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Company Registration No.: 200609470N

RESPONSE TO THE QUESTIONS FROM OUR SHAREHOLDERS FOR THE PURPOSE OF AGM

The Board of Directors (the "**Board**") of China Sunsine Chemical Holdings Ltd. (the "**Company**" or "**China Sunsine**" and together with its subsidiaries, collectively the "**Group**") wishes to provide the following information in response to questions from our shareholders received by the Company between the period from 9 April to 26 April 2021 ("**Q&As**") for the purposes of our annual general meeting ("**AGM**") to be held on 30 April 2021.

The Q&As are organized under the subject headings as set out below:

A. Sales Volume, Prices

1. Sales volume/market share

Despite being hit by Covid-19 in 2020, Sunsine's sales volume grew 1.4% year-on-year while global tyre sales volume fell 15%. Moreover, Sunsine's rubber accelerator market share grew to 22% in 2020, from 20% before.

Have some rubber chemical producers exited the industry leaving gaps that were filled by Sunsine? How many of tyremakers were won over by Sunsine in 2020, and thereafter?

<u>Company's response:</u>

Due to the impact of COVID-19, China's domestic and overseas markets were depressed in the first half of 2020, and the selling prices of rubber chemicals also dropped. As many small manufacturers were suffering losses, they chose to suspend or reduce their production. However, our case was different. By leveraging our competitive advantages in terms of our robust financial position, economies of scale and other factors, China Sunsine was able to continue and maintain its production steadily. In the second half of the year, when the domestic market began to recover, China Sunsine seized the opportunity to further expand its production and increase sales volume. This allowed us to achieve a record high in sales volume in 2020 and our market share was further expanded.

In 2020, the Group had developed or acquired about 140 new customers, comprising about 110 domestic and 30 international customers.

2. Prices

CBS and 6PPD, both RMB17k (VAT-inclusive) in Sep 2020, are now RMB 27k and RMB 33k respectively. Besides dearer raw materials, what are the other causes behind the price hikes?

<u>Company's response:</u>

The main factor leading to the price hike of CBS and 6PPD was the soaring price of raw materials, especially aniline. Due to the rise of international crude oil prices and *the suspension for maintenance of some major aniline producers, the price of aniline had risen from above RMB 4,000 per tonne (VAT inclusive) in September 2020 to above RMB 13,000 per tonne (VAT inclusive) in March 2021.*

3. ASP

What are the prospects for ASP of your main products to improve further in the year ahead?

Company's response:

Since the end of 2020 to the first quarter 2021, due to the increase in raw material prices as well as the increase in the demand for rubber chemicals as a result of the rebound of the Chinese economy, the ASP of our products has gradually improved. However, as we enter April 2021, the raw material prices have begun to fall. Downstream tire manufacturers had placed large orders in February and March 2021, and we foresee relatively weaker demand in the coming months.

It will take time for the global economy to get out of the trough due to the continued threat of the pandemic. The fluctuating geopolitical situation brings great risks and uncertainty to global economic recovery. All these will further impact the demand and ASP of rubber chemicals.

In general, the management believes that, with the ongoing recovery and development of the Chinese domestic economy, barring unforeseen circumustances, the ASP in 2021 would be higher as compared to that in 2020.

4. Raw material cost

What can we expect for our raw material costs in 2021?

Company's response:

As our raw materials are all generated from Petroleum refining process, the price of the raw materials are somewhat related to fluctuating international crude oil prices. For example, the price of one of the main raw materials, Aniline had, after hitting its trough in 2020 at about RMB4,000 per tonne (VAT inclusive), started to rebound since the end of September 2020, and reached its peak in March 2021. The price had begun to fall in April 2021 and is currently hovering around RMB10,500 per tonne (VAT inclusive). It is thus difficult to accurately predict the trend of raw material price fluctuations, but the management is of the view that they should not fall back to the 1H2020 price level.

B. Products & Production

5. Rubber accelerator TBBS

The utilization rate of Sunsine's rubber accelerator capacity was 86% in 2H20. What is the prospect of attaining a higher rate? What is the current global market size of TBBS? What is Sunsine's current TBBS capacity?

During the last AGM, Sunsine disclosed that its new 30kt-TBBS automated lines save 40,000 tons of steam (costing RMB 7.6 million) a year. Will the management explain how automation lowers steam consumption?

