



China SunSine Chemical Holdings Ltd.

112 Robinson Road #12-04 Singapore 068902
Tel: (65) 6220-9070 Web: www.ChinaSunSine.com

Company Registration No.: 200609470N

RESPONSE TO SGX-ST QUERIES

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 16 March 2016 with regards to our financial statements announcement dated 29 February 2016 (“**Results Announcement**”) for the full year ended 31 December 2015 (“**FY2015**”).

Query 1:

We note on page 5 of the Results Announcement of an “Acquisition of a subsidiary”. Please provide the following details:-

- (a) *Whether Rule 1010 announcement has been made*
- (b) *Whether shareholders’ approval been obtained*

Company’s response:

- (a) Although the acquisition of Shanxian Fulong Villa Co., Ltd (the “**Acquisition**”) is a non-discloseable transaction based on the relative figures computed according to the applicable bases set out in Rule 1006 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited, the Company nevertheless made an announcement on the Acquisition on 26 November 2015 (please see the Company’s announcement thereon for more details).
- (b) As the Acquisition is a non-discloseable transaction as defined under Chapter 10 of the Listing Manual, no shareholders’ approval is required.

Query 2:

We note on page 5 of the Results Announcement that ‘Trade and other receivables’ has increased from RMB11.6 million to RMB76.7 million. Please provide the following information:-

- (a) *Provide breakdown of ‘Trade and other receivables’*
- (b) *Elaborate on the nature of ‘Trade and other receivables’*
- (c) *Elaborate on the aging schedule of ‘Trade and other receivables’.*

Company’s response:

- (a) Page 5 of the Results Announcement contains cash flow statements. The increase in trade and other receivables from RMB11.6 million to RMB76.7 million was mainly due to more cash inflow from collection being received from customers during 4Q2015. As at 31 December 2015, the trade and other receivables amounted to RMB496.7 million (FY2014: RMB704.7 million). The breakdown of the trade and other receivables are as follows:-



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	2015 RMB' million	2014 RMB' million
Notes receivables	72.3	236.4
Trade receivables	357.2	378.4
Allowance for impairment of trade receivables	(16.0)	(5.4)
Trade receivables – net	341.2	373.0
Non-trade receivables	54.9	61.3
Advance to suppliers	27.5	33.1
Prepayments	0.8	0.9
Total	496.7	704.7

(b) The nature of this RMB76.7 million was mainly settlements received from customers.

(c) The ageing of trade and other receivables are as follows-

	1-3 months RMB' mil	3-6 months RMB' mil	More than 6 months RMB' mil	Total RMB' mil
2015				
Notes receivables	72.3	-	-	72.3
Trade receivables	308.7	42.3	6.2	357.2
Allowance for impairment	(2.7)	(7.9)	(5.4)	(16.0)
Trade receivables - net	306.0	34.4	0.8	341.2
Non-trade receivables	52.6	*	2.3	54.9
Advance to suppliers	27.0	*	0.5	27.5
Prepayments	0.8	-	-	0.8
Total	458.7	34.4	3.6	496.7
2014				
Notes receivables	236.4	-	-	236.4
Trade receivables	341.2	33.5	3.7	378.4
Allowance for impairment	(0.8)	(1.4)	(3.2)	(5.4)
Trade receivables - net	340.4	32.1	0.5	373.0
Non-trade receivables	58.1	2.9	0.3	61.3
Advance to suppliers	31.8	*	1.3	33.1
Prepayments	0.9	-	-	0.9
Total	667.6	35.0	2.1	704.7

* - amount less than RMB0.1 million



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