



## China Sunsine Chemical Holdings Ltd.

112 Robinson Road #11-01 Singapore 068902  
Tel: (65) 6220-9070 Website: www.ChinaSunsine.com

Company Registration No.: 200609470N

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

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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 (whose names are set out in brackets next to their questions) received by the Company between the period from 13 April to 21 April 2022 (“**Q&As**”) for the purposes of our annual general meeting (“**AGM**”) to be held on 29 April 2022.

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

#### A. Sales Volume, Prices

##### 1. Growth amid Covid-19 (Teo Kheng Lin)

Sunsine's rubber accelerator (RA) business continued to grow in 2020 and 2021, while peers, in aggregate, faltered amid Covid-19:

	Sales volume change		
	2020 vs 2019	2021vs 2020	2021 vs 2019
Global RA*	-6%	+3%	-4%
<b>Sunsine's RA</b>	<b>+3%</b>	<b>+12%</b>	<b>+15%</b>
Other producers' RA	-9%	0%	-9%

\* Derived from Sunsine's share of the global RA market

Was Sunsine's volume increase in 2021 mainly from first-time customers? (140 such clients were acquired in 2020.)

Sunsine's penetration rate of the world's top 75 tyremakers was over 65% in 2014, and over 2/3 in 2021.

Was the increase marginal -- 51 (the integer after 2/3 x 75) clients in 2021 from 49 (rounding up 65% x 75) in 2014?

#### Company's response:

*1. In 2021, the Group developed about 169 new customers. However, the management believes the increase in sales volume mostly came from the existing customers. The sales volume from our top 10 customers accounted for 38% of the total sales in 2021. This is an improvement of 3 percentage points from the previous year, where we observed a larger overseas sales volume.*

*2. Yes, we have transactions with 51 of the top 75 global tyremakers last year.*



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2. Given rising raw material costs, does the group have in place the necessary hedges to control expenses? How does the group intend to combat inflation? (Aw Ke Fun)

Company's response:

*No, we do not hedge raw material costs, as we do not see a need for that. Our pricing strategy is similar to cost-plus methods. Once the raw material prices increased, we are able to pass on the additional costs to our customers.*

3. Did 2021 sales volume of 195,405 tonnes include intermediate products? What were their amounts? (Chia Kee Koon)

Company's response:

*Yes. In FY2021, the Group sold 2,502 tonnes of MBT and 2,194 tonnes of 4ADPA.*

### B. Products & Production

4. Rubber accelerator TBBS & NOBS (Paul Tan)

What were the utilisation rates of the new TBBS lines in the past four half-years?

Why is TBBS, which is a safer substitute to NOBS in the manufacture of radial tyres, cheaper than NOBS?

Has Sunsine advised users of NOBS to switch to TBBS?

Company's response:

*The utilisation rate for the new 30,000-tonne TBBS has been increasing gradually (please see details as follows):*

	1H2020	2H2020	1H2021	2H2021
Utilisation rate	24%	52%	50%	75%

*There are fewer NOBS manufacturers, and more TBBS manufacturers in the market. This resulted in TBBS prices being lower than NOBS's. We have suggested to manufacturers currently using NOBS to replace NOBS with TBBS. These manufacturers also understand the harmful effects of NOBS. However, probably due to their internal processes and habits of some manufacturers, their production formula has not been changed, and they continue to purchase NOBS.*



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### 5. Insoluble sulphur (IS) project (Teo Kheng Lin)

What will the capex of Phase II of IS project be compared to Phase I's RMB 270m, which covered the infrastructure for both phases of 30,000 tonnes each?

Based on the page 22 of OCCL - Q3 & 9M FY22 Investor Presentation chart, Sunsine's 30,000-tonne capacity already was more than 10% of the low-growth IS market. What are the strategies to raise the market share when its IS capacity doubles?