<u>Company's response:</u>

China Sunsine has been maintaining its position as the world's largest accelerator producer over the years. Our accelerators' capacity was fully utilized before 2020. Due to the capacity expansion, the utilization rate dropped correspondingly but still maintained at a high level. There are possibilities for us to acquire more orders in the future. We believe that the utilization rate will increase gradually with the recovery of the domestic and international markets.

*Currently, about 110-120,000 tonnes of TBBS were consumed annually in the world. Sunsine's TBBS capacity is 55,000 tonnes per annum ("**p.a.**"). In order to optimize the product mix, our subsdiary, Shandong Sunsine, is carrying out a feasibility study to transform 10,000-tonne TBBS to 10,000-tonne CBS production line (currently, the selling price of CBS is the same as TBBS, and our CBS production capacity is 30,000 tonnes p. a.).*

In the past, we adopt an intermittent production method (间歇法生产) for our TBBS product. Workforce was needed to transmit the product from one process to the next. We need to cool down the unfinished goods during transmission before sending them to the next process. Steam is required to reheat the goods. Thus, the steam consumption for this method is more than that in the continuous production method (连续法生产). The newly added 30,000-tonne TBBS production lines are using continuous production method. On top of that, more energy-efficient equipment is used. These help to further reduce steam consumption.

6. Rubber accelerator NOBS

The management shared during the AGM in April 2017 that "*the Group developed TBBS a few years ago to replace NOBS which was not as environmentally friendly. The Group has now become the largest producer of TBBS with its product recognized by tyre makers and other downstream companies."*

Is NOBS still being produced in significant amounts?

<u>Company's response:</u>

Knowing that NOBS is not environmentally friendly and generates carcinogens, the Group had replaced NOBS with TBBS several years ago. No NOBS is currently being produced in our factory.

7. Insoluble sulphur (IS)

Is China still importing IS? Is the new 30kt capacity for export too? What is the rate of VAT refund for export of IS?

Are two 15kt lines, instead of three 10kt lines, being used for the new 30k-tonne capacity? What are the advantages besides lower staff deployment?

Company's response:

At present, China is still a net importer of IS, with a shortfall of about 20,000 tonnes a year. Our new IS capacity, of course, is also available for export where needed. The current export tax rebate for IS is 13%.

The new 30,000-tonne IS plant comprises two lines of 15,000 tonnes each. . They are continuous and fully automatic production lines. Besides saving manpower, the advantages of the new line are in the improvement of site environment, reduction of raw material consumption, lower risk of impurities from foreign matters in the production process, thereby enhancing the consistency and stability of the product quality.

8. Insoluble Sulphur

An article mentioned that Yanggu Huatai (YGHT) is the only manufacturer of IS using the continuous production process. Is this statement correct? Is Sunsine producing IS using this method? If not, how does Sunsine ensure that its IS sales will not be affected by the government's green production and safety requireme²ts?

The article also mentioned that YGHT currently has 40,000 tons of capacity of IS produced by this method. What are Sunsine's current and planned capacities using continuous production process?

Company's response:

We have no comments on the article and its views about other companies. As mentioned above, our new 30,000-tonne IS production line does adopt the continuous production process.

9. Rubber accelerator DCBS

Are DCBS and TBBS comparable in price? Is 12kt the DCBS capacity based on 2014 announcement?

Company's response:

As DCBS generates waste water and waste salt during the production process, and they are very difficult and expensive to treat, there are not many manufacturers who are producing DCBS in the market. The current price of DCBS is higher than TBBS. Our DCBS capacity is 5000 tonnes p.a.

10. Anti-oxidant TMQ

Does the 30k-tonne TMQ project also include production of another 2k tonnes of HTMQ? Is HTMQ related and superior to TMQ?

Based on article "2020 年中国橡胶防老剂产量为 36.7 万吨，6PPD 产量占比 53.95%", China produced 111kt of TMQ in 2020. Did Sunsine anticipate significant consolidation of the TMQ market when it decided to increase TMQ capacity to 42kt?

Company's response:

The new 30,000-tonne TMQ project includes a 2,000-tonne HTMQ project. HTMQ has higher effective content than TMQ. TMQ's effective content is about 40%, while HTMQ's is up to 80%. Therefore, HTMQ performs better than TMQ. As such, less HTMQ is needed in the production of tires.

Our TMQ product has always been in short supply. The new capacity will not only fulfill the market demand for our products but also enhance our market leadership position in the anti-oxidants segment.

11. Rubber accelerator MBT

Based on the sustainability report, the "continuous, clean production of high performance accelerator MBT" project is entitled to a government grant of RMB 24.36m of which RMB 17m was received in March 2021.

