



**China Sunsine Chemical Holdings Ltd.**  
16 Raffles Quay #15-08 Hong Leong Building, Singapore 048581  
Tel: (65) 6220-6686 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 12 April 2023 to 19 April 2023 (“**Q&As**”) for the purposes of our annual general meeting (“**AGM**”) to be held on 27 April 2023.

### 1. Dividends (Teo Kheng Lin)

Despite a six-fold increase in revenue 15 years after the IPO in 2007 and multiple adversities along the way, Sunsine's financial position has been rock solid:

	RMB m			
	Revenue	Cash	Notes Receivables	Cash + Near Cash
2007	620	113	0	113
<b>2016*</b>	<b>2,037</b>	<b>276</b>	<b>151</b>	<b>427</b>
2018	3,283	1,039	239	1,278
2019	2,692	1,280	167	1,447
2020	2,334	1,326	148	1,474
<b>2022</b>	<b>3,825</b>	<b>1,365</b>	<b>530</b>	<b>1,895</b>

\* Bank loans were paid off and Sunsine has been debt-free.

On very conservative projections, CIMB expects cash to be RMB 2,657m (equivalent to 53 S'pore cents per share) by the end of 2025.

Parking large sums at banks lowers financial performance. The yield was 1.2% in 2022. With structured deposits in 2021, the yield was still a low 1.8%. On the other hand, the net margin from rubber chemical sales has been way above 10%, except 9.8% in 2020 when Covid-19 was at its worst.

We thank the Board for doubling the dividend rate to 2c for the financial year 2021 and raising it to 3c for the financial year 2022. As a lower cash balance should be sufficient to weather unanticipated headwinds, we urge the Board to continue raising the dividend rate to share the fruit of success. A one-cent increase in dividend costs only RMB 50m,



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### Company's response:

*Firstly, CIMB's expectation of our cash position is purely the projections of an independent third party. The Company does not comment on nor endorse the projections made by third parties.*

*Since its IPO, the Company has been paying dividends every year. The Company has paid an interim special dividend of SGD0.005 per share in celebration of the 15<sup>th</sup> Anniversary of its IPO on the Singapore Exchange. The Board also recommends a final one-tier tax-exempt dividend of SGD0.01 per ordinary share, plus a final special dividend of SGD0.015 per ordinary share in appreciation of the support of our shareholders. The total dividend for FY2022 will be SGD0.03 per share with a payout ratio of 23%.*

*When determining the dividend payable every year, the Board carefully evaluates and comprehensively balances all stakeholders' interests and many other factors, such as market conditions, the Group's expansion plans, and the need for working capital.*

*Currently, the global economic condition is still uncertain. China's economy is recovering at a slow pace, and geopolitical tensions have threatened financial stability and heightened associated risks. On top of that, market competition in the rubber chemicals industry is intensifying as major players are implementing expansion plans and launching new projects. These factors have caused the Group to become more cautious when expanding production capacity and making strategic decisions regarding its future development. As the saying goes, "With food in hand, there is no need to worry" (手中有粮, 心头不慌). Our robust financial position has provided us with a strong cushion in dealing with these headwinds and uncertainties. As always, we value shareholders' feedback and take them seriously. We will endeavour to strike the right balance between the Group's long-term development needs and enhancement of shareholders' return.*

## 2. Verification of cash balance (Teo Kheng Lin)

During the AGM held in 2019, ex-ID Paul Tan assured shareholders of the verification of cash balance as follows:

"Mr Paul Tan added that this has been one of the main areas that the Board has been looking out for from the very beginning and have got multiple assurances on this. The auditors also went to the branches of the banks to confirm and verify the balances. Previously, the three independent directors have been to several of those big bank branches to look at the bank balances as reflected in the banks' computer system. Shareholders can be assured that the money is there."

Will the auditor consider visiting the head offices of the banks to provide greater assurance to the Board and shareholders?

### Company's response:

*The auditor follows the relevant PRC banks' requirements in obtaining direct confirmations from banks. Usually, a bank request letter is submitted directly by the auditor to the branch where the company opened its bank account unless the bank does not have a local branch, in which case the bank request letter will be sent by the auditor to the bank's head office. Some banks may provide direct confirmation on the spot to the auditor after verification of the authorised signatories and company seal by the bank staff at the branch while other banks may process*



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*the confirmation through mail sent directly to the auditor. As such, the banks may not provide the confirmation to the auditor even if the auditors were to visit the head office of these banks. Instead, the auditor will have to follow the procedures set by each bank to obtain direct confirmation of bank balances.*

3. Debtors (Teo Kheng Lin)

Trade receivables turnover rose to 70 days in 2022 compared to below 60 days previously. Additionally, notes receivables at the end of 2022 were exceptionally high, at RMB 530m. Were tyre makers granted longer credit periods in 2022? Will things be back to normal soon?

Company's response:

*The increase in trade receivables turnover is mainly due to a longer credit period granted to one of our major customers which has requested for an extension of the payment term from the usual 3 months to 8 months. Out of goodwill and in support of this customer, we have acceded to the customer's request as an exceptional case, and are confident that the customer will make timely payments in due course.*

*We expect the customer to be able to resume its normal payment term by the end of this year.*

4. Demand for Accelerator TBBS (Goh Chin Tong)

Rubber accelerator sales volume dropped by 12% in 2022 as demand for TBBS (used in the production of all-steel tyres for heavy vehicles) plunged because of movement controls in China amid the resurgence of Covid-19.

Has the situation improved as the logistics and infrastructure construction markets in China are reported to be gaining ground?

