China Sunsine Chemical Holdings Ltd.

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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 (whose names are set out in bracket opposite the headnotes to their questions) received by the Company between the period from 14 April 2025 to 21 April 2025 ("**Q&As**") for the purposes of our annual general meeting ("**AGM**") to be held on 29 April 2025.

1. Notes receivables （Teo Kheng Lin）

On 23 April 2024, Sunsine said the high notes receivables since 2022 were caused by one of the world largest tyremaker in China, being given more time to settle its payables, as it filed for an IPO.

End of .....Notes receivables (RMB'm)
2021.....................184
2022.....................530
2023.....................439
2024.....................327

How much of the RMB 327m notes receivables will be freed as this tyremaker is now en route to the listing?

Company's response:

The Company would like to clarify that the first paragraph of Mr Teo's statement attributed to the Company is inaccurate and was not stated as such by the Company. Instead, as previously announced, the increase in the trade receivables was due to longer credit term given to that tyremaker.

Notes receivables are commonly used in China and they are promissory notes issued by China's local banks with low risks of non-recoverability. The banks issuing the notes will pay to bearer when the notes are due. Just like "banker's draft", these notes can be presented to the bank in exchange for money or can be endorsed to pay to suppliers. So once the Company received the bank notes, the customers outstanding balances are reduced accordingly. Such bank notes are essentially "money". The longer credit term given to a customer will not result in the increase in the note receivables, but will result in the increase in trade receivables.

The Company has stated clearly in its FY2022 full year results announcement dated 28 February 2023 that the increase in notes receivables was a result of the Group tightening its collection of trade receivables.

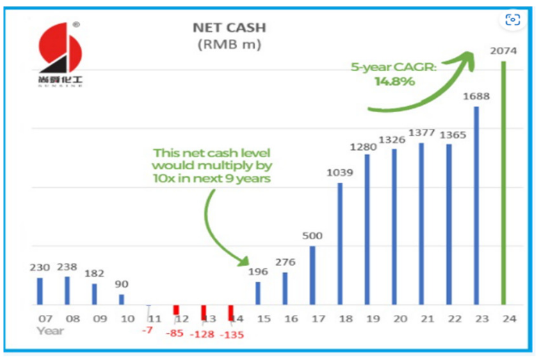
The Group's sales department works closely with the relevant customer and will make every effort to strike a balance between shortening the credit term and preserving a good customer relationship.

2. Has a cap on cash been set? (Teo Kheng Lin)

As administrative, distribution, and marketing expenses amounted to RMB 322m in 2024, the **RMB 2,074m** cash as of end-2024 can sustain operations for **six** years even if gross profit is zero (most unlikely) during the extended period.

The **RMB 2,074m** is also enough for the inventory purchase of RMB 2,097m in 2024.

Cash generation has been Sunsine's forte, and cash will continue accumulating unless a big portion of the profit is paid as dividends.



Has the management set a cap on the cash level?

It should be noted that had the government compensated Sunsine RMB 71m in 2024 for asset disposal, the year-end cash balance would have been RMB 2,145m instead of **RMB 2,074m**. When Zhongce reduces its payables, cash will pile up further.

Company's response:

The Company does not set any cap on its cash level.

As the world's largest producer of rubber accelerators and China's largest producer of rubber chemicals, China Sunsine has been deeply engaged in the industry for over 40 years, continuously strengthening its core competitiveness and solidifying its market position. Over the past decade, in particular, the Group's financial position has grown healthily and steadily. We have always adhered to the principle of expanding and strengthening our presence in the rubber chemicals industry by maintaining strict cash management, making prudent investments, and planning ahead. A strong cash reserve not only enables us to reduce production costs but also allows us to seize opportunities and respond to various challenges proactively.

The strategic significance of our cash reserves is reflected in the following aspects:

Price Advantage

Industry-wide capacity expansion has intensified competition, putting pressure on selling prices and profit margins. Strong working capital enables us to secure better pricing in raw material procurement, helping us lower production costs and maintain a competitive pricing edge.

Economies of Scale

Our goal is to expand sales. Over the past few decades, we have continuously broadened our rubber chemicals product portfolio, achieving economies of scale that reduce unit production costs and enhance our competitive advantage.