Will the Board elaborate on the project.

Is the project an important one given the substantial grant from the government?

Will Sunsine build new MBT capacity using the new technology? Or will the existing 45kt capacity be upgraded first?

Company's response:

*Our MBT is produced using the intermittent production method, and a lot of waste water, waste gas and waste salt are generated in the production process. To solve this problem, the Group and Tsinghua University jointly launched a Accelerator MBT Continuous and Cleaner Production Process project ("**MBT Project**"), focusing on switching from intermittent to continuous production process. The MBT Project will improve the MBT conversion rate, reduce solid waste and also reduce waste water and salt by using the solvent extraction method (溶剂法) to replace the previous acid and alkali method(酸碱法).*

*MBT is an important base to produce many other rubber chemicals. However, the problem is that it generates a large amount of waste water and salt during the production process ("**MBT waste problem**"), which has always been a headache in the industry. The Shandong Provincial Government aims to develop a strong rubber chemicals industry to support its key rubber industry (which produces about two-thirds of all rubber tires in the whole of China) and this MBT waste problem has been a huge problem for quite a long time. Sunsine's MBT Project is a breakthrough and thus has received strong support from the Shandong Provincial Government.*

This project is currently still in the pilot stage. After the successful trial, the Company will start a trial run on a 10,000-tonne production line. Once it is proven effective, the

Company will consider to build new capacity, if required, by adopting this new technology.

12. Rubber chemical output per staff

What were the causes behind the rising rubber chemical output per staff?

Number of staff....Rubber chemical output (tonnes)....Output per staff (tonnes)

2015.....2,084.......................114,572...55.0
2016.....2,098.......................135,791...64.7
2017.....2,126.......................140,476...66.1
2018.....2,220.......................151,486...68.2
2019.....2,253.......................167,455...74.3
2020.....2,220.......................169,876...76.5

Company's response:

The Group's production and sales volume have set new highs for consecutive years; in contrast, the number of staff has not increased significantly, resulting in a continuous increase in per capita output. This is mainly due to the Group's constant staff training and the adoption of automated production method. Thanks to our R&D efforts, the development of continuous and automated production process helps in the improvement of productivity.

C. R&D

13. R&D

The sustainability report highlights three new state-authorized invention patents:

(1) process and system for continuous production of rubber vulcanization accelerator tetramethylthiuram disulfide (TMTD)

(2) process and equipment for continuous production of diphenylguanidine (DPG) and

(3) equipment and process for automatic continuous production of antioxidant RD (aka TMQ)

As all three patents are for continuous production of rubber chemicals, can we take it that continuous production is Sunsine's priority?

Sunsine earlier disclosed that the new 30kt TBBS project and the new 30kt TMQ project will run on continuous methods. MBT continuous production is also in now based on the sustainability report. What other rubber chemicals for which feasibility of continous production has yet to be established?

We understand that the authority has contemplated banning rubber accelerator TMTD (tetramethylthiuram disulfide). Does it mean from now on TMTD will only be produced from the continuous method? What is Sunsine's current TMTD capacity?

Is accelerator DPG (diphenylguanidine) as pricey as TBBS? What is Sunsine's current DPG capacity?

Company's response:

As mentioned above, the Group's R&D largely focuses on the development of continuous and automated production methods. These methods will reduce manual operation errors, lower labor intensity, improve the environment and reduce labor costs. The rubber chemicals industry is moving towards this trend. The management is of the view that our combined superiority in large-scale production leading to economies of scale, product variety, superior quality, environmental protection, strong financial position and market leadership position are the core competitive strengths of the Group. Continuous production extends our lead, but it is not regarded as one of our advantages by itself.

The Group's new projects, namely, TBBS, TMQ and IS, are all using the continuous production method. The Group also upgraded part of its existing production lines to continuous production. Currently, all of our anti-oxidant production lines, such as 4ADPA, TMQ, 4010NA, 6PPD are using the continuous production method. Once the trial run on the MBT Project is successful, we will start upgrading and applying this method to the rest of the production lines.

Due to the harmful substances generated, the government discourages the production of TMTDs and encourages its replacement, TBzTDs, instead. There is no explicit ban under current regulation. TBzTD costs more than twice as much as TMTD due to its more expensive raw material, but works just the same as TMTD. Therefore, the market acceptance of TBzTD is not high. The Group had done the pilot test of TBzTD several years ago and mastered the production process. Once TMTD is prohibited, the Group can quickly switch to produce TBzTD instead. Our current TMTD capacity is 5000 tonnes p.a..

