	44.8
Share capital	313.5	313.5	313.5	313.5
Reserves	566.1	566.1	51.8	51.8
Accumulated profits	1,870.4	1,870.4	74.6	74.6
Treasury shares	(29.3)	(29.3)	(29.3)	(29.3)
Shareholders' funds	2,720.7	2,424.1	410.6	114.0
Current assets	2,239.2	1,942.6	75.3	0.5
Current liabilities	451.4	451.4	14.7	221.8
Borrowings	–	–	–	–
Cash and cash equivalents ⁽¹⁾	1,326.2	1,029.6	6.4	0.5
No. of Shares ('000)	970,720	873,648	970,720	873,648
Weighted Average No. of Shares ('000)	972,544	897,052	972,544	897,052
No. of treasury shares ('000)	12,668	12,668	12,668	12,668
<u>Financial Ratios</u>				
NAV per Share (RMB cents) ⁽²⁾	280.28	278.12	42.30	13.70
Gearing ratio (times) ⁽³⁾	–	–	–	–
Current ratio (times) ⁽⁴⁾	4.96	4.30	5.12	0.002
EPS (RMB cents) ⁽⁵⁾	22.5	24.39	4.61	4.99

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Purchases by way of Off-Market Purchases and held in treasury

As at 31 December 2020	<u>Group</u>		<u>Company</u>	
	Before Share Purchase RMB'million	After Share Purchase RMB'million	Before Share Purchase RMB'million	After Share Purchase RMB'million
Profit after tax	218.8	218.8	44.8	44.8
Share capital	313.5	313.5	313.5	313.5
Reserves	566.1	566.1	51.8	51.8
Accumulated profits	1,870.4	1,870.4	74.6	74.6
Treasury shares	(29.3)	(325.9)	(29.3)	(325.9)
Shareholders' funds	2,720.7	2,424.1	410.6	114.0
Current assets	2,239.2	1,942.6	75.3	0.5
Current liabilities	451.4	451.4	14.7	221.8
Borrowings	–	–	–	–
Cash and cash equivalents ⁽¹⁾	1,326.2	1,029.6	6.4	0.5
No. of Shares ('000)	970,720	873,648	970,720	873,648
Weighted Average No. of Shares ('000)	972,544	897,052	972,544	897,052
No. of treasury shares ('000)	12,668	109,740	12,668	109,740
Financial Ratios				
NAV per Share (RMB cents) ⁽²⁾	280.28	278.12	42.30	13.70
Gearing ratio (times) ⁽³⁾	–	–	–	–
Current ratio (times) ⁽⁴⁾	4.96	4.30	5.12	0.002
EPS (RMB cents) ⁽⁵⁾	22.5	24.39	4.61	4.99

Notes:

- (1) Bank balances and fixed deposits (unsecured).
- (2) NAV per share is computed based on NAV divided by the number of shares (excluding treasury shares and Subsidiary Holdings).
- (3) Gearing ratio is computed based on total borrowings divided by Shareholders' funds.
- (4) Current ratio is computed based on current assets divided by current liabilities.
- (5) EPS is computed based on profit after tax divided by the weighted average number of Shares.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATION PURPOSES ONLY (BASED ON THE AFOREMENTIONED ASSUMPTIONS). IT IS IMPORTANT TO NOTE THAT THE ABOVE ANALYSIS IS BASED ON THE HISTORICAL PROFORMA NUMBERS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020, AND IS NOT NECESSARILY REPRESENTATIVE OF FUTURE FINANCIAL PERFORMANCE.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of its issued Shares (excluding Shares held in treasury and Subsidiary Holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of its issued Shares (excluding Shares held in treasury and Subsidiary Holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares. Shareholders should also

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note that the Company will not be able to purchase or acquire up to the maximum limit of 10% of its issued Shares (excluding Shares held in treasury and Subsidiary Holdings) if it intends to hold all the Shares repurchased as treasury shares, given that under the Companies Act, the total number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. As at the Latest Practicable Date, the Company holds 12,667,900 treasury Shares, which is approximately 1.3% of the total number of issued Shares (excluding Shares held in treasury and Subsidiary Holdings).

2.9 Reporting Requirements.

Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:-

- (i) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares, and
- (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number and percentage of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and Subsidiary Holdings after purchase, as well as the number of treasury shares and the number of Subsidiary Holdings held, respectively after the purchase.

In addition, the Directors are required under the Companies Act to lodge with ACRA within 30 days of the Share Purchase the notice of purchase or acquisition in the prescribed form and providing certain particulars including the date of the purchase or acquisition, the number of Shares purchased or acquired, the number of Shares cancelled, the number of Shares held as treasury shares, the issued capital of the Company before and after the purchase or acquisition, the amount of consideration paid by the Company for the Share Purchase, and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

- 2.10 **No Purchases During Price Sensitive Developments.** While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealing set out in Rule 1207(19)(c) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of one month immediately preceding the announcement of the Company’s half year and full year unaudited financial statements.

- 2.11 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed must be held by public shareholders. As at the Latest Practicable Date, Success More Group Limited, the substantial Shareholder of the Company, has a direct interest in 587,285,100 Shares representing approximately 60.50% of the issued Shares (excluding Shares held in treasury). Approximately 37.67% of the issued Shares (excluding Shares held in treasury) were held by public Shareholders as at that date, and 12,667,900 Shares were held by the Company as treasury shares as at the Latest Practicable Date. Assuming that the Company had purchased or acquired Shares from the public up to the full

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10% limit pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date, approximately 30.75% of the issued Shares (excluding Shares held in treasury) would have been held by public Shareholders as at that date. Accordingly, the Company is of the view that there is sufficient number of issued Shares held by public Shareholders 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 or to affect orderly trading.