R&D Investment and Equipment Upgrades

R&D capability is a key indicator of corporate competitiveness. Every year, we make continuous investments in R&D to improve production processes, implement automation and continuous production methods, and carry out regular equipment upgrades. This not only ensures that the Group can produce high-quality products more safely, but also effectively reduces production costs and improves environmental compliance.

Investment Opportunities

The market environment is constantly evolving, and investment opportunities can arise unexpectedly. With our financial strength, land resources, technical expertise and market presence, the Group is well-positioned to respond quickly and capitalise on these opportunities, ensuring our leadership in the industry.

Shareholder Returns

Since our listing in 2007, the Company has consistently paid dividends. Till todate, including the dividends to be paid post-AGM, the Company would have paid dividends of more than RMB 1 billion vs its IPO proceeds of RMB 264 million (in 2007). Dividends of 3 Singapore cents per share has been declared for FY2024, which represents a payout ratio of 36%. Our achievements would not have been possible without the continued support of our shareholders. We remain committed to sustaining this practice and sharing the benefits of our growth with them.

In a highly competitive market environment, the Group strives to strike the right balance between maintaining financial strength and competitiveness while delivering shareholder value and ensuring long-term sustainable development.

3. New rubber accelerator capacity (Teo Kheng Lin)

Has the new rubber accelerator capacity (indicated on 23 April 2024) been finalised, as utilisation already hit 92% in 2024?

Company's response:

The new expansion plan is in progress, and the Group will release an appropriate announcement in due course.

4. MBT (Paul Tan)

As revealed on 23 April 2024, the continuous MBT production method saves between RMB 1,800 and RMB 2,000 per tonne. If depreciations are considered, what is the saving for Phase One?

What is the capex of Phase Two given that Phase One cost RMB 200m?

Sunsine previously bought around 20,000 tonnes of MBT. With the addition of 60,000 tonnes from the new, continuous method, it becomes a seller. Is the MBT market in China large enough for the latest supply?

Company's response:

Based on our internal assessment, the new continuous solvent MBT can save approximately RMB 1,800 to RMB 2,000 per tonne in production costs, which includes raw materials and labor costs etc, but exclude fixed cost, like depreciation. However, it is difficult to calculate the exact cost savings when depreciation is considered. This is because, although Phase One is designed for an annual capacity of 20,000-tonnes, many infrastructure facilities were built to accommodate the full 60,000-tonne capacity from the outset. As a result, the investment in Phase One was relatively high.

We are currently preparing for the Phase Two of 40,000-tonnes MBT capacity, and the capex budget will be announced in due course.

Once the entire project is completed, the production capacity will reach 60,000 tonnes. Apart from meeting our internal needs, we will also be able to supply to the market. However, we do not aim to operate at full capacity immediately after completion. Instead, we will maintain a certain buffer so as to have greater flexibility. In the future, as market demand grows, we will increase production gradually.

5. Africa (Paul Tan)

Slide 14 of the 2024 results presentation attributed the increase in international sales to many Chinese tyremakers venturing overseas, especially in Southeast Asia.

During the AGM in 2024, the CFO said,"African countries are among the world's fastest growing countries. Their growing demand, abundant resources and lower labour costs attract Chinese tire companies to invest in Africa. One of the Company's customers also has factories in South Africa."

According to 森麒麟投资 3 亿美元建摩洛哥工厂 – Tyrepress 中国, Sentry has set up a tyre factory in Morocco. Based on 玲珑计划在非洲设立工厂-世展网, Linlong will invest in Kenya.

As Africa develops, vehicle ownership should increase as more roads and highways are built.

Will Africa become Sunsine's significant market?

Company's response:

Chinese tire companies are actively setting up factories overseas, including in Africa. However, the African market currently has an underdeveloped infrastructure and will require time to grow before reaching a significant scale. Therefore, in the short term, Africa will not be our main market, but its future growth holds promise.

6. Productivity (Paul Tan)

Automation and more efficient processes have resulted in more than doubling sales volume with an almost unchanged headcount.