#### Company's response:

*The insoluble sulphur (IS) Phase 2 project has not been formally initiated, hence the budget is not yet available. We expect it will be lower than the RMB 270 million for Phase I;*

*As stated in our Sustainability Report, one of the Company's long-term goals is to become a global leader in the insoluble sulphur market by expanding its capacity and market share. At present, the total capacity of insoluble sulphur of the Group is 60,000 tonnes, consisting of 10,000 tonnes in Shandong Sunsine Chemical, 20,000 tonnes in Shengtao Chemical, and 30,000 tonnes in Hengshun New Materials. The 10,000-tonne production line in Susnine Chemical was built in 2010 and has old equipment and outdated production technology. The Company plans to phase out this production line eventually. Shengtao is not located in the chemical industrial park, hence it will eventually be required by the government to relocate (although the government has not officially notified the Group about relocation). The Company has taken these two factors into consideration when designing the initial 60,000-tonne total production capacity in Hengshun. After the completion of IS phase 2 project, the production at Shandong Sunsine Chemical and Shengtao Chemical will cease, hence the total production capacity will remain at 60,000 tonnes, which still places the Group at a leading position in China. Moreover, although the price of insoluble sulphur has declined compared to prices a few years ago due to greater competition, the gross profit margin remains at a satisfactory level.*

### 6. Anti-oxidantsTMQ & 6PPD (Teo Kheng Lin)

Sunsine's TMQ capacity is 42,000 tonnes with the recent addition of 30,000 tonnes of TMQ and 2,000 tonnes of HTMQ.

Will its 30,000-tonne 6PPD capacity be expanded, since more 6PPD is used as an anti-aging agent than TMQ?

#### Company's response:

*At present, the Company has no plans to expand 6PPD capacity. The world's largest manufacturer of 6PPD is Sennics Chemical, with an annual capacity of about 130,000 tonnes. Even if the Company expands production of 6PPD, there is still a big gap with Sennics. Moreover, any expansion will face certain difficulties, such as large capital investment, difficulty in getting approval, large piece of land required, long construction period and complexity in construction etc. It also requires the construction of 4ADPA (or RT 培司, an intermediate product) facilities to support the 6PPD production.*



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*We decided to expand TMQ capacity with a few considerations. First, our current TMQ production is unable to meet demand even if the 10,000 tonnes of capacity is overloaded; Secondly, after full production expansion, the company's TMQ capacity has become the largest in China; Thirdly, the expansion requires lower investment amount and smaller land area. In view of the above, expansion of TMQ is, on balance, the best option for the Group.*

### 7. Masterbatch (Goh Chin Tong)

ChinaSunsine Business Update-25Nov08

In 2008, Sunsine built a 3,000-tonne workshop to mix rubber accelerators with rubber and other additives to form masterbatches based on tyre makers' specifications. Were 1,595 tonnes of "others" sold in 2021 masterbatches?

During 2020 AGM plan to produce more masterbatches was revealed (reply to question 11). Page 11 of 2020 sustainability report refers to "enhancing the market share of antioxidants and masterbatch".

Is this value-add service due for expansion?

*Company's response:*

*We sold 1,140 tonnes of masterbatch in 2021. The rest are small miscellaneous products.*

*Masterbatch is mostly used by non-tyre makers, for example, manufacturers of shoes and sealing stripes. The market is small, hence we prefer to focus on big quantity products.*

### 8. Utilisation Rate (Paul Tan)

During the 2021 AGM, the board replied to question 15 on competition as follows: "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."

Is the management confident of a reasonably high utilisation rate of the new 252,000-tonne capacity?

*Company's response:*

*The Company's utilisation rate has always remained at a high level, and the capacity has also organically expanded over the years. With the Company's leading position in the rubber chemicals industry, coupled with superior quality, economies of scale,*



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*brand, environmental protection and other advantages, the management is confident that the utilisation rate of the new capacity will be ramped up over time.*

### 9. Heze Yong Shun (Aw Ke Fun)

Please report on the cost savings provided by Heze Yongshun post-acquisition. If possible, can the management provide a basic cash-flow analysis to review and analyze the results of this acquisition?