For the purpose of this section, “**public**” is defined in the Listing Manual as persons other than:

- (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the issuer or its subsidiary companies; and
- (b) associates of the persons in paragraph (a) above.

2.12 **Previous Purchases.** As at the Latest Practicable Date, the Company had, pursuant to and in accordance with the terms of the Share Purchase Mandate approved at the 2020 AGM, purchased an aggregate of 1,541,500 Shares by way of Market Purchases effected on the SGX-ST. The highest and lowest prices paid were S\$0.375 and S\$0.340 per Share, respectively. The total consideration paid for all purchases was approximately S\$0.54 million, excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses.

2.13 **Take-over implications arising from Share Purchases.** Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.13.1 *Obligation to Make a Take-over Offer*

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or a group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

2.13.2 *Persons Acting in Concert*

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 effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);

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- (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the companies referred to above for the purchase of voting rights;
- (b) 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);
 - (c) a company with any of its pension funds and employee share schemes;
 - (d) a person with any investment company, unit trusts or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
 - (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser;
 - (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
 - (g) partners; and
 - (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

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

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2.13.3 *Effect of Rule 14 and Appendix 2*

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 take-over offer under Rule 14 of the Take-over Code 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 in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares and Subsidiary Holdings shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 of the Take-over Code 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 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the interests of Directors and substantial Shareholders as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders as at the Latest Practicable Date as set out in paragraph 3 below, the Directors or substantial Shareholder would not become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date.

The Directors are not aware of any Shareholder who may become obligated to make a mandatory take-over offer in the event that the Company purchases or acquires its Shares up to the full 10% limit pursuant to the Share Purchase Mandate.

THE STATEMENTS HEREIN DO NOT PURPORT TO BE A COMPREHENSIVE OR EXHAUSTIVE DESCRIPTION OF ALL IMPLICATIONS THAT MAY ARISE UNDER THE TAKE-OVER CODE. SHAREHOLDERS WHO ARE IN DOUBT AS TO THEIR OBLIGATIONS, IF ANY, TO MAKE A MANDATORY TAKE-OVER OFFER UNDER THE TAKE-OVER CODE AS A RESULT OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY SHOULD CONSULT THE SECURITIES INDUSTRY COUNCIL AND/OR THEIR PROFESSIONAL ADVISERS AT THE EARLIEST OPPORTUNITY.

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3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 **Directors' Interests.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Direct Interest	Number of Shares Deemed Interest	Total Interest	Total Percentage Interest ⁽¹⁾
Xu Cheng Qiu	–	593,023,100 ⁽²⁾⁽³⁾	593,023,100	61.09%
Liu Jing Fu	1,440,000	–	1,440,000	0.15%
Xu Jun	–	–	–	–
Lim Heng Chong Benny	200,000	–	200,000	0.02%
Xu Chun Hua	–	–	–	–
Koh Choon Kong	–	8,452,000 ⁽⁴⁾	8,452,000	0.87%
Yan Tang Feng	–	1,892,000 ⁽⁵⁾	1,892,000	0.19%

Notes:

- (1) Based on 970,720,100 issued Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Mr Xu Cheng Qiu is deemed to be interested in the 5,738,000 Shares held by the nominees, UOB Kay Hian Pte Ltd.
- (3) Mr Xu Cheng Qiu is deemed to be interested in the 587,285,100 Shares held by Success More Group Limited, by virtue of Section 7 of the Companies Act.
- (4) Mr Koh Choon Kong is deemed to be interested in the 6,552,000 Shares held by the nominees, DBS Nominees (Private) Limited, and 1,900,000 Shares held by the nominees, Maybank Kim Eng Securities Pte Ltd.
- (5) Mr Yan Tang Feng is deemed to be interested in the 1,892,000 Shares held by the nominees, DBS Nominees (Private) Limited.

3.2 **Substantial Shareholders' Interests.** The interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Direct Interest	Number of Shares Deemed Interest	Total Percentage Interest ⁽¹⁾
Success More Group Limited ⁽²⁾	587,285,100	–	60.50%
Xu Cheng Qiu ⁽²⁾⁽³⁾	–	593,023,100	61.09%

Notes:

- (1) Based on 970,720,100 issued Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) By virtue of Section 7 of Companies Act, Chapter 50 of Singapore, Mr Xu Cheng Qiu is deemed to be interested in the 587,285,100 Shares held by Success More Group Limited.
- (3) Mr Xu Cheng Qiu is deemed to be interested in the 5,738,000 Shares held by the nominees, UOB Kay Hian Pte Ltd.

4 DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 15, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2021 AGM.

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5 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposal, and the Company and its subsidiaries which are relevant to the Proposal, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

6 INSPECTION OF DOCUMENTS

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, copies of the following documents are available for inspection on the Company's corporate website at the URL <https://www.chinasunsine.com/Investors/annual-report#> from the date of this Letter up to the date of the 2021 AGM:

- (a) the FY2020 Annual Report of the Company (containing the audited financial statements of the Group for the financial year ended 31 December 2020);
- (b) the Circular to Shareholders dated 11 April 2014 relating to the proposed Share Purchase Mandate; and
- (c) the 2020 Letter.

Yours faithfully
for and on behalf of the Board of Directors of
CHINA SUNSINE CHEMICAL HOLDINGS LTD.

Xu Cheng Qiu
Executive Chairman