



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 1H2021

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 19 August 2021 with regards to our interim financial statements announcement dated 13 August 2021 (the “**Announcement**”) for the first half year ended 30 June 2021 (“**1H2021**”).

Query 1:

Please disclose and quantify the underlying items which resulted in foreign exchange gains of RMB 14.2 million for the 6 months ended 30 June 2020 becoming a foreign exchange loss of RMB 4.1 million for the 6 months ended 30 June 2021.

Company’s response:

1. In the 6 months ended 30 June 2020 (“**1H2020**”), the USD **appreciated** by RMB0.1033 from USD1.00 : RMB6.9762 at the beginning of January 2020 to USD1.00 : RMB7.0795 at the end of June 2020. The effect of exchange gains for 1H2020 are shown below:

1H2020	Amount (USD’ million)	Amount (RMB’ million)
Bank balances	46.6	
Trade receivables	9.6	
Total bank and trade receivables	56.2	
Unrealised exchange gains arising from stronger USD against RMB (56.2 * 0.1033)		5.8
Other unrealised exchange gains arising from translation of other currencies		0.1
Realised exchange gain		8.3
Total exchange gains for 1H2020		14.2

2. Whereas, in 1H2021, the USD **depreciated** by RMB0.0648 from USD1.00 : RMB6.5249 at the beginning of January 2021 to USD1.00 : RMB6.4601 at the end of June 2021. The effect of exchange loss for the 6 months ended 30 June 2021 are shown below:

1H2021	Amount (USD’ million)	Amount (RMB’ million)
Bank balances	77.8	
Trade receivables	19.9	
Total bank and trade receivables	97.7	
Unrealised exchange loss arising from weakening USD against RMB (97.7 * 0.0648)		6.3
Other unrealised exchange loss arising from translation of other currencies		0.1
Realised exchange gain		(2.2)
Total exchange loss for 1H2021		4.2



China Sunsine Chemical Holdings Ltd.

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

Company Registration No.: 200609470N

Query 2:

It was stated on page 16 of the 1H2021 results that trade and other payables increased due to, inter alia, “RMB 20 million government grants received by the Company’s subsidiaries, and recorded in balance sheet and recognised into income statements over the years”. Please explain and elaborate on why government grants received by the Company’s subsidiaries are recorded as an increase in trade and other payables of the Company.

Company’s response:

RMB 20 million government grants received by the Group in 1H2021 are as follows:

No	Name	Nature	Received From	Amount (RMB’ million)
1	Grant for Shandong Sunsine MBT cleaner and automation production project in collaboration with Tsinghua University	To subsidise the expenditure incurred by Shandong Sunsine in the R&D of MBT cleaner and automation production	Department of Science of Shandong Province	17.0
2	Hengshun Infrastructure Construction Support Fund	To subsidise Hengshun’s expenditure incurred in its infrastructure construction which contributes to the local economic development	Shanxian Bureau of Finance	3.0
Total				20.0

Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-20 *Accounting for Government Grants and Disclosure of Government Assistance* paragraph 16 states that “government grants should be recognised in profit or loss **on a systematic basis over the periods** in which the entity recognises as expenses the related costs for which the grant is intended to compensate”. Paragraph 24 states that “Government grants related to assets, including non-monetary grants at fair value, **shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset**”.

Based on the SFRS(I), the above government grants were credited into “other payables – deferred grants” account (in the statement of financial position) upon receipt, and will either be net off against the R&D expenditure incurred over the years (for Grant No. 1), or offset against Hengshun’s cost of the infrastructure once the project is fully completed (for Grant No. 2).

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
23 August 2021