Year	Headcount	Rubber chemical sales (tonnes)	Per-capita (tonnes)
2013	2,134	98,345	46.1
2014	2,186	108,973	49.9
2015	2,084	114,572	55.0
2021	2,249	195,405	86.8
2022	2,193	186,153	84.9
2023	2,116	206,996	97.8
2024	2,125	214,094	100.7

On 23 April 2024, Sunsine shared that productivity would continue to improve. Can we expect this to unfold?

Company's response:

Certainly. In recent years, we have been increasing our investment in research and development and technological improvements, adopting automation and continuous production processes to reduce production costs and enhance efficiency. We are pleased to see that these efforts have yielded positive results. At the same time, we will continue to make improvements and upgrades, and we look forward to further enhancing productivity.

7. ASP (James Wee)

Price (RMB per tonne)					
	2021	2022	2023	2024	change
Rubber accelerators	21,843	22,845	19,648	19,941	-9%
Antioxidants	20,390	24,203	18,315	16,337	-20%
Insoluble sulphur	8,251	7,918	6,535	6,207	-25%
Overall	18,821	20,237	16,633	16,224	-14%

ASP of rubber accelerators, Sunsine's mainstay, has been relatively stable.

What caused the sharp decline of insoluble sulphur ASP? Was this segment profitable with such as low ASP?

The 2021 annual report stated that in FY2021, the insoluble sulphur facilities operated above their designated capacity.

What measures were taken to achieve sales volumes of 37,274 tonnes in 2021, and 37,599 tonnes in 2022 when the combined capacity of insoluble sulphur facilities in Dingtao and Facility One was 30,000 tonnes?

Was the old 10,000-tonne insoluble sulphur factory in Facility One phased out by 2024? If so, How did the 30,000-tonne facility in Hengshun produce 40,583 tonnes of insoluble sulphur in 2024?

Company's response:

The low selling price of insoluble sulphur is mainly due to intense market competition. With the current selling price, we are still able to make profit, primarily due to the Group's economies of scale and efficient use of raw material recycling, which has helped reduce production costs, allowing our products to remain competitive in the market.

The total capacity of 30,000-tonne in Dingtao and the main plant were originally custom-designed. When there is demand for our products in the market, these capacities can actually produce more to meet market demand.

The old 10,000-tonne capacity at the main plant remains in operation but it will be phased out eventually. In 2024, with the addition of Hengshun's 30,000-tonne capacity, IS production volume was over 40,000 tonnes.

Looking ahead, with the launch of Hengshun's Phase 2, and adding another 30,000 tonnes of IS capacity in 2025, total production capacity is expected to reach 60,000 tonnes by the end of the year.

8. Steam generation (James Wee)

The total planned capacity for Guangshun Heating has three phases, with an operating 130t/h boiler in each phase. Phase II commenced operations in 2018.

The amounts of steam produced thus far:
.............tonnes
2020....866,275
2021....948,444
2022....834,059
2023....900,463
2024…985,940

As a boiler produces 936,000 tonnes (130 tonnes per hour x 300 days x 24 hours) of steam in 300 days, will the third operating boiler not be installed for a while?

Company's response:

The Company's subsidiary, Guangshun Heating, was established in 2013 to produce and supply steam and electricity.

The total planned capacity for Guangshun Heating is 4 boilers and 3 generators. The construction comprises 3 phases, of which two had been completed.

Phase 1 consisted of two boilers (one in use and one on standby) and one generator, while Phase 2 added one boiler and one generator.

These facilities are currently sufficient to meet our production needs, hence there are no immediate plans to proceed with Phase 3.

9. Land at Hengshun (James Wee)

What is the total land area? How much was taken up by 60,000 tonnes each for MBT and insoluble sulphur?

Company's response:

Hengshun's total land area is 676+ mu (approximately 451,017 square meters). The 60,000-tonne MBT project occupies around 128 mu, while the 60,000-tonne Insoluble Sulphur project covers about 374 mu. This leaves approximately 174 mu available for future expansion.

10. Cash audit (Goh Chin Tong)

As cash (RMB 2,074m) was almost half of equity (RMB 4,209m) as of the end of 2024, what measures had auditors taken to satisfy themselves with the amount? What's are SGX's guidelines on this area?