*Company's response:*

*As stated in numerous previous announcements, the primary objective for acquiring Yongshun is to reduce the environmental risks faced by the Group. Cost saving is also one of the advantages, but not the most important one. In FY2021, Yongshun treated a total of 1,138 tonnes of dangerous waste generated by the Group, and the total fees charged for waste treatment was approximately RMB2.5 million. Had these wastes been treated by third parties, the Group would have incurred expenses of approximately RMB 5 million.*

### 10. Automated packing (Goh Chin Tong)

What proportion of the 252,000-tonne capacity adopts manual packing? When will automated packing be fully implemented? Will our production capacity increase in 2021?

*Company's response:*

*Our new TBBS (30,000 tonnes), 6PPD (30,000 tonnes), TMQ (total 42,000 tonnes), and new IS (30,000 tonnes) have automated packing lines, while others do not. Automatic packaging equipment cannot be installed in other production lines due to space constraints.*

### 11. Continuous process (Goh Chin Tong)

What proportion of the 252,000-tonne capacity runs on continuous processes?

Compared to the intermittent process, continuous production of TBBS requires half the workforce and consumes 1.33 tonnes less steam for every tonnes of output. (Reply to question 17 for 2020 AGM)

Will similar savings be realised in continuous production of other rubber chemicals?

*Company's response:*

*The new TBBS (30,000 tonnes), 6PPD (30,000 tonnes), TMQ (total 42,000 tonnes), 4ADPA (25,000 tonnes) and new IS projects (30,000 tonnes) adopt continuous production method.*

*Due to the constant changes in production technology and the need for government re-approval thereafter, our other production lines at present cannot be easily converted to continuous production method. All our new production lines adopt continuous production method. However, since the consumption of each product is*



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*different, the cost savings (after switching to continuous production) will also be different.*

### 12. Output per head (Goh Chin Tong)

Sunsine attributes the rising per capita output to training and automated production methods. (reply to question 12 for 2021 AGM)

.....Headcount....	Rubber chemical output (tonnes).....	Output per head (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
2021.....2,249.....	195,405.....	86.8

For how long will the uptrend continue? What were the causes behind the falling steam consumption per unit rubber chemical output?

#### Company's response

*The Group has been committed to increasing the adoption of automation, improving the working environment and reducing labor intensity. All new facilities adopt continuous and automation production method. We believe this trend will continue in the foreseeable future.*

### 13. Electricity (Paul Tan)

Has Guangshun received approval to sell the excess electricity it generates to the state grid?

#### Company's response:

*The Company has not yet received the approval.*

### 14. Green Products

Which rubber chemicals that China Sunsine sell are considered green rubber chemicals? Customers in which countries are willing to pay a premium for green rubber chemicals due to ESG considerations?" (Ting Kian Wei)

#### Company's response

*CBS, TBBS, MBTS, DPG, and IS are considered green rubber chemicals, which means that most of our Accelerators and IS are green rubber chemicals. Customers, like tyre-makers, depending on the type of tyres they produce (e.g. diagonal type or radial type, steel belted or semi steel), or the kind of formulae they adopt in tyre production, require different types of rubber chemicals. ESG is one of the factors for customers to consider whether to buy from a company. We do not sell rubber chemicals at a premium price simply because they are green.*



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### 15. Hotel Management

The hotel management division of the business appears to be largely irrelevant. Has the group ever considered a strategic divestment to simplify cost structures? (Aw Ke Fun)

Company's response:

*The Hotel business is a very small part of the Group's business. If suitable opportunity arises, the management will consider to divest it.*

### C. R&D

#### 16. MBT project (Teo Kheng Lin)

Has the state-funded RMB 24m study found a cleaner way to produce MBT? Can the existing MBT plants be retrofitted for the new process?

