



China Sunshine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

RESPONSE TO SGX REGCO'S QUERIES ON THE COMPANY'S ANNUAL REPORT 2020

The Board of Directors (the "**Board**") of China Sunshine Chemical Holdings Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") wishes to provide the following information in response to queries from Singapore Exchange Regulation Pte. Ltd. ("**SGX RegCo**") on 21 April 2021 in relation to the Company's Annual Report 2020 issued and released on 8 April 2021 ("**Annual Report**").

SGX RegCo's Query:

On page 122 of the Annual Report, it was stated that Mr. Koh Choon Kong, who is seeking re-election and continued appointment as an Independent Director of the Company, had been previously reprimanded by the SGX on 29 June 2018. In issuing the reprimand to Oriental Group Ltd and inter alia, Mr. Koh Choon Kong on 29 June 2018, SGX RegCo had noted the "Audit Committee's failure to take the necessary steps to ensure adequacy of the Group's internal controls in light of the 2013 internal audit findings, SGX RegCo is of the view that the Board" (including, inter alia, Koh Choon Kong) "and the Audit Committee" (comprising inter alia, Koh Choon Kong) have breached Catalist Rules. SGX stated that "SGX-listed companies are advised to consult SGX RegCo before they appoint... Koh Choon Kong... as a director or member of management." Please disclose the following:

(a) The breaches that gave rise to the reprimand of, inter alia, Mr. Koh Choon Kong "arose from the following conduct: - misleading and inaccurate announcements concerning three (3) of its fund raising exercises; unauthorized corporate guarantees extended by the Group in favour of its interested persons; and/or unauthorized interested person transactions." Noting that Mr. Koh Choon Kong has been a director of China Sunshine for more than 11 years and noting Mr. Koh Choon Kong's conduct in his role as an independent director and member of the Audit Committee of Oriental Group Ltd in relation to the public reprimand, to robustly justify the Nominating Committee's views in relation to his suitability to remain an independent director and Chairman of the Audit Committee of China Sunshine. To provide specific details to substantiate the basis for the Nominating Committee's views.

(b) To clarify whether the Company will be consulting SGX in relation to the re-appointment of Mr. Koh Choon Kong as director of the Company.

1. Company's Response to Sub-paragraph (a) Above

1.1 When the Company was notified by Mr Koh Choon Kong ("**Mr Koh**") in or around the end of June 2018 about the reprimand by the SGX on 29 June 2018 (the details of which is set out in the announcement by the SGX on 29 June 2018 entitled "SGX RegCo reprimands Oriental Group Ltd, its former and present Directors and its former Group Financial Controller" ("**SGX RegCo Announcement**")), Mr Koh had explained to the Board in detail the circumstances which gave rise to the reprimand.

1.2 The Company's Nominating Committee ("**NC**") at that time, excluding Mr Koh who was then a member thereof ("**Remaining NC**"), had carefully considered the matters as set out in the SGX RegCo Announcement which gave rise to the regulatory action taken against the former board and former audit committee of Oriental Group Ltd (including Mr Koh as a member thereof).

1.3 The Remaining NC and the Board (with Mr Koh abstaining from the deliberation process) ("**Remaining Board**") had unanimously concluded that notwithstanding the reprimand by the SGX RegCo, Mr Koh should continue to serve as Independent Director and Chairman of the Audit Committee ("**AC**") as



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well as a member of the other Board committees. The Company's reasons were set out in its announcement on 5 July 2018 entitled "*Regulatory Action By SGX RegCo Against Our Independent Director*" ("**2018 Announcement**"), and the salient paragraphs are re-produced below:

"... based on Mr Koh's past and present contributions to the Company (first as the Group Chief Financial Officer at the time of its initial public offering, and subsequently, the Company's Non-executive Director (2009 – 2012), through to his appointment as Independent Director from December 2012), Mr Koh has demonstrated professionalism, integrity and diligence in the discharge of the duties of his various offices at all relevant times, and is a valuable member of the Board and its committees."

"The Remaining NC also took into consideration the fact that the breaches of the relevant listing rules do not extend to the character and integrity of Mr Koh. As such, unless there are further actions taken by other authorities which may disqualify Mr Koh from acting as a director of the Company, the Remaining NC and Remaining Board are of the view that Mr Koh can and should continue to serve in the capacities that he currently acts in the Company."

1.4 The NC and the Board note that as of current date, no further action has been taken by other authorities (apart from SGX RegCo) against Mr Koh or to disqualify him from acting as a director of the Company in connection with the matters giving rise to the reprimand.

1.5 The current NC and Board (excluding Mr Koh) are unanimous in their view that this issue had been robustly discussed, and fully and adequately dealt with by the Company when it arose in 2018, and the reasons set out in the Company's 2018 Announcement continue to be true and relevant in the current NC's deliberations on Mr Koh's suitability to remain as an Independent Director and Chairman of the AC. The current Board (excluding Mr Koh) also continues to have full confidence in Mr Koh's integrity, professionalism and ability to carry out his duties in these capacities.

1.6 At a time when the global economy is buffeted by the COVID-19 pandemic, and facing a protracted and uneven recovery, and coupled with the departures of 2 Board members in the last 11 months, a new independent director appointed to the Board in late 2019, and the imminent retirement due to his age of the Company's CEO, the NC is of the view that Mr Koh's in-depth knowledge of the Group and its business, and the stability and continuity that he can bring to the Board given the recent changes, cannot be overstated and his continued directorship is in the best interest of the Company.

2. Company's Response to Sub-paragraph (b) Above:

2.1 The Company had noted that in the SGX RegCo Announcement, SGX-listed companies are advised to consult SGX RegCo before they appoint, among others, Mr Koh as a director or member of management. However, the Company is of the view that Mr Koh is already an existing director of the Company, and is not seeking to appoint him as a new director.

2.2 Having served on the Board for an aggregate period of more than 9 years, Mr Koh is seeking shareholders' confirmation of his independence at the Company's forthcoming annual general meeting ("**AGM**") by way of separate resolutions pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual (the "**Rule**"), so that he can continue to act as an independent director of the Company. If shareholders do not approve these resolutions, Mr Koh would remain a non-executive and non-independent director of the Company when the Rule comes into effect on 1 January 2022 (assuming he is re-elected by shareholders pursuant to Article 104 of the Company's Constitution).



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2.3 As the Rule deals with Mr Koh's independence, the Company did not consult the SGX in relation to Mr Koh's continued appointment at the forthcoming AGM. However, if SGX has a different interpretation of the Rule, the Company will be grateful for SGX's guidance and directions.

2.4 Nevertheless, the Company is hopeful that, for the reasons set out in paragraph 1 above, the SGX would allow shareholders to decide and vote on Mr Koh's continued appointment as an independent director of the Company at the forthcoming AGM.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
22 April 2021