

APPENDIX DATED 11 APRIL 2016

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Appendix is issued by China Sunsine Chemical Holdings Ltd. (the “Company”). 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 stockbroker, bank manager, solicitor, accountant and other independent adviser immediately.

This Appendix is circulated to the Shareholders (as defined herein) together with the Company’s Annual Report dated 11 April 2016 in respect of the financial year ended 31 December 2015 (“**Annual Report**”). Its purpose is to provide the Shareholders with information relating to and explaining to Shareholders the rationale for the proposed renewal of the Share Purchase Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on 27 April 2016 at 10.00 a.m. at Orchard Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 (“**2016 AGM**”). The ordinary resolution proposed to be passed in respect of the above matter is set out in the Notice of the 2016 AGM and the accompanying Proxy Form enclosed with the Annual Report.

If you have sold or transferred all your shares in the capital of the Company, you should immediately hand this Appendix and the Annual Report with the Notice of the 2016 AGM and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Appendix.



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

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

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 11 APRIL 2016

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

CONTENTS

	Page
DEFINITIONS	3
LETTER TO SHAREHOLDERS	6
1 INTRODUCTION	6
2 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE	6
2.1 Background	6
2.2 Rationale for the Share Purchase Mandate	7
2.3 Authority and Limits of the Share Purchase Mandate	7
2.4 Treasury Shares	10
2.5 Source of Funds	11
2.6 Financial Effects	13
2.7 Listing Rules	18
2.8 Reporting Requirements under the Act	20
2.9 Implications under The Singapore Code on Take-overs and Mergers	20
2.10 Tax Implications.....	23
3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	23
3.1 Directors' Interests	23
3.2 Substantial Shareholders' Interests	23
4 DIRECTORS' RECOMMENDATIONS	24
5 ACTION TO BE TAKEN BY SHAREHOLDERS.....	24
6 DIRECTORS' RESPONSIBILITY STATEMENT	24
7 DOCUMENTS AVAILABLE FOR INSPECTION	24

DEFINITIONS

For the purpose of this Appendix, except where the context otherwise requires, the following words and expressions shall have the following meanings:

“2014 EGM”	:	The EGM of the Company held on 29 April 2014
“2015 AGM”	:	The AGM of the Company held on 28 April 2015 at 10.00 a.m. at Bras Basah Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560
“2016 AGM”	:	The AGM of the Company to be held on 27 April 2016 at 10.00 a.m. at Orchard Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“Act”	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
“AGM”	:	The annual general meeting of the Company
“Articles”	:	The Articles of Association of the Company, as amended or modified from time to time
“Board”	:	The board of Directors of the Company as at the date of this Appendix
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	China SunSine Chemical Holdings Ltd.
“Directors”	:	The directors of the Company as at the date of this Appendix
“EGM”	:	The extraordinary general meeting of the Company or any adjournment thereof
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended 31 December
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	23 March 2016, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, modified and supplemented from time to time
“Listing Rules”	:	The listing rules of the SGX-ST as set out in the Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

DEFINITIONS

<i>“Market Purchase”</i>	:	Has the meaning ascribed to it in Section 2.3.3(a) of this Appendix
<i>“Memorandum”</i>	:	The Memorandum of Association of the Company, as amended or modified from time to time
<i>“NAV”</i>	:	Net asset value
<i>“Off-Market Purchase”</i>	:	Has the meaning ascribed to it in Section 2.3.3(b) of this Appendix
<i>“Relevant Period”</i>	:	The period commencing from the date on which the last AGM of the Company was held or if no such meeting was held the date it was required by law to be held before the resolution authorising the Share Purchase Mandate is passed, and expiring on the date the next AGM is held or is required by law to be held, whichever is earlier, after the date the resolution authorising the Share Purchase Mandate is passed
<i>“RMB”</i>	:	Renminbi, the official currency of the People’s Republic of China
<i>“Securities Account”</i>	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account, and <i>“Securities Accounts”</i> shall be construed accordingly
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	The registered holders of the Shares, except that where the registered holder is CDP, the term <i>“Shareholders”</i> shall, where the context admits, mean the Depositors whose Securities Accounts with CDP are credited with the Shares
<i>“Shares”</i>	:	Fully paid ordinary shares in the capital of the Company
<i>“Share Purchase”</i>	:	The purchase of Shares by the Company pursuant to the terms of the Share Purchase Mandate
<i>“Share Purchase Mandate”</i>	:	The proposed general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, its issued Shares in accordance with the terms set out in the Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
<i>“Substantial Shareholder”</i>	:	In relation to a Singapore incorporated company that is listed on the SGX-ST, a person who has an interest in not less than 5% of the issued voting shares of that listed company
<i>“Take-over Code”</i>	:	The Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as amended or modified from time to time