Company's response:

*At present, our MBT production adopts the method of intermittent high-pressure synthesis and purification of acid-alkali (or acid-based treatment 酸碱法). The MBT conversion rate is low in high-pressure production, and purification of acid-alkali produces a large volume of salty wastewater. As such, the wastewater treatment causes higher production cost for MBT and increases environmental protection risks. The Company's academician workstation team collaborated with Tsinghua University to develop the continuous solvent method in respect of the MBT process, which had improved the MBT conversion rate. The whole process only produces a small amount of waste salt and wastewater, which reduces environmental risk, and even comes with a cost advantage. The process has been pilot-tested at a small scale, and the result is promising. The Company is currently working on designs with plans to start construction of the new production line in 2022. The Company will make an announcement at the appropriate time.*

*The existing MBT cannot be adjusted to continuous solvent method as a major process change will be required.*

#### 17. Insoluble sulphur (IS) (Teo Kheng Lin)

OCCL's IS production lines are below 6,000 tonnes in capacity (from the page 15 of their Q3 & 9M FY22 Investor Presentation).

Are high-capacity lines, such as Sunsine's 15,000 tonnes, the minority in the IS industry?

Company's response:

*We do not speculate about the reasons for OCCL's insoluble sulphur production line being of such capacity. In China, we believe every single production line for IS is above 10,000 tonnes. For example, our Company's is 15,000-tonne per line, while Yanggu Huatai is 10,000-tonne per line. According to our experience, it is most efficient and effective for the capacity to be above 10,000-tonne per line.*





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18. Apart from investing in production capacity, are there any other initiatives with respect to technology adoption? (Eg. Smart factory initiatives etc.) (Tan Kian Hou)

Company's response:

*Currently, the Company's R&D is mainly focused on the development of new production processes (eg. the continuous solvent method for MBT process which we collaborated with Tsinghua University), automation and continuous production. We also noted the concept of Smart Factory, but have yet to embark on it. It may become our future direction for upgrading of capabilities.*

19. It appears that spending on R&D has not quite caught up with the top/bottom-line growth over the past years. Does the group consider increasing R&D to be of strategic importance in the future, especially in cost optimization technologies? (Aw Ke Fun)

Company's response

*Our R&D efforts are mainly focused on production process innovation, automation, etc. The rubber chemicals industry is quite a stable industry and it is not easy to innovate and develop a new product. The Company feels that the current R&D expenditure level is sufficient for current business environment and needs.*

### D. Business, Industry

#### 20. Export (Paul Tan)

What are the rates for export tax rebates for rubber chemicals?

What was the breakdown of the 70,404-tonne export in 2021 by product category?

Did Sunsine secure enough shipping containers for export of rubber chemicals?

Are Thailand, Vietnam, Indonesia, Malaysia, Japan, South Korea, as members of the Regional Comprehensive Economic Partnership (RCEP), reducing tariffs on China-made rubber chemicals?

Company's response:

1. *Currently, the export tax refund rate for all products is 13%.*

2. *The export volume breakdowns by product categories in 2021 are as below:*

	Volume (tonnes)
Accelerators	43,273
Insoluble sulphur	8,677
Anti-aging agent	18,248
Others	206
Total:	70,404

3. *The maritime transport situation has improved compared to 2021. Shipments to Southeast Asia have returned to normal, but supply chain issues in Europe and*





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*America remained challenging. Due to the COVID-19 control measures, the Shanghai Pudong port is more congested. Fortunately, most of our export goods are shipped through Qingdao port, which runs normally. The Company has also actively coordinated with shipping agents, thus our export shipments are not significantly impacted.*

*4. The export tariffs to the above-mentioned countries remain unchanged for now. However, under the Regional Comprehensive Economic Partnership (RCEP) Agreement between China and these countries, tariffs will be gradually reduced in the coming years.*

### **21. Export (Chua Ser Khoon)**

On page 6, the Chairman's Statement expressed optimism on the export market. But with the ongoing Ukraine-Russia conflict, can you share how this is affecting your global business?

*Company's response:*

*Since the Ukraine-Russia conflict from 24 February 2022, the Company has been closely monitoring the impact of this conflict on our export market. Based on current observations, the management does not think the conflict will materially affect our exports. In fact, the export sales proportion in 1Q2022 increased instead. Raw materials prices in 1Q2022 were not materially affected as well, and the average prices of raw materials remained at about the same level as that in 4Q2021.*

### **22. Competition (Paul Tan)**

The 2021 results announcement stated that some rubber chemical producers have implemented their expansion plans, and Sunsine expects intensified competition among the bigger players. Will the Board share the expansion plans it knows of? Is the concern of oversupply of rubber accelerators valid?