Response from Auditor, CLA Global TS Public Accounting Corporation ("CLA"):

We adopted the following measures:

* *Obtained listing of bank balances and agreed the amounts to original bank statements and/or internet bank portal, bank confirmations and accounting ledger.*

* *Obtained confirmation for all bank balances directly from the banks which include information of the facilities obtained by the Group. The bank confirmations are either obtained electronically through the banks' centralised digital platforms or via direct mail sent to the regional/central processing department of the banks.*

* *Reviewed the year end bank reconciliation and tested the subsequent clearance of material reconciling items, if any.*

* *Verified on sampling basis, receipts from customers and payments to suppliers to relevant supporting documents.*

** Using data analytics, to identify any unusual transactions and/or significant bank transactions and verified the nature of the transactions to relevant supporting documents.*

SGX does not have any specific guidelines on cash audit, but auditors perform its audit under Singapore Standards on Auditing ("SSA").

11. Investor dialogue (Yeo Khee Chye)

During last year's AGM, Director Koh Choon Kong suggested gatherings for investors to deepen their understanding of Sunsine.

Has the management been working on this?

Company's response:

Since its listing on the Main Board of the Singapore Exchange in 2007, the Company has placed great emphasis on communication and engagement with investors. To this end, the Company has implemented the following measures:

- ***Establishing a Dedicated Investor Relations Team***

  The Company has a dedicated investor relations team comprising the Group's Chief Financial Officer (CFO) and an Investor Relations Manager. Their contact details are available on the Company's website and in all Company announcements. Investors, shareholders, analysts, and media representatives can contact the team via email, phone, or in-person office visits. The team strives to respond promptly to public and shareholder inquiries and share industry information to help investors better understand the Company.

- ***Regular Engagement with Investors***

  Since its listing in 2007, the Company has held results briefings regularly. Now this is conducted semi-annually. Announcements regarding these briefings are published on the SGX website, and all interested parties are welcome to register and attend. The briefings are chaired by the Group's CFO, who presents the Company's financial and operational performance and addresses investor queries in real time. These briefings have been well received by investors. In addition, the Company holds an Annual General Meeting (AGM) every year, providing a platform for direct engagement between the Board and shareholders.

- ***Organising Site Visits***

  Each year, the Company organises site visits for analysts, institutional investors, and shareholder representatives to its primary production base in Shanxian, Shandong. These visits allow participants to gain firsthand insights into the Group's operations and engage in in-depth discussions with the Chairman, General Manager, and other senior executives.

- ***Participating in Roadshows***

  The Company participates in investor conferences organised by brokerage firms and other institutions to introduce itself to potential investors and enhance its market presence.

- ***Investor Relations Website***

  The Company's website features a dedicated Investor Relations section, which includes Company announcements, analyst and media reports, financial information, shareholders, events, dividends, annual reports, and AGM/EGM-related information, ensuring that investors can access the latest company updates. Important announcements and updates are also promptly distributed to subscribers.

The Company's efforts in investor relations have been widely recognised, earning multiple awards such as "Best Investor Relations" and "Most Transparent Company." The Board believes that the current communication channels with investors are effective, and there is no immediate need to organise additional investor gatherings. However, the Company remains committed to maintaining investor relations and expanding its market reach and recognition.

12. Feedstock (Yeo Khee Chye)

In his annual report statement, the Chairman stated that besides efficiency enhancement and cost reduction resulting from improved, cleaner production processes and technological innovation, Sunsine has expanded the production capacity of key raw materials, lowering production costs and strengthening supply chain security.

Is MBT the feedstock referred to by the Chairman? What is the other feedstock?

On 23 April 2024, Sunsine disclosed that it bought MBT mostly from smaller producers in the nearby Henan Province. These producers also manufacture various small-volume rubber chemicals.

The capacity of feedstock MBT will be 105,000 tonnes as the 45,000-tonne old facilities will be retained.

What were the production volumes in the past five years? For 2024, please indicate the volume from the new continuous method.

Can we also have past productions of 4ADPA, the feedstock for antioxidant 6PPD?

Company's response:

The Company currently produces two types of raw materials in-house: MBT, which is used in the production of accelerators, and 4ADPA, which is used to produce antioxidant 6PPD.

Accelerators are the Company's main product. China Sunsine is the world's largest producer of rubber accelerators, with its products accounting for 35% of the Chinese market and 23% of the global market. Ensuring a self-sufficient supply of raw materials saves costs and reduces reliance on external suppliers.