The price of DPG is slightly higher than TBBS. Our current DPG capacity is 8000 tonnes p.a.

14. R&D with BASF China

BASF China is the supplier of tert-Butylamine to the Group for the manufacturing of TBBS. It is disclosed in Page 38 of 2021 Sustainability Report that the Group has joint research projects with BASF China R&D Centre. What are the objectives of these projects?

Company's response:

BASF is a world-renowned chemicals company. BASF China is not only a raw material supplier to the Company, but also our great partner whom we have been working closely together. Collaborating with BASF China R&D centre, the Group will be able to leverage BASF's advanced technology and rich experience to improve its production process.

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D. Industry Competition

15. Potential oversupply

Is the concern of oversupply of rubber accelerators valid?

Company's response:

There has always been an oversupply situation in China's rubber chemicals industry. The Group is aware that some manufacturers which claim to have certain production capacity may not be able to produce up to that capacity. For example, a manufacturer announced that they have a 30,000-tonne per annum production capacity, but the maximum volume they can produce might only be above 10,000 tonnes a year. In addition, the market recognition of prominent players is higher than other smaller producers. Over the years, the Group has been able to achieve an equilibrium between production and sales. As such, management is not concerned about the overcapacity situation in the industry.

16. Transformation of the tyre industry and rubber chemical industry

According to media reports, the tire industry in China is undergoing transformation. A new area is application of big data on procurement.

Another article refers to 智能化 and 微化工技术 for the rubber chemical industry.

Is Sunsine tweaking its processes to meet the new demands?

Company's response:

Green, miniaturization and automation have always been the focus of the Group's R&D.

17. Competitive Advantage

Understand that rubber chemicals and accelerators behave similar to commodity fashion, is low cost the only advantage that we have over our competitors?

If so, can you share how would China Sunsine sustain this low cost advantage given that competitors have also been adapting to technologies and introducing automation into their plants.

Lastly, thank you for your hard work!!

Company's response:

We do not consider rubber chemicals (including accelerators) as commodities. Compared with its upstream and downstream industries, the market size of rubber chemicals is very small, and there are specific technical barriers which render rubber chemicals belonging to the fine chemicals industry. From our experience spanning *decades, we have settled on selling our products at a cost-plus model. The Company had achieved profitability for over 20 consecutive years.*

As the world's largest accelerators producer and China's biggest runbber chemicals enterprise, China Sunsine has many competitive advantages, such as financial strength, economies of scale, product variety, superior quality, market leadership position, brand, environmental protection and safety. We also want to emphasize that the Group has technological advantage in the industry. Our three new projects all adopt continuous and automatic production process. The old production lines are also being upgraded progressively over time.

18. Business risks

What are the downside risks faced by the business of the Group in the year ahead?

Company's response

Domestically, safety production and environmental protection still are the main focus of the Group. Internationlly, uncertainties caused by the impact of the pandemic and the geopolitical conflicts are the main risks.

E. Projects, Waste Treatment

19. Production Capacity

Will our production capacity increase in 2021?

Company's response:

We have two new projects, namely the 30,000-tonne IS project & 30,000-tonne TMQ project, which are expected to be completed in 1H2021 and commercial production will begin in 2H2021.

After the completion, the Group's total capacity will reach 252,000 tonnes p.a.

20. Guangshun

Guangshun has been operating for 7 years. The loss in 2020 was surprising as steam generation ought to be profitable. What were the causes?

Was electricity used for rubber chemical production free of charge?

Has Guangshun obtained approval to sell electricity to the Grid? If not, what are the causes?

Do Yanggu Huatai and Tianjin Kemai operate centralised steam generation systems?

Company's response:

Due to the impact of the Covid-19 pandemic, the steam supply to external parties declined in 2020, thus the income dropped. Internally, many saving measures are taken, such as fine production, use of advanced energy-saving equipment and strict *consumption management, resulting in lower steam usage. Moreover, the continuous production also helps to further reduce steam consumption. All these factors led to a loss for Guangshun heating plant in 2020.*

Guangshun heating plant provides electricity to Shandong Sunsine free of charge.

Currently, Guangshun is in the process of obtaining the electricity licence. With this llicence, our electricity will be able to integrate into the Grid, and additional income is expected.

We do not have much information about Yanggu Huatai and Tianjin Kemai. As far as we know, they do not have their own steam plants.