*Company's response:*

*To our knowledge, all our major competitors have expansion plans. For example, Sennics (Lianyungang) plans to expand accelerators' capacity; Kemai (Cangzhou) plans to expand capacity for accelerators, IS and anti-oxidants; and Yanggu Huatai also plans to increase its accelerators' capacity. The Company is monitoring the market closely, and while we are concerned about the oversupply situation, we are also very confident that we are able to continue to serve our customers well and expand our sales volume.*

### **23. IS export**

What percentage of Insoluble Sulphur (IS) does China Sunsine currently sell to overseas customers? How long is the qualification period before overseas customers will place actual order for China Sunsine's IS? Is IS selling at a premium price overseas as compared to China market, if so, what is the quantum (in terms of percentage) for this premium price? (Ting Kian Wei)



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Company Registration No.: 200609470N

### Company's response:

*In FY2021, we sold a total of 37,274 tonnes of IS, of which 8,677 tonnes were sold overseas, representing 23% in terms of volume.*

*Qualification period depends on different customers. The shortest is around 6 - 12 months, and the longest is around 3 – 4 years. For example, Bridgestone took 3 over years, while Goodyear took 4 years.*

*No. We use the China market price as a base, deduct the export tax rebate, then convert to foreign currency (usually USD). There is no premium price for the export market as compared to the China market.*

24. Can the group provide a preliminary insight into its position/market share within the industry? Can the group illustrate plans to cement its position as a market leader? (Aw Ke Fun)

### Company's response:

*The Company is currently the No.1 rubber accelerator producer in the world, and the No.1 producer of Insoluble Sulphur ("IS") in China. Our rubber accelerator products capture 36% of the PRC market share and 24% of the global market share. Our IS capacity is 60,000 tonnes per annum, which is the largest in the PRC.*

*Over the years, under the leadership of the Board chaired by Mr Xu Chengqiu, and leveraging our advantages in economies of scale, variety of products, quality of products, and environmental and production safety, the Group has gradually achieved its current position. There is a saying in the China rubber chemicals industry about "undefeatable Sunsine". We will not stop in our tracks, but will continue to expand our capacity, to improve our technique and production process, and contribute to the global rubber chemicals industry.*

25. The group is extremely well capitalized with ~1.4B of cash on its balance sheet. Given increasing consolidation within this space, does the group consider strategic acquisitions to be a viable alternative to increasing production? How does the group weigh the scale advantages provided by strategic acquisitions as opposed to production expansion? (Aw Ke Fun)

### Company's response:

*Yes, we are always on the look-out for potential acquisition opportunities. Thus far, we have acquired Yongshun Environmental Protection which has complemented our core businesses. We have been selective in our approach and will continuously seek synergistic targets for potential acquisition.*

*The Company is of the view that although acquisitions can allow us to expand faster compared to organic growth, it also has its disadvantages, such as higher costs compared building our own, differences in corporate cultures, and issues arising from integration of human resource and operations, etc. On the other hand, organic growth is a more prudent approach even if a longer time may be required. The Company has sufficient funds and land space to further expand its business according to market conditions and at its own pace. We will continue to expand our capacities, whilst at same time, look out for acquisition opportunities.*



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- 26.** Can you share the impact of Covid-19 lockdown in China? (Chua Ser Khoon)

*Company's response:*

*Currently, due to the outbreak of COVID-19 in Shanghai, and with many cities in China also reporting COVID-19 cases, most of these cities have implemented some form of control measures to restrict the movement of goods and people. Trucks are not allowed to exit the highway, which has delayed the transportation of raw materials to factories and finished goods to customers. The tyre-makers also experienced lower production utilisation rate and lower profits due to these control measures. The Company is trying its best to coordinate with local governments, suppliers, customers, logistics companies, etc, in order to minimise the impact of these measures on its operation. The Group's performance for 1Q2022 has remained satisfactory, and an announcement on its business updates will be released via SGX-net at the end of April 2022, which will show a clearer picture of the Group's performance. Shareholders, investors and interested parties may look out for the announcement.*

