



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 3Q2018

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 13 November 2018 with regards to our financial statements announcement dated 5 November 2018 (the “**Announcement**”) for the third quarter ended 30 September 2018 (“**3Q2018**”).

Query 1:

The Company disclosed that other operating income was RMB 24.2 million in 3Q2018 which consisted of mainly foreign exchange gain. Please explain how did the significant foreign exchange gain of RMB 24.2 million arise. What is the size of the underlying transaction that gave rise to the significant foreign exchange gain.

Company’s response:

The USD appreciated by RMB0.2626 from USD1.00 : RMB6.6166 at the end of June 2018 to USD1.00 : RMB6.8792 at the end of September 2018. The effect of exchange gains, together with other operating income items are shown below:-

	Amount (USD’ million)	Amount (RMB’ million)
Bank balances	50.1	
Trade receivables	18.1	
Total bank and trade receivables	<u>68.2</u>	
Unrealised exchange gains arising from stronger USD against RMB (68.2 * 0.2626)		17.9
Other unrealised exchange gains arising from translation of other currency, such as SGD etc		0.5
Realised exchange gains		0.9
Total exchange gains		<u>19.3</u>
Government incentive received		3.0
Sales of scrap materials		1.2
Interest income		0.3
Other operating expense		0.4
Total other operating income as per 3Q2018 Announcement		<u><u>24.2</u></u>



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Query 2:

The Company disclosed one of the factors which gave rise to the increase in administrative expenses was due to the increase in R&D expenses by RMB 24.0 million. Please provide the reason for the sudden increase in R&D by RMB 24.0 million. Please provide the breakdown and details of this R&D expenditure and to quantify them. What is the total amount of R&D expenditure incurred in 3Q2018 v 3Q2017.

Company's response:

As stated in several of our previous announcements, the Group will continue to focus on production technology and innovation, and investment in R&D, to gain a competitive edge over other producers. Further, our main subsidiary, Shandong Sunsine Chemical Co., Ltd, obtained "high-tech enterprise" status in December 2017, thereby enjoying a concessionary tax rate of 15%. In order to maintain this status, certain criteria need to be fulfilled, one of which is to spend not less than 3% of its revenue on R&D activities. As such, the Group carried out certain R&D projects on "green, intelligent and miniaturised production". The breakdown of the relevant R&D expenditure for 3Q2018 v 3Q2017 is as follows:

Project ¹	3Q2018 RMB' million	3Q2017 RMB' million
Project 1	8.6	-
Project 2	4.2	-
Project 3	8.2	-
Project 4	9.0	-
Project 5	0.3	-
Project 6	-	6.3
Total	30.3	6.3

Query 3:

Another factor which gave rise to the increase in administrative expenses was the allowance for impairment on receivables of RMB 6.6 million being provided in 3Q2018. Please clarify who is the debtor for the RMB 6.6 million impaired and what was the reasons for the impairment. Please also clarify how long has the debt been outstanding.

Company's response:

The Group takes a prudent approach to provision of allowance for impairment of receivables. Should there be any warning signs of any debtor facing financial difficulties or impending bankruptcy, or likelihood of default or significant delays in payments, allowance for impairment on receivables will be provided.

The debtors whose receivables were impaired and their ageing are as follows:-

¹ Detailed project names are not disclosed due to commercial confidentiality.



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Debtors ²	1-3 mths	3-6 mths	6-12 mths	>12 mths	Total balance	Impairment provided	Reason
	RMB' mil	RMB' mil	RMB' mil	RMB' mil	RMB' mil	RMB' mil	
ZCSX	-	0.4	-	-	0.4	0.4	D
SDHK	-	4.1	-	-	4.1	4.1	L
SDGF	0.9	0.8	-	-	1.7	0.8	D
WXJB	-	-	-	2.0	2.0	2.0	L
HYKJ	-	-	-	6.3	6.3	6.3	L
HLLT	-	-	-	1.9	1.9	1.9	L
SDCH	-	0.7	-	-	0.7	0.7	D
TJXTL	-	0.1	-	-	0.1	0.1	D
THBG	-	-	2.3	-	2.3	2.3	D
SWRB	-	-	0.4	-	0.4	0.4	D
CONB	-	-	0.2	-	0.2	0.2	D
Total provision @ 30 September 2018						19.2	
Provision @ 30 June 2018						12.6	
3Q2018 additional provision						6.6	

Legend:

D – Delay in payment

L – Legal action has been taken by the Group to recover the outstanding debts

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
15 November 2018

² Abbreviations of debtors' names are used due to sensitivity.