Company's response:

*Based on our sales figures for the first quarter of this year, we have observed a slight improvement in TBBS sales volume as compared to the corresponding period and the previous quarter.*

*We anticipate a gradual improvement as economic activities pick up over time. However, market competition remains intense, and the export market is recovering slower than expected.*

*Thus, the Company holds a cautious view towards the sales volume of its TBBS product.*

5. Continuous, automated, and green production processes (Goh Chin Tong)

The sustainability report states that: "New expansion projects have all adopted the industry's most advanced "continuous, automated, and green production processes" technologies, greatly improving production efficiency and safety while also being more environmentally friendly. At the same time, the Group has also been undertaking comprehensive upgrading and transformation of its old production facilities progressively."



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During the 2022 AGM, in response to shareholders' query, the Board stated that: "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."

What will the improvements be from the comprehensive upgrading and transformation of its old production facilities?

Company's response:

*As stated in our Sustainability Report 2022, the Group has undertaken a series of technological upgrading, and transformation or replacement of old facilities, including but not limited to improvements in production process automation, reduction of energy consumption, control of exhaust gas and odour, and eliminations of safety risks.*

*For example, Shandong Sunsine improved and enhanced the way of transferring its semi-finished products; MBT workshop completed the installation and commissioning of dehydration tail gas treatment facilities; 6PPD workshop collected waste gas from granulation and finished products tanks and fed into the RTO system for incineration; DPG workshop merged the tail gas of the washing tank into the absorption tower for treatment. The water treatment station replaced the sealing shed of the regulating pool to strengthen the sealing and collection. In addition, Shandong Sunsine also carried out anti-explosion transformation measures for the sulphur recycle workshop, old TMQ workshop, hydrogen production section, anti-oxidant 4ADPA and 6PPD workshop control room, SIS system cabinet room, etc.*

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

Sunsine's per-capita output has risen over the years:

	Headcount	Rubber chemical output (tonnes)	Per-capita output (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
2022	2,193	186,153	84.9

In response to shareholders' query during the 2022 AGM, the Board said it believed the uptrend would continue in the foreseeable future.



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Automated packing is a major application of productivity gain. The Board pointed out that space constraints have prevented automated packing from being extended to the remaining 122,000 tonnes of the overall 254,000-tonne capacity. Is this still the case now?

### Company's response:

*Yes, the old 122,000-tonne production facilities cannot be upgraded to automated packing system due to space constraints. However, all the new facilities (including already built and to-be-built facilities), such as 30,000-tonne TBBS, 60,000-tonne insoluble sulphur and 60,000-tonne MBT adopt continuous, automated production and packing system.*

### 7. Utilisation rates (Tan Hang Meng)

Given the low capacity utilisations (76% for rubber accelerators, 63% for insoluble sulphur, and 84% for antioxidants), and the completion of the 30,000-tonne insoluble sulphur project by the end of this year, when is new capacity likely to be added?

### Company's response:

*The lower capacity utilisation rate is due to the addition of new capacities in recent years, such as 30,000-tonne accelerator TBBS, 30,000-tonne insoluble sulphur (IS), and 32,000-tonne anti-oxidant production lines. Prior to this addition, the production capacity of these three product categories was almost fully utilised as a result of strong market demand for our products. Therefore, the Company decided to increase production capacity in an orderly manner. The addition of new capacity not only allows the Group to further enhance its economies of scale, but also allows it to better meet the market demand for our products, and then further expand our market share. We believe it will benefit the Group's long-term and sustainable development and growth.*

*The new 30,000-tonne IS project is expected to be completed by the end of this year. However, as the current IS market is still highly competitive, we will release the capacity gradually depending on the market condition.*

### 8. Anti-oxidant 6PPD (Tan Hang Meng)

According to 2019 年防老剂 6PPD 盈利背后原因及对上市企业影响分析|中化国际\_新浪财经\_新浪网 (sina.com.cn), Sinochem, Sinopec, and Sunsine are the major 6PPD producer in China.

Another source, 2021 年中国橡胶工业协会橡胶助剂工业年度统计数据分析 reports that Sinochem's subsidiary, 圣奥, is the undisputed world's biggest 6pd producer with a capacity as high as 150,000 tonnes.

What are the respective 6PPD capacities of Sinochem, Sinopec, and Sunsine. What is China's market share in the world's 6PPD market?

### Company's response:

*Based on public information and our internal sources, China's 6PPD sales volume accounts for approximately 70% of the global market share. The major producers include Sennic*



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*(Sinochem, 140kt p.a.), Shanxi Jinteng (40kt p.a.), Nanjing Chemical (Sinopec, 30kt p.a.) and China Sunsine (30kt p.a.).*

*China Sunsine's sales volume for 6PPD in FY2022 accounted for approximately 12% of China's domestic sales.*

9. Collaboration with BASF China R&D centre (Tan Hang Meng)

In 2021, the Board, in response to shareholders' query, stated that "BASF is a world-renowned chemicals company. BASF China is not only a raw material supplier to the Company, but also our great partner with 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."

What is the progress in collaboration?

*Company's response:*

*BASF supplies us with Tert-butylamine which is a major raw material in producing TBBS. Through the close partnership with a world-renowned chemical company, we not only receive technical support and advice but also learn about some advanced management concepts and corporate governance from them. Our collaboration is not limited to any specific form; there is scope for wider collaboration between them and us.*

*For instance, we are currently discussing with them topics such as green processes for rubber chemicals and wastewater treatment etc.*