- 27.** EV sales' positive impact

The rising popularity of Electric Vehicles (EV) will increase demand for bigger and heavier tires as EV has a lot more torque and requires higher breaking performance. Will this lead to faster replacement of tires due to wear and tear? Will there be a change in the type and quantity of rubber chemicals required as EV tires are bigger and heavier? (Ting Kian Wei)

*Company's response:*

*We do not have official figures on these areas, thus are unable to comment on tyre replacement rates. According to our own observation, EV tyres are bigger compared to fuel-powered vehicle tyres, which means that it needs more rubber and rubber chemicals to produce.*

- 28.** Company's strategy on waste Treatment (Lee Hai Seng)

The strategy of "Sales and Production Equilibrium" established China Sunsine into the largest rubber accelerators manufacturer in the world. Does the same strategy work for waste treatment plant and controlled landfill businesses? If not, what kind of strategy is the company pursuing?

*Company's response*

*"Sales and Production Equilibrium" strategy ("SPE strategy") can not be applied to the Waste treatment and Controlled Landfill businesses. The SPE strategy is premised on producing products in order that they can be sold. Waste treatment and Controlled Landfill cannot produce products; they can only do treatment when there are dangerous wastes to be treated. As stated in our response to Question 9 from Mr Aw Ke Fun, the primary objective of the waste treatment business is to reduce the environmental risks faced by the Group. This is the same for the Controlled Landfill business. The strategy for these two businesses is "To Treat properly the dangerous wastes generated by the Group in compliance with relevant laws and regulations, so*



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*as to reduce the Group's environmental risks and at same time, to treat the wastes in nearby regions to achieve and maintain profitability."*

### E. Dividends, Share Buyback

#### 29. Dividend Payout (Goh Chin Tong)

The board asserted that the dividend for 2020 should stay at 1c as various transactions would use up RMB 800m in 2021. (Reply to question 28 for 2021 AGM)

But cash increased by RMB 51m to reach RMB 1,377m by the end of 2021 despite incurring RMB 1,000m on PPE, land use right, working capital, dividend, R&D. CIMB's projected cash level is RMB 1,647m by the end of 2022 after RMB 230m in capex.

Despite the unprecedented pandemic, Sunsine made RMB 219m in profit in 2020.

The Chairman's message in the 2021 annual report is reassuring:

"The projects initiated by the Group have led to an increase in our production capacity and we are ready to meet the increased market demand for our products. With the Group's market share further increased, our competitive advantages will become even more pronounced. At the same time, the Group will continue to explore new expansion projects to lay a solid foundation for further long-term sustainable development. Thus, we have complete faith in the development of the Group."

The 2-cent dividend for 2021 costs a mere RMB 90m. Sunsine cash level is set to rise at a rapid rate in the absence of major capex as it takes a couple of years to ramp up the 80,000-tonne new capacity.

The RMB 1,377m cash can meet the RMB 300m payroll for four years even if operating cash flows turn out to be nil. In the meantime cash-strapped peers go under.

Shareholders therefore urge the board to be more liberal in future dividend payout.

#### Company's response:

*Since its IPO, the Company has been paying dividends every year. The Board recommends a final one-tier tax exempt dividend of SGD0.01 per ordinary share, plus a final special dividend of SGD0.01 per ordinary share, in appreciation of the support of our shareholders.*

*Shareholder's feedback is well received. When determining the dividend rate every year, the Board carefully evaluates and comprehensively balances all stakeholders' interests by considering many factors, such as market conditions, the Group's expansion plans, and the need for working capital.*

#### 30. Share buyback practice (Goh Chin Tong)

In 2017, Sunsine gained RMB 55m from selling 27.65m of its own shares that were bought earlier for RMB 31m.



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Share buyback resumed in September 2018, but ceased unexpectedly in July 2021. The highest paid was 58.5c, adjusted for the share split in 2019.