21. Unit steam consumption

What were the causes behind the falling steam consumption per unit rubber chemical output?

Company's response

As mentioned above, the reduction of the unit consumption of steam is attributable to the measures we had adopted, such as fine production, use of energy-saving equipment and enhanced management, the application of continuous method as well as the increase in production volume.

22. Waste disposal

What were the causes for Yongshun's loss in 2020?

Company's response:

Since the acquisition, Yongshun is positioned as a "cost centre" within the Group. The main purpose of this centre is to treat hazardous waste generated during production and lower the Group's environmental risks. In this regard, the Group's disposal cost of hazardous waste is reduced from the previous amount of RMB 5000 per tonne to over RMB 2000 per tonne. As a result, Yongshun recorded a book loss in 2020. However, at the Group level, the centre helped to save cost in hazardous waste treatment.

F. Dividends, Share Buyback

23. Dividend Payout

Sunsine is debt-free. Cash grew to RMB 1,326m as at end-2020, from RMB 1,280m a year earlier, despite the unprecedented pandemic and RMB 279m on capex.

With much higher ASP and expanded capacity, 2021 profit should cover the RMB 300m for the landfill project and the balance to complete the capacity expansions of insoluble sulphur and TMQ; as well as higher working capital. Yanggu Huatai, a smaller rubber chemical producer, expects 1Q21 profit to be between RMB 90m and RMB 100m.

The 1c dividend proposed for 2020 costs a mere RMB 50m. We urge the board to adopt a more liberal dividend policy.

Company's response:

Given the current highly competitive environment, the Company believes that its long-held prudent management style is the main reason for its remarkable performance and arrival, step by step, at the forefront of the rubber chemicals industry. Since its IPO, the Company has been paying dividends every year. The Board of Directors carefully evaluates and comprehensively balances all stakeholders' interest when determining the dividend rate every year by considering many factors, such as market changes, the Group's expansion plan, and the need for working capital.

24. Share buyback mandate

On 26 May 2020, Sunsine responded to query from Securities Investors Association (Singapore) about SGX RegCo's guideline on share buyback not exceeding 30% of daily trading volume as follows:

"On 24 March 2020, the Company bought back 282,800 shares by way of market acquisition, which accounted for approximately 45% of that day's trading volume. The Board has delegated the execution of share purchases to the CFO as he has the relevant experience and competence, and the Board's trust in discharging this responsibility. As mentioned in (ii) above, our CFO estimated a maximum number of shares to buy on a particular day and then instruct our stockbroker to execute the purchase order. Based on the average trading volume of 1.32 million for 5 trading days before 24 March 2020, our CFO gave instruction to buy back a maximum of 300,000 shares, but did not anticipate or realize that the trading volume for that day was much lower. **We have learnt from this episode and will advise our stockbroker to be mindful of SGX RegCo's guideline of not exceeding 30% of daily trading volume in future execution of share buybacks."**

The board should note that share buybacks in excess of 30% daily trading volume are not uncommon. The companies that do so have not been rebuked by SIAS.

As the share buyback mandate places a limit on the repurchase price, shareholders' interest is already protected. Sunsine is fully justified in deploying its huge cash hoard to buy its own shares that trade below the intrinsic value.

Will the board re-examine whether China Sunsine is to be unnecessarily constrained by the 30% guideline?

Company's response:

The Company thanks shareholders for highlighting that "share buy backs in excess of 30% daily trading are not uncommon." The Company has made a commitment to abide by the 30% limit as stated in the SGX guideline, the rationale for which we can understand. Therefore, unless in exceptional circumstances, or when SGX amends its guidelines, the Company will not seek to intentionally breach any SGX guidelines.

25. Dividend Policy

Is there a dividend policy and basis of deciding the amount?

Company's response:

The Company's dividend policy is to commit to at least an annual dividend payment to its shareholders, and in determining the amount of dividend per share, the Board of Directors considers many factors, such as current market conditions and potential challenges, future plans for capital expenditures, any unanticipated potential investment opportunities, working capital requirements, dividend yields, etc. The Board seeks to balance all stakeholders' interest in the process of making its dividend recommendation to its shareholders.

26. Share buyback practice

Our share prices has been hovering at 0.48~0.54 over the last 5 months. If we minus off its cash and its equivalent holding, the share prices seems grossly undervalue as compared with other companies in chemical industries. Why didn't the Company exercise the Share Purchasing Mandate that was authorized annually? By not doing the share buy back, it is inevitable to give raise negative thought:
1) Are the cash holding real? If so how can the Company dispelled this thought?
2) Cash idling in the bank in whatever form (other than those year mark for investment and business operation) is doing the Company a disservice.