The statement - "Sunsine has expanded the production capacity of key raw materials" mentioned by the Chairman in the annual report refers specifically to MBT.

In 2024, production volume from Phase 1 of the new continuous MBT line, which has a 20,000-tonne capacity, reached 19,755 tonnes.

Due to commercial confidentiality, the Company does not disclose historical production volumes of MBT and 4ADPA.

13. US sweeping tariff (Yeo Khee Chye)

Page 1-1-108 of Tianjin Kemai's 2019 IPO prospectus states that:
1. rubber accelerators TBBS and CBS are not on the U.S. tariff list, and
2. US tyremakers pay the tariffs of the affected rubber accelerators.

Is the US not producing (or not producing enough) TBBS and CBS, for tyre manufacture?

What will be the impact of the current sweeping tariffs on Sunsine? (Sunsine's export to the U.S.A. has been negligible -- 2% in value last year.)

Canada and Mexico are big tyre exporters to the US. Where do these two countries buy rubber accelerators from?

Company's response:

The U.S. does produce rubber chemicals such as TBBS and CBS, but not in sufficient quantities to meet domestic demand. This shortfall is due to several factors, including strict environmental regulations, economic considerations, and industry consolidation. As a result, the country relies heavily on imports, particularly from Asia, and especially China. Approximately 70% of the world's rubber chemicals are produced in China.

Much like the U.S., there's minimal local production in Canada and Mexico. They rely on global chemical supply chains as well.

The U.S. tariff impact on the Company is limited and manageable, based on the following factors:

- *Relatively lower Exposure to the U.S. Market: Sales to the U.S. account for only 2–3% of the Group's total revenue, so the direct impact on the business is relatively small.*

- *Selective Product Coverage: While some rubber accelerator products are included in the tariff list, others are not, which helps moderate the extent of the impact.*

- *Commercial Arrangements: In many cases, the tariff is borne by customers.*

In summary, the current sweeping tariff is not expected to have a material impact on the Group's overall operations and financial condition for FY2025

14. Prompt payment to suppliers (Teo Kheng Lin)

The average trade payables turnovers in the past five years:
.....................(Days)
2020....2021....2022....2023....2024
....13..........9........10..........7..........6

On 31 December 2024, advances to suppliers stood at RMB 79.3m. What was the total amount for the whole year? What are the benefits of prompt payments?

Company's response:

The Group adopts advance payment methods in its transactions with most of its raw material suppliers, resulting in a significant amount of prepayments each year.

With our strong financial position, the Company is able to arrange advance or prompt payments to suppliers. This allows us to benefit from more favorable raw material pricing, ensure supply stability, and maintain strong, long-term partnerships with our suppliers.

15. Collaboration with BASF China (Teo Kheng Lin)

On 21 April 2023, in response to a shareholder's question, Sunsine stated:
"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."

The latest sustainability report stated that Sunsine has continued cooperating on joint research projects with BASF China R & D Center, etc."

As Sunsine is the world's biggest TBBS producer, and BASF is the global top tert-butylamine manufacturer, do the research projects undertaken by BASF China R & D Center cover the production efficiency of TBBS?

Company's response:

The Company is currently collaborating with BASF in research and development, focusing on areas such as the development of bio-based raw materials, new green production processes, and resource recovery through solid waste recycling, etc.

16. Small rubber accelerator producers (Teo Kheng Lin)

The 2024 AGM revealed that Yanggu Huatai and Tianjin Kemai were not poised to grow their rubber accelerator capacities. (page 4 of CSCH-Minutes-of-AGM-on-26-Apr-2024.pdf)

In 2019, Yanggu Huatai aborted a 10,000-ton rubber accelerator TBBS project after raising funds from the market, probably due to the inadequate return.

Tianjin Kemai failed thrice in its IPO attempts. The last was in 2019.

In the prospectus for its 2022 unsuccessful bid to join the over-the-counter National Equities Exchange and Quotations, Tianjin Kemai compared the gross profit margins of Sunsine, Yanggu Huatai, and Puyang Weilin (Puyang Weilin is likely the biggest among the small rubber accelerator producers):

公司	2021 年度	2020 年度
申请挂牌公司	20.64%	10.69%
阳谷华泰	22.84%	19.46%
山东尚舜	28.09%	25.72%
蔚林股份	6.31%	11.04%

page 1-1-185 of 1653577319_671701.pdf

Puyang Weilin were in a dire state.