The inaction in the past nine months when share price sank to 46c has engendered belief that share price will slide before Sunsine steps in. Some friends have sold their log-held shares, at a loss, despite 2021's stellar performance (11c EPS, 70c NAV, 30c cash per share).

We look forward to active share buyback to enhance shareholders' value under the new mandate.

[Company's response:](#)

*The Company thanks its shareholders for highlighting this.*

*As shareholders are aware, the management has been working very hard to create shareholder value by bringing the Company to and maintaining its current market leadership position. We hope that patient shareholders will be well rewarded.*

*The Company has been buying back its shares for many years. 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 our share buyback exercise judiciously and at the right opportunity.*

## F. Accounts

### 31. RMB's appreciation (Paul Tan)

Sunsine exported in 2021 twice as much as in 2020, but the US\$ assets it held rose 48% only:

	RMB (m)	
	Export value	US\$ assets as at the end of
2020	733	496
2021	1,420	735

Did Sunsine convert US\$ more promptly to RMB? Was RMB a settlement currency in export sales?

[Company's response:](#)

*Yes, the Company makes timely conversion of its foreign currencies into RMB. The majority of our export sales are still settled in US dollars.*

### 32. Cash (Cheng Boon Khee)

The management has done well in increasing Sunsine's cash despite the investment to increase production capacity. What are the plans for Sunsine's excess cash beyond planned capital expenditure?

[Company's response:](#)

*Our cash reserves (RMB 1,377 mil) will be used or set aside for the following activities (in RMB):*



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- *Dividend: 100 mil*
- *Working Capital: 300 mil*
- *R & D: 120 mil*
- *Facilities Maintenance & Upgrading (including environmental facilities): 100 mil*
- *Current expansion projects: 100 mil (TMQ about 80 mil, controlled landfill about 20 mil)*

*We are also in preliminary discussions to undertake new expansion projects. We will update shareholders in due course.*

*The rest of our cash are reserved for any unforeseen circumstances and potential business developments.*

### **33. Cash / Balance Sheet (Aw Ke Fun)**

Thank you for the special dividend. However, can the group provide an explicit breakdown of how the cash on the balance sheet should be deployed? Current cash amounts are excessive, even after accounting for future expansion projects and working capital. What is the opportunity cost of capital the group attaches to this cash on the balance sheet?

*Company's response:*

*Please refer to our response to Question 32 above.*

### **34. Tax losses (Lee Hai Seng)**

RMB223M tax losses. Para in note 10 says "which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore. The tax losses have no expiry date."•

Base on my understanding, China Sunsine Chemical Holdings Ltd, an investment holding company domiciled in a Singapore is not be able to carry forward tax losses to offset against future profit and subsidiaries domiciled in China are under the regime where tax losses have expiry date. So please tell me where I got it wrong.

*Company's response:*

*Your understanding is correct. But for China Sunsine, its principal activities also include general importers and exporters including petrochemical trading. Although we did not carry out this activity in recent years, we are not precluded from doing so in future. If we generate profits in future due to trading, the carry forward tax losses can then be utilised.*

## **G. Other Issues:**

### **35. Regarding resolution 5 (Khoo Kay Leng)**



## **China Sunsine Chemical Holdings Ltd.**

112 Robinson Road #11-01 Singapore 068902  
Tel: (65) 6220-9070 Website: www.ChinaSunsine.com

**Company Registration No.: 200609470N**

Based on FORM 1 (sgx.com), it was reported that Mr Yan sold 200,000 Sunsine shares on 6 Aug 2021 at 52 c per share. The shares were held in a nominee account in the joint names of Mr Yan and his spouse and it was reported that his spouse executed the sale without Mr Yan's knowledge.

I would like to post a question at the AGM to Mr Yan to explain why he did not buy back the 200,000 shares that were sold by mistake? Does he not have faith in Sunsine since the shares were sold mistakenly?

[Company's response:](#)

*Mr Yan is a businessman, and is currently doing business in China. Due to his busy schedule, as well as the COVID-19 control measures in China, he has limited time to attend to this matter. Mr Yan has agreed to buy back these shares when he returns to Singapore.*