DEFINITIONS

“%” : Percentage and per centum

“S\$” and “cents” : Singapore Dollars and cents, respectively

The terms “**Depositor**”, “**Depository**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) (“**SFA**”). The term “**treasury shares**” shall have the meaning ascribed to it in Section 4 of the Act. The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Act.

The expressions “**associates**”, “**associated companies**” and “**controlling shareholder**” shall have the meanings ascribed to them respectively in the Listing Manual.

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

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

Any reference to a time of day and date in this Appendix is made by reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in tables included herein between the amounts therein and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

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

Board of Directors:

Xu Cheng Qiu	Executive Chairman
Liu Jing Fu	Executive Director and Chief Executive Officer
Xu Jun	Executive Director
Ma Ying Qun	Executive Director
Tan Lye Heng Paul	Lead Independent Director
Lim Heng Chong Benny	Independent Director
Xu Chun Hua	Independent Director
Koh Choon Kong	Independent Director

Registered Office:

112 Robinson Road
#12-04
Singapore 068902

11 April 2016

To: The Shareholders of China Sunsine Chemical Holdings Ltd.

Dear Sir / Madam

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1 INTRODUCTION

The Directors refer to the Notice of the 2016 AGM dated 11 April 2016 (the “**Notice**”) which has been, or will be, announced on the same date as the date of this Appendix in relation to the 2016 AGM and Ordinary Resolution 9 under the heading of “**Special Business**” set out in the Notice.

The purpose of this Appendix is to provide Shareholders with relevant information pertaining to, and to seek Shareholders’ approval for the proposed renewal of the Share Purchase Mandate at the 2016 AGM.

This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

The SGX-ST takes no responsibility for the accuracy of statements or opinions made or reports contained in this Appendix.

2 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Background

The Company had, at the 2014 EGM, sought and obtained the approval of the Shareholders for the adoption of a share purchase mandate to authorise the Company to purchase or otherwise acquire its issued Shares in accordance with the terms set out in the circular to Shareholders dated 11 April 2014.

The share purchase mandate was renewed by Shareholders on 28 April 2015 at the 2015 AGM of the Company held on 28 April 2015 and will expire on the 2016 AGM. Accordingly the Company is proposing to seek the renewal of the Share Purchase Mandate via an ordinary resolution at the 2016 AGM.

If approved by Shareholders at the 2016 AGM, the authority conferred by the Share Purchase Mandate will take effect from the date of the 2016 AGM at which the proposed renewal of the Share Purchase Mandate will be approved and continue to be in force up to the earliest of the date on which the next AGM is held or required by law to be held, or 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 the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Shareholders in a general meeting.

LETTER TO SHAREHOLDERS

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 up to the 10% limit described in Section 2.3.1 below at any time, subject to market conditions, during the period of which the Share Purchase Mandate is in force.

The rationale for the Company to undertake the Share Purchase is as follows:

- (a) In managing the business of the Group, the management team strives to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. Share Purchase at the appropriate price level 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; and
- (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 Section 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 Share Purchases 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 on the financial position of the Company or the Group, or on the liquidity and capital adequacy position of the Group as a whole.

2.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on Shares Purchases by the Company under the Share Purchase Mandate, if renewed at the 2016 AGM, are substantially the same as were previously approved by Shareholders at the 2015 AGM, and, for the benefit of the 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 pursuant to the Share Purchase Mandate.

