



China SunSine Chemical Holdings Ltd.

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

Company Registration No.: 200609470N

RESPONSE TO SGX-ST QUERIES ON RESULTS ANNOUNCEMENT FOR 3Q2019

The Board of Directors (the “**Board**”) of China SunSine Chemical Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) wishes to provide the following information in response to queries from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 5 December 2019 with regards to our results announcement dated 7 November 2019 (the “**Announcement**”) for the third quarter ended 30 September 2019 (“**3Q2019**”).

Query 1:

We note that in Q3FY2019, administrative expenses increased by 52% from RMB 48.6 million in 3Q2018 to RMB 74.1 million in 3Q2019. The Company had explained that the increase was due to higher staff cost and incentives, higher social insurance, higher depreciation of PPE, higher sewerage expenses, higher business and other taxes, and higher other expenses.

- (i) Please explain why administrative expenses which includes a higher staff cost and incentives and a higher social insurance increased by 52% in comparison with the fall in revenue of 16%.
- (ii) In this regard, please elaborate on the factors or changes in regulations which resulted in the significant increase in social insurance and in staff cost respectively.

Company’s response:

- (i) Administrative expenses do not fluctuate in proportion to the increase or decrease in revenue. The decrease in revenue in 3Q2019 does not necessarily mean that the administrative expenses will correspondingly decrease. The main items of administrative expenses for 3Q2019 vs 3Q2018 are listed below:

	3Q2019 RMB’ million	3Q2018 RMB’ million	Difference RMB’ million
Staff salaries and bonus	24.8	20.8	4.0 ⁽¹⁾
Accrued bonus for the Chairman	6.8	-	6.8 ⁽²⁾
Staff social insurance & CPF	10.4	2.8	7.6 ⁽³⁾
Allowance for doubtful debts	5.6	6.6	(1.0)
Depreciation & amortisation	6.5	4.7	1.8
Sewerage expenses	3.1	1.8	1.3
Safety production expenses	3.7	3.7	-
Business taxes and additions	7.3	4.4	2.9
Other admin expenses	5.9	3.8	2.1
	74.1	48.6	25.5

⁽¹⁾⁽²⁾⁽³⁾ – Please refer to (ii)(1)(2)(3) below for explanation.

- (ii) (1) The reason for the increase in staff salaries and bonus by RMB 4.0 million was mainly due to salary adjustments to all personnel in 3Q2019;



China Sunsine Chemical Holdings Ltd.

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

Company Registration No.: 200609470N

- (2) Due to the exceptionally good results achieved in FY2018, there was a S\$12 million (approximately RMB 58 million) bonus accrued in 1H2018 in accordance with the bonus formula approved by the Company's Remuneration Committee ("**Formula**"). The management was of the view that S\$12 million bonus accrual was sufficient, and decided not to accrue further in the 2nd half year of FY2018. In 3Q2019, the management accrued S\$1.3 million (approximately RMB 6.8 million) for the Chairman's bonus in accordance with the Formula.
- (3) The increase in social insurance in 3Q2019 was mainly due to timing difference. In 2019, the social insurance collecting authority changed from Human Resource and Social Security Bureau to Taxation Administration Bureau, and as a result of the handover, 2Q2019 social insurance payment was delayed to 3Q2019, and it was recorded in 3Q2019 subsequently. However, if we compare 9M2019 social insurance expenses (approximately RMB 21 million) with 9M2018 social insurance expenses (approximately RMB 22 million), the difference is immaterial. The management will ensure the proper cut-off at the year end.

Query 2:

Please disclose the reasons for the Board's decision not to declare/recommend any dividend for the period 3Q2019.

Company's response:

The Company's usual practice is to declare/recommend dividends at the end of the financial year, taking into consideration the Group's full year results, financial position, capital expenditure requirements, future expansion and investment plans, and any other relevant factors as may be determined by the Board. As such, no dividend was declared/recommended for 3Q2019.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
9 December 2019