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UEN No: S99SS0111B  
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**Issuer:** China Sunsine Chemical Holdings Ltd.

**Stock code:** QES

**Meeting details:**

Date: 27 April 2023

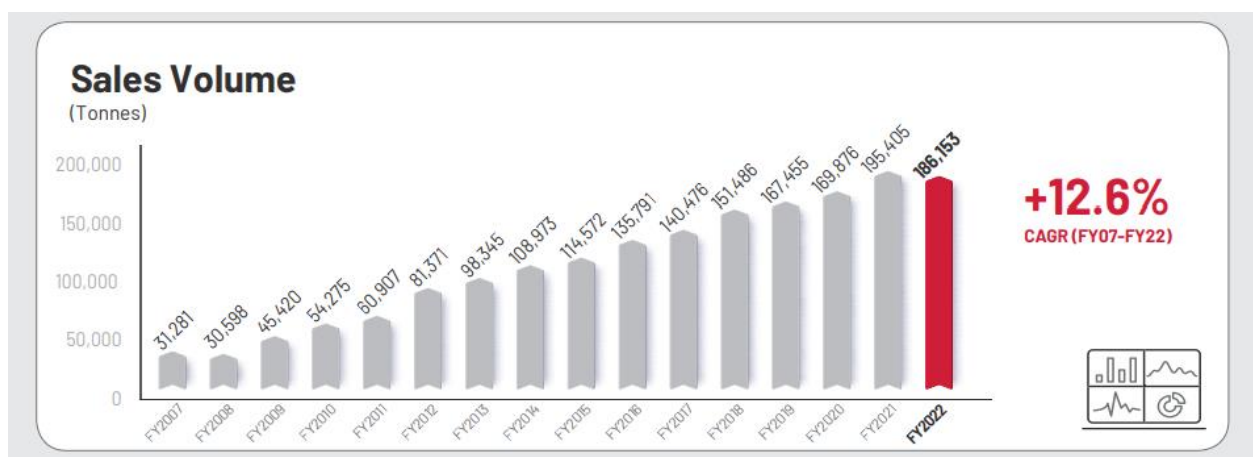
Time: 10.30 a.m.

Venue: Melati Junior Ballroom 4011 & 4111, Marina Bay Sands, 10 Bayfront Avenue, Singapore 018956

**Q1.** The company marked the 15<sup>th</sup> anniversary of its listing on the Singapore Exchange in 2022, in which the group also achieved record revenue and net profit. Total capacity has increased to 254,000 tonnes in 2022, from just 44,000 tonnes in 2007.

To celebrate the anniversary, a special interim dividend of 0.5 Singapore cents per share was declared. The company also noted that it has been paying dividends every year since its IPO.

On a 12-month basis, the group's sales volume for accelerators decreased by 12% to 89,434 tonnes due to the weak domestic demand and intensified competition, whereas the sales volume for anti-oxidant products increased by 6% to 58,058 mainly due to the completion of the TMQ project. Sales volume for insoluble sulphur (IS) remained stable.



(Source: company annual report)

- (i) **Can management help shareholders better understand if the group has maintained or increased its market share in the accelerators segment? Did the intensified competition happen because of the demand-supply imbalance due to the lockdowns in the past year, or is there an industry-wide oversupply?**
- (ii) **How sticky are the group's customers in general and does management track customer retention rate?**
- (iii) **TBBS (an accelerator) is mainly used in the production of all-steel tires which are mainly utilised by trucks or heavy vehicles. Based on management's knowledge, are the logistics and infrastructure construction markets in China operating at pre-COVID levels, or better?**
- (iv) **In the anti-oxidants segment, what factors contributed to the relatively strong performance, as volume (in tonnes) increased by 6%, but the sales value increased by 26%? Is the higher average selling price sustainable?**

**Q2.** The group successfully completed the new Anti-oxidant TMQ project, HTMQ project and the controlled landfill project. Phase 2 of the IS project and Phase 1 of the high-quality MBT project are ongoing.

	2022	2021	2020	2019	2018
<b>As At 31 December (RMB' million)</b>					
Total Assets	<b>4,224.5</b>	3,923.4	3,172.1	2,918.2	2,747.3
Total Liabilities	<b>532.7</b>	747.2	451.4	356.6	421.7
Shareholders' Equity	<b>3,691.8</b>	3,176.2	2,720.7	2,561.6	2,325.6
Cash and Cash Equivalents	<b>1,364.9</b>	1,377.3	1,326.2	1,279.9	1,038.6
Bank Borrowings	-	-	-	-	-
Treasury Shares	<b>40.8</b>	30.2	29.3	21.7	2.1
No of Shares ('million)					
No of Ordinary Shares	<b>965.7</b>	970.4	970.7	975.7	491.3
No of Treasury Shares	<b>17.7</b>	13.0	12.7	7.7	0.4

(Source: company annual report)

Despite continued investments into the business, cash and cash equivalents have increased to RMB1.365 billion as at 31 December 2022. The group does not utilise bank borrowings.

- (i) **Can management help shareholders better understand if the pandemic has altered the group's expansion plans? Is there any silver lining?**
- (ii) **Are there any major uses of cash planned in the near future?**

Cash and cash equivalents have averaged RMB1.36 billion in the past three years.

- (iii) **Has the board been actively monitoring and tracking the group's return on equity (ROE) and utilising it as a critical performance metric? If so, has the board identified strategies that could lead to sustainable increases in ROE?**
- (iv) **Would the current balance sheet possible be deemed over-capitalised, resulting in a negative impact on the group's return on equity (ROE)?**

**Q3.** The independent directors are Mr Lim Heng Chong Benny (also lead independent director), Ms Xu Chun Hua, Mr Koh Choon Kong and Mr Yan Tang Feng. The directors were first appointed on 18 May 2007, 18 May 2007, 15 November 2009 and 26 September 2019 respectively.

In addition, Mr Liang Cheng, the newly appointed independent director, joined the board on 30 March 2023. The announcement of appointment of the director can be found here:

<https://links.sgx.com/1.0.0/corporate-announcements/YQBXGJ1TLCLB6I5B/a6506b981fd958f6ad4f164c4e73eded97211e26feb220ce3dc04b63f03a0b87>

- (i) **Would the board, particularly the nominating committee (NC), elaborate further on the selection criteria, board diversity considerations and the search and nomination process, that led to the appointment of Mr Liang Cheng, as required in the SGX template?**

At the annual general meeting scheduled to be held on 27 April 2023, Mr Lim Heng Chong Benny, Mdm Xu Chun Hua and Mr Koh Choon Kong would retire as directors under Regulation 104(2) of the company's constitution and would be seeking shareholders' approval for their re-election. As mentioned above, directors have tenures of approximately 16 years, approximately 16 years and 12 years respectively.

The company will use the transition period afforded by the new SGX rules on the 9-year limit of independent directors to refresh the board by appointing new directors to replace Mr Lim, Mr Koh and Mdm Xu as independent directors of the company no later than the AGM for FY2023.

In January 2023, Mr Tan Boon Gin, CEO of SGX RegCo, noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

- (ii) **Has the NC reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**
- (iii) **Can the NC elaborate further on the search and nomination process for directors and clarify if new director(s) who have been appointed to the board were based on recommendations from directors and management?**
- (iv) **If so, has the NC evaluated if the use of directors/management's personal network as a source of candidate might impair or compromise the level of diversity and independence in the board?**

***Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.***



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