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 last AGM held before the resolution authorising the Share Purchase Mandate is passed, or as at the date on which the resolution authorising the Share Purchase Mandate is passed, whichever is higher, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Act, in which event the issued share capital of the Company shall be taken to be the amount of the issued share capital of the Company as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

LETTER TO SHAREHOLDERS

For illustrative purposes only, on the basis of 465,504,000 Shares in issue (excluding treasury shares) as at the Latest Practicable Date, and assuming no further Shares are issued on or prior to the 2016 AGM, not more than 46,550,400 Shares (representing 10% of the issued Shares (excluding treasury shares) of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate during the duration referred to in Section 2.3.2 below.

2.3.2 Duration of Authority

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

- (a) the date on which the next AGM is held or required by law to be held; or
- (b) 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
- (c) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Shareholders in a general meeting.

The Share Purchase Mandate may be renewed at subsequent AGMs or other general meetings of the Company.

2.3.3 Manner of Share Purchase

Share Purchases may be effected by the Company by way of:

- (a) on-market purchases transacted on the SGX-ST through the ready market through one or more duly licensed dealers appointed by the Company for the purpose (the “**Market Purchase**”); and/or
- (b) off-market purchases (the “**Off-Market Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme as defined in Section 76C of the Act as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Manual.

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 Act, the Memorandum and Articles of the Company, and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme.

Under the Act, an equal access scheme must 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 the abovementioned 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, where applicable:-
 - (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

LETTER TO SHAREHOLDERS

- (2) differences in consideration attributable to the fact that offers 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.

In addition, pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase by way of an equal access scheme, 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 Share purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), 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 of Shares; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties 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 Share Purchase Mandate 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 pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below) of the Shares,

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

For the purpose of determining the Maximum Price:

“**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 on which the Market Purchase was made 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 rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

LETTER TO SHAREHOLDERS

“**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 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.

2.3.5 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled, or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time. 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.

Any Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted by the Act) will be automatically de-listed 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 or acquisition.

2.4 **Treasury Shares**

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

2.4.1 Maximum Holdings

The maximum number of treasury shares which may be held by the Company is as follows:

- (a) where the Company has shares of only one class, the aggregate number of shares held as treasury shares must not at any time exceed 10% of the total number of issued Shares of the Company at any time; or
- (b) where the Company’s share capital is divided into more than one class of shares, the aggregate number of the shares of any class held as treasury shares shall not at any time exceed 10% of the total number of the issued Shares of the Company in that class at any time; and

in the event the Company holds in its treasury more than 10% of the total number of its issued Shares in any class of its shares, the Company shall dispose of or cancel the excess shares in the manner set out in Section 2.4.3 below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies may allow.

2.4.2 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 Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

LETTER TO SHAREHOLDERS

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. Further, 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.

2.4.3 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 of Singapore.

Under Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of the sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled, and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.5 **Source of Funds**

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the Articles and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire 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.

The Act permits the Company to purchase or acquire its Shares out of distributable profits or capital so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent.

LETTER TO SHAREHOLDERS

For this purpose, pursuant to the Act, the Company is solvent if at the date of the payment of funds for the purchase or acquisition of the Shares the following conditions are satisfied:

- (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 of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; 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 the 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).

In view of the above, in determining whether the value of the Company's assets is less than the value of its liabilities (including contingent liabilities), the Directors or managers of the Company

- (a) must have regard to –
 - (i) the most recent financial statements of the Company that comply with the relevant sections of the Act, as the case may be; and
 - (ii) all other circumstances that the Directors or managers know or ought to know affect, or may affect, the value of the Company's assets and the value of the Company's liabilities (including contingency liabilities); and
- (b) may rely on valuations of assets or estimates of liabilities that are reasonable in the circumstances.