....	2023	2022	2021	2020	2019
毛利率（Gross Profit Margin）	6.12%	3.98%	6.31%	13.82%	16.44%
营业利润率（Operating Profit Margin）	-6.76%	-5.83%	-3.04%	2.08%	4.55%
净利润率（Net Profit Margin）	-6.97%	-6.52%	-3.03%	1.46%	3.52%

蔚林股份近五年主要财务数据指标对比分析

Are other small rubber accelerator producers also unprofitable?

Company's response:

The financial data of smaller accelerator producers is not publicly available. Based on our market department's research, some of these companies are profitable, while others are not.

17. Can we check with our chairman and/or our management/directors, at $0.40~0.52/share would they be able to share the reasoning in determining whether our shares is undervalue? (Melvin Seah Kok Beng)

Company's response:

We appreciate the shareholder's interest in the valuation of our shares.

While the Company does not comment on the reasonableness of its share price, we can share the following key indicators that reflect our underlying fundamentals:

- *Cash per share: approximately SGD 0.40*

- *Earnings per share: approximately SGD 0.045*
- *Net tangible assets (NTA) per share: approximately SGD 0.80*
- *Return on equity (ROE): around 11%*
- *Zero debt*

In addition, the Company continues to maintain a leading position in the global rubber chemical industry, supported by a well-established customer base and solid reputation. We are also actively pursuing capacity expansion, strengthening internal capabilities, and sustainable development initiatives to drive long-term growth.

These fundamentals demonstrate the Company's strong financial standing and strategic positioning, which the Board and management believe will support long-term shareholder value.

18. Follow up questions to above: (Melvin Seah Kok Beng)

a) If our share is indeed undervalued, what is their reasoning for doing piecemeal and not a substantial and consistent shares buyback?
b) If there is a better value investment that they had in mind for our cash reserve, can they enlighten us.

Company's response:

The Company has been buying back its shares over the years, evaluating each opportunity carefully. We will continue to undertake share buybacks as appropriate, based on market conditions and other relevant factors.

Our cash reserves (RMB 2,074 mil) will be used or set aside for the following activities (in RMB):

- *Dividend: 170 mil*
- *Working Capital: 400 mil*
- *R & D: 100 mil*
- *Facilities Maintenance & Upgrading (including environmental facilities): 100 mil*
- *Current and near-term expansion projects: 400-500 mil*

We are in preliminary discussions to undertake new expansion projects and will update shareholders in due course. The rest of our cash is reserved for any unforeseen circumstances and potential business developments.

19. What are the effects of the current tariff war to the company? (Kee Kerk Cheng)

a. Directly in terms of price competitiveness and sales to the American market
b. Indirectly in terms of sentiment and (if any) order reduction from global clients.

Company's response:

Pls refer to the answer to question 13.

While the Company's direct exposure to the U.S. market is limited, we remain mindful of potential changes in price competitiveness and purchasing behaviour.

As for indirect effects, we have not seen any significant order reduction from global clients thus far. However, we remain cautious, as the broader macroeconomic and trade environment continues to evolve. We stay in close contact with our customers and monitor developments to respond proactively if needed.

20. How is the competition landscape in the rubber chemicals market currently? (Kee Kerk Cheng)

a. I understand from earlier briefings that there is market consolidation where a few major players are emerging from the crowd. Is this still ongoing?
b. Has the overcapacity situation improved? To your knowledge has the competitors added new capacity?
c. What are the competitive advantages of the company with respect to the other major players?

Company's response:

The competitive landscape in the rubber chemicals industry remains prevalent. In recent years, we have observed that some major players have expanded their capacities. The issue of overcapacity remains, and pressure on pricing and margins persists.