Company's response:

The Company thanks its shareholders for highlighting that its current share price appears to be undervalued as compared with other companies in the chemicals industries. We agree with this observation, and we bear in mind the wise words of Benjamin Graham that "In the short run, the market is a voting machine but in the long run, it is a weighing machine." It is worth highlighting that the Company went public in 2007 at 19.5 cents a share (post 1:2 share split in 2019, vs 57.0 cents as of 26 April 2021, and for a shareholder who had subscribed to 1 ordinary share at IPO, and holds till now, he will have received 22 cents of cumulative dividends, excluding the upcoming dividends to be received if shareholders approve at the AGM). The management has been working very hard to create shareholder value. We hope that patient shareholders will be well rewarded.

The Company has been buying back its shares for many years. About 4 million shares (or 7 million shares after split) and about 5 million shares were bought in 2019 and 2020, respectively. We cautiously evaluate each buyback opportunity. At this AGM, the Company will seek approval from shareholders to renew the share buyback mandate. We will continue to conduct share buyback exercise at the appropriate time.

The Company's accounts are audited by Singapore certified auditors, who attend at the bank in person and check the bank balance directly from the bank system, to verify the authenticity of the bank balance amount (for the detailed procedure, please refer to the reply in the next question).

Certainly, the Company will also comprehensively consider the risks and benefits and strive to improve the return on cash funds.

G. Others

27. Presentation by auditor

Will Sunsine's auditors elaborate on the cash verification process?

Response from Auditor, Nexia TS Public Accounting Corporation ("**Nexia TS**"):

*Component auditors, Shanghai Nexia TS ("**SHNTS**") has personally visited all banks for Shandong Sunsine as the bank balances of Shandong Sunsine constitute more than 95% of the Group's total bank balances. Except for Weifang Sunsine, all other subsidiaries' banks are located within Shanxian county and Heze city, SHNTS has also personally visited the banks for Shengtao Chemical, Guangshun Heating, Fulong Villa, Sunsine Hotel Management, Hengshun New Materials and Yongshun.*

For Weifang Sunsine, bank confirmation was sent by the auditor directly to the bank.

All original bank confirmations are obtained by component auditors SHNTS either in person or via mail directly and are sighted by Nexia TS. In addition, no contingent liabilities were noted.

28. Cash Balance

Any plans for the large cash balance on the balance sheet?

Company's response:

The Company believes that it is necessary to maintain sufficient cash given the Group's existing expansion projects, possible future projects, market uncertainties and capital requirements for operation. The plan of funds usage are as follows:

- *Working capital: RMB 200-300 million;*
- *R&D and upgrading: RMB 200 million;*
- *Dividend: RMB 50 million*
- *Expansion projects: RMB 150 million;*
- *Controlled landfill: RMB50 million;*
- *Other small projects: RMB 50-60 million;*
- *Rest will be reserved for unforeseen circumstances*

29. CEO's retirement

What is the impact of the CEO leaving at short notice?

Company's response:

CEO is leaving the Company to enjoy his retirement as he is reaching his 70s. The current statutory minimum retirement age in China is 60 years for male workers. The Group has a policy for the senior management to decide whether to retire when he/she is 65-70 years old. The CEO has expressed his intention to retire a few years ago but did not do so until he was satisfied that our new General Manager, Mr Liu Deming

*("**Mr Liu**"), is ready to play a bigger role in the day to day management of the Group. As he has been planning for his eventual retirement for a while, the CEO feels that this is the right time to hand over the reins to Mr Liu and is confident that Mr Liu will be able to discharge his responsibilities competently. The Board concurs with the CEO's view. Naturally there will be some adjustments required but the management and the Board believe that the CEO's retirement will not have any major impact on the Group's operations as the Group currently has an experienced and mature management team helmed by the Executive Chairman.*

As previously announced on 15 April 2021, our Executive Chairman will assume the role of the CEO to oversee the whole Group's operations. Our Executive Chairman is still actively involved in the management of the Group, and will be supported by and will continue to provide guidance and strategic directions to the managment team. The Board believes that with the current team of management personnel led by the Executive Chairman, there is no over-reliance on any single individual and there will be no long-term impact on the Group's operations following the retirement of the CEO.