In determining the value of a contingent liability in relation to the above, the Directors or managers of the Company may take into account –

- (a) the likelihood of the contingency occurring; and
- (b) any claim the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company intends to use internal and/or external sources of funds to finance the Company's Share Purchases pursuant to the Share Purchase Mandate. The Directors will principally consider the availability of internal resources. The Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisition of Shares pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group. The purchase or acquisition of 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.

LETTER TO SHAREHOLDERS

2.6 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid for such Shares at the relevant time, the amount (if any) borrowed by the Company to fund the Share Purchases, whether the Shares were purchased or acquired out of profits and/or capital of the Company, and whether the Shares are cancelled or held in treasury. It is therefore not possible for the Company to realistically calculate or quantify the impact of Share Purchases that may be made pursuant to the Share Purchase Mandate on the NAV and EPS.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of distributable profits, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties 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, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties and other related expenses) will correspondingly reduce the share capital of the Company but the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchased or acquired Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. If, on the other hand, the Share Purchases are not cancelled but held in treasury, then there will be no change in the Company's issued capital.

Where the purchase or acquisition of Shares is financed through internal resources, it will reduce the cash reserves of the Group and of the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through borrowings, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

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 Company and the Group for FY2015 are based on the assumptions set out below:

- (a) based on 465,504,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued by the Company on or prior to the 2016 AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 46,550,400 Shares;
- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 46,550,400 Shares at the Maximum Price of S\$0.3570 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 the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 46,550,400 Shares (excluding brokerage, commission, applicable goods and services tax, stamp duties and other related expenses) would be approximately S\$16,618,493 or approximately RMB79.2 million based on the exchange rate of RMB1:S\$0.20966 as at 23 March 2016;

LETTER TO SHAREHOLDERS

- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 46,550,400 Shares at the Maximum Price of S\$0.4080 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 the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 46,550,400 Shares (excluding brokerage, commission, applicable goods and services tax, stamp duties and other related expenses) is approximately S\$18,992,563 or RMB90.5 million based on the exchange rate of RMB1:S\$0.20966 as at 23 March 2016.

For illustrative purposes only, on the basis of the assumptions set out above and based on the unaudited financial statements of the Company and the Group for FY2015, and assuming that:

- (i) such Share Purchases are financed solely by internal sources of funds; and
- (ii) the Share Purchase Mandate had been effective on the Latest Practicable Date,

the financial effects on the unaudited financial statements of the Company and the Group for FY2015 pursuant to the Share Purchase Mandate,

- (1) by way of Share Purchase made out of capital and held as treasury shares; and
- (2) by way of Share Purchase made out of capital and cancelled,

would have been as follows:-

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

- (A) Market Purchases of 46,550,400 Shares (representing 10% of the issued Shares of the Company)

As at 31 December 2015	<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	209.2	209.2	60.8	60.8
Share capital	313.5	313.5	313.5	313.5
Reserves	226.4	226.4	(5.3)	(5.3)
Accumulated profits	677.7	677.7	98.4	98.4
Treasury shares	(28.2)	(107.4)	(28.2)	(107.4)
Shareholders' funds	1,189.4	1,110.2	378.4	299.2
NAV	1,189.4	1,110.2	378.4	299.2
Current assets	979.5	900.3	43.1	0.5
Current liabilities	396.6	396.6	14.8	14.8
Borrowings	144.9	144.9	–	–
Cash and cash equivalents⁽¹⁾	341.3	262.1	1.1	0.5
No. of shares ('000)	465,504	418,954	465,504	418,954
Weighted Average No. of shares ('000)	465,504	430,019	465,504	430,019
No. of Treasury shares ('000)	26,190	72,740	26,190	72,740

LETTER TO SHAREHOLDERS

As at 31 December 2015	<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
Financial Ratios				
NAV per Share (RMB cents) ⁽²⁾	255.51	264.99	81.29	71.42
Gearing ratio (times) ⁽³⁾	0.12	0.13	–	–
Current ratio (times) ⁽⁴⁾	2.47	2.27	2.91	0.03
EPS (RMB cents) ⁽⁵⁾	44.95	48.65	n.a.	n.a.