Despite these challenges, the Company continues to maintain its competitive edge through several key strengths:

- ***Strong market leadership**: China Sunsine retains its leading position in the rubber chemicals industry. We are the world's largest producer of rubber accelerators, the top producer of insoluble sulphur in China, and an important player in the antioxidant segment.*
- ***Technical expertise and process efficiency**: Through continuous improvements in production technology, and adoption of automation and continuous processing methods, we enhance product consistency, operational efficiency, and environmental performance.*
- ***Supply chain security**: By producing key raw materials in-house and maintaining self-sufficiency in power supply, the Company is able to improve cost efficiency and reduce reliance on external suppliers.*
- ***Established customer relationships**: With over 40 years of industry experience, we serve a broad base of international tire manufacturers. Our reputation and proven track record provide a strong foundation for enduring partnerships.*
- ***Financial strength**: A solid financial position allows us to remain competitive in pricing, invest in R&D and expand capacity, and retain flexibility to navigate through different market cycles.*

We remain committed to building long-term competitiveness by growing our sales volume, enhancing operational excellence, and advancing our sustainability initiatives.

21. If forced to prioritize, which factor will the company choose to defend: market share or profit margins? Why? (Kee Kerk Cheng)

Company's response:

The Group has long adopted a "Sales and Production Equilibrium" strategy- Higher sales volume leads to higher production, which in turn stimulates even higher sales. This approach has proven effective, particularly in the current highly competitive environment.

With expanded production capacity, our sales volume has grown at a compound annual growth rate (CAGR) of 7.2% from FY2015 to FY2024. This growth has reinforced our market leadership position—our share in rubber accelerators has risen to approximately 35% in China and 23% globally, up from 30% and 17%, respectively a decade ago.

To navigate challenges such as overcapacity and weak market demand, we also adopt a flexible pricing strategy to remain responsive and competitive.

Rather than prioritising either sales volume or profit margins in isolation, the Group strives to maintain a balanced approach. That said, in today's intensifying competitive landscape, growing sales volume remains an important consideration.

Our strong financial position also helps us to be well-equipped to perform better than many of our peers across multiple dimensions—including production efficiency, economies of scale, in-house supply of key raw materials and power, and procurement cost-effectiveness. These advantages enable us to stay competitive in pricing and maintain a reasonable level of profitability.

In a worst-case scenario where market prices fall sharply and are almost equivalent to production cost, our strong cash reserves provide a cushion that allows us to weather the downturn—an advantage that not all competitors may have.

Thus, we remain confident of the Group's competitiveness and long-term sustainable growth.

22. The Group's business requires high CAPEX, and the largest item under property, plant and equipment (PPE) is plant and machinery, with a net book value (NBV) of RMB277 million at year-end. This is about three times the RMB92 million depreciation recorded for plant and machinery in FY2024. (Lee Hai Seng)

- How much longer does management expect these plant and machinery assets to remain in use?
- If replacement is expected in the near term, what would be the likely replacement cost?

Company's response:

Our Shandong Sunsine's main plant was built in 2010, and is now 15 years old. Some of the property, plant and equipment (PPE) are still in use. As a result, we allocate about RMB 100 million each year forfacilities maintenance and upgrades.

23. In the segment information, the profitability of the heating power and waste treatment segments has been trending downward, reaching adjusted EBITDA losses in FY2024. I understand that heating power is largely used internally by the Group, and waste treatment is not a core business. In light of this, I would like to ask: (Lee Hai Seng)

- What were the main reasons behind the adjusted EBITDA losses in FY2024 for both segments?
- What is the future of these segments within the Group?

Company's response:

The two segments — heating plant and waste treatment — serve as supporting facilities for our core business. The heating plant supplies steam and electricity for our production, while the waste treatment facility helps mitigate environmental risks.

In FY2024, these two segments were treated as cost centres, which explains the negative EBITDA. Their contributions as well as cost savings are reflected in the profitability of our main business.

24. The Chairman stated that the chemicals industry, in which the Group operates, continues to face oversupply and intense market competition, leading to significant pressure on selling prices. (Lee Hai Seng)

Could management comment on the general profitability of industry peers, and as compared to China Sunsine?

Company's response:

Regarding the competitive situation of the rubber chemicals industry and the Group's competitiveness, please refer to our responses to Questions 2, 20, and 21.

As for the general profitability of other industry peers, we encourage shareholders to refer to publicly available sources. Given the limitations of available information, it would not be appropriate for us to comment on the performance of other companies.