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).
- (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.
- (B) Off-Market Purchases of 46,550,400 Shares (representing 10% of the issued Shares of the Company)

As at 31 December 2015	<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	209.2	209.2	60.8	60.8
Share capital	313.5	313.5	313.5	313.5
Reserves	226.4	226.4	(5.3)	(5.3)
Accumulated profits	677.7	677.7	98.4	98.4
Treasury shares	(28.2)	(118.7)	(28.2)	(118.7)
Shareholders' funds	1,189.4	1,098.9	378.4	287.9
NAV	1,189.4	1,098.9	378.4	287.9
Current assets	979.5	889.0	43.1	0.5
Current liabilities	396.6	396.6	14.8	14.8
Borrowings	144.9	144.9	–	–
Cash and cash equivalents ⁽¹⁾	341.3	250.8	1.1	0.5
No. of shares ('000)	465,504	418,954	465,504	418,954
Weighted Average No. of shares ('000)	465,504	430,019	465,504	430,019
No. of Treasury shares ('000)	26,190	72,740	26,190	72,740

LETTER TO SHAREHOLDERS

As at 31 December 2015	<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
Financial Ratios				
NAV per Share (RMB cents) ⁽²⁾	255.51	262.30	81.29	68.72
Gearing ratio (times) ⁽³⁾	0.12	0.13	–	–
Current ratio (times) ⁽⁴⁾	2.47	2.25	2.91	0.03
EPS (RMB cents) ⁽⁵⁾	44.95	48.65	n.a.	n.a.

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).
- (3) Gearing ratio is 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.

(2) Purchases made out of capital and cancelled

- (A) Market Purchases of 46,550,400 Shares (representing 10% of the issued Shares of the Company)

As at 31 December 2015	<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	209.2	209.2	60.8	60.8
Share capital	313.5	234.3	313.5	234.3
Reserves	226.4	226.4	(5.3)	(5.3)
Accumulated profits	677.7	677.7	98.4	98.4
Treasury shares	(28.2)	(28.2)	(28.2)	(28.2)
Shareholders' funds	1,189.4	1,110.2	378.4	299.2
NAV	1,189.4	1,110.2	378.4	299.2
Current assets	979.5	900.3	43.1	0.5
Current liabilities	396.6	396.6	14.8	14.8
Borrowings	144.9	144.9	–	–
Cash and cash equivalents ⁽¹⁾	341.3	262.1	1.1	0.5
No. of shares ('000)	465,504	418,954	465,504	418,954
Weighted Average No. of shares ('000)	465,504	430,019	465,504	430,019
No. of Treasury shares ('000)	26,190	26,190	26,190	26,190

LETTER TO SHAREHOLDERS

As at 31 December 2015	<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
Financial Ratios				
NAV per Share (RMB cents) ⁽²⁾	255.51	264.99	81.29	71.42
Gearing ratio (times) ⁽³⁾	0.12	0.13	–	–
Current ratio (times) ⁽⁴⁾	2.47	2.27	2.91	0.03
EPS (RMB cents) ⁽⁵⁾	44.95	48.65	n.a.	n.a.

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).
- (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.
- (B) Off-Market Purchases of 46,550,400 Shares (representing 10% of the issued Shares of the Company)

As at 31 December 2015	<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	209.2	209.2	60.8	60.8
Share capital	313.5	223.0	313.5	223.0
Reserves	226.4	226.4	(5.3)	(5.3)
Accumulated profits	677.7	677.7	98.4	98.4
Treasury shares	(28.2)	(28.2)	(28.2)	(28.2)
Shareholders' funds	1,189.4	1,098.9	378.4	287.9
NAV	1,189.4	1,098.9	378.4	287.9
Current assets	979.5	889.0	43.1	0.5
Current liabilities	396.6	396.6	14.8	14.8
Borrowings	144.9	144.9	–	–
Cash and cash equivalents ⁽¹⁾	341.3	250.8	1.1	0.5
No. of shares ('000)	465,504	418,954	465,504	418,954
Weighted Average No. of shares ('000)	465,504	430,019	465,504	430,019
No. of Treasury shares ('000)	26,190	26,190	26,190	26,190

LETTER TO SHAREHOLDERS

As at 31 December 2015	<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
<u>Financial Ratios</u>				
NAV per Share (RMB cents)⁽²⁾	255.51	262.30	81.29	68.72
Gearing ratio (times)⁽³⁾	0.12	0.13	–	–
Current ratio (times)⁽⁴⁾	2.47	2.25	2.91	0.03
EPS (RMB cents)⁽⁵⁾	44.95	48.65	n.a.	n.a.

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).
- (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 illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the respective aforementioned assumptions and historical FY2015 numbers, and are not necessarily representative of the future financial performance of the Group.

It should also be noted that although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel, or hold as treasury shares, all or part of the Shares purchased or acquired.

2.7 Listing Rules

2.7.1 Requirements and Restrictions

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term “**average closing market price**” is defined as (a) the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the share were recorded, before the day on which the purchases are made; and (b) deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period. The Maximum Price of a Share in relation to Market Purchases by the Company referred to in Section 2.3.4 of this Appendix, conforms to this restriction.

Rule 886 of the Listing Manual provides that a listed company shall notify the SGX-ST of any purchases or acquisitions of its Shares as follows:

- (a) in the case of a Market Purchase, by 9.00 a.m. on the Market Day following the day on which the company purchased its Shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

LETTER TO SHAREHOLDERS

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in the form of Appendix 8.3.1 of the Listing Manual, and shall include such details that the SGX-ST may prescribe. In addition, the Company shall make disclosure of details in its annual report and financial statements pertaining to Share Purchases made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company of its own shares during any particular time or times, the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares. In this regard, in conformity with best practices on dealings with securities under Rule 1207(19)(c) of the Listing Manual, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in any of the following circumstances:-

- (a) at any time after any matter or development of a price sensitive nature has occurred or has been the subject of a decision of the Board until such price sensitive information has been publicly announced; and
- (b) in the case of Market Purchases, during the period of one (1) month immediately preceding the Company’s full-year financial results announcement, and the period of two (2) weeks before the Company’s financial results announcement for each of the first three quarters of its financial year.

2.7.2 Details of Share Purchases in the Last Twelve (12) Months

The Company has not made any Share Purchases in the twelve (12) months immediately preceding the date of this Appendix.

2.7.3 Effect of Share Purchase Mandate on Company’s Listing on SGX-ST

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) of the Company is 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.

As at the Latest Practicable Date, approximately 163,846,450 Shares, representing 35.2% of the issued Shares, are held in the hands of the public. Assuming that the Company purchases or acquires 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 117,296,050 Shares, representing 28.0% 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 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 adversely affect the orderly trading of Shares.

LETTER TO SHAREHOLDERS

2.8 Reporting Requirements under the Act

Within thirty (30) days of the passing of the Shareholders' resolution to approve the Share Purchase Mandate, the Company shall lodge a copy of such resolution with ACRA.

The Directors shall notify ACRA within thirty (30) days of a Share Purchase on the SGX-ST or otherwise. Such notification shall include details of the purchases or acquisitions, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchases or acquisitions, whether the Shares were purchased out of profits or the capital of the Company, and such other information as required by the Act.

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

2.9 Implications under The Singapore Code on Take-overs and Mergers

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable to Share Purchases by the Company as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.9.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company 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 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.

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

Under the Take-over Code, except with the consent of the Securities Industry Council, a person will be required to make a general offer for a public company if:

- (a) he acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons in concert with him) carry 30% or more of the voting rights of the Company; or
- (b) he, together with persons acting in concert with him, already holds not less than 30% and not more than 50% of the voting rights of the Company, and he, or any person acting in concert with him, increases his voting rights in the Company by more than 1% in any period of six (6) months.

2.9.2 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.

LETTER TO SHAREHOLDERS

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be persons acting in concert with each other:-

- (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);
- (b) a company with its parent company, subsidiaries, fellow subsidiaries, associated companies of the above companies, any company whose associated companies include any of the above companies (for this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company), and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust 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 the persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (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) an individual with his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions, and companies controlled by any of the above persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above persons for the purchase of voting rights.

2.9.3 Effect of 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 take-over offer for the Company 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 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.

LETTER TO SHAREHOLDERS

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 an offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its own shares, the voting rights of such Shareholder in the Company 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 Share Purchase Mandate, unless so required under the Act, for example, for a shareholder whose shares are to be bought via a selective purchase by an unlisted public company.

However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the Company's Share Purchases. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Share Purchases will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of six (6) months.

If the Company decides to cease the Share Purchases before the expiration of the Relevant Period and before it has purchased in full such number of Shares authorised by its Shareholders at the latest AGM, the Company will promptly inform its Shareholders of such cessation. This will assist Shareholders to determine if they can buy any more Shares without incurring an obligation under Rule 14 of the Take-over Code.

2.9.4 Application of the Take-over Code

The interests of the Directors and Substantial Shareholders are set out in Sections 3.1 and 3.2, respectively.

Based on their respective interests, 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 Share Purchase Mandate.

As at the Latest Practicable Date, our Executive Chairman, Mr Xu Cheng Qiu, and our Substantial Shareholder, Success More Group Limited (a company in which Mr Xu Cheng Qiu has a majority shareholding of 74.27%), have a combined shareholding interest of approximately 63.7% 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.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person and/or Shareholder is, or may be regarded as, a party acting in concert such that his interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

The Directors are not aware of any Shareholder who may become obligated to make a mandatory offer in the event that the Company purchases the maximum number of Shares under 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.

LETTER TO SHAREHOLDERS

2.10 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of the Share Purchases by the Company or who may be subject to tax whether in or outside Singapore should consult their own professional advisers.

3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders respectively, are as follows:

3.1 Directors' Interests

The interests of the Directors in the Shares as at the Latest Practicable Date are set out below:

	Number of Shares			Before Share Purchase ⁽¹⁾ (%)	After Share Purchase ⁽¹⁾ (%)
	Direct Interest	Deemed Interest	Total Interest		
Xu Cheng Qiu⁽²⁾	2,869,000	293,642,550	296,511,550	63.70%	70.77%
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%	0.04%
Benny Lim Heng Chong	100,000	–	100,000	0.02%	0.02%
Xu Chun Hua	–	–	–	–	–
Koh Choon Kong	3,226,000	950,000	4,176,000	0.90%	1.00%

Notes:

- (1) Percentage based on issued share capital of the Company of 465,504,000 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Mr Xu Cheng Qiu owns 74.27% of the issued share capital of Success More Group Limited and as such, is deemed to be interested in the 293,642,550 Shares held by Success More Group Limited by virtue of Section 7 of the Act.

3.2 Substantial Shareholders' Interests

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	63.08%

Note:

Percentage based on issued share capital of the Company of 465,504,000 Shares (excluding treasury shares) as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

4 DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale and the information relating to the proposed renewal of the Share Purchase Mandate set out in this Appendix, the Directors believe that 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 the Ordinary Resolution 9 as set out in the Notice to be proposed at the 2016 AGM.

5 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2016 AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 112 Robinson Road #12-04 Singapore 068902, not later than forty-eight (48) hours before the time fixed for the 2016 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2016 AGM if he so wishes in place of the proxy if he finds that he is able to do so.

A depositor shall not be regarded as a Shareholder entitled to attend the 2016 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of Division 6 of the SFA at least forty-eight (48) hours before the time fixed for the 2016 AGM.

6 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix 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 the Appendix in its proper form and context.

7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Appendix up to and including the date of the 2016 AGM:-

- (a) the Memorandum and Articles of the Company;
- (b) the Annual Report of the Company; and
- (c) the audited financial statements of the Company for FY2015.

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

Xu Cheng Qiu
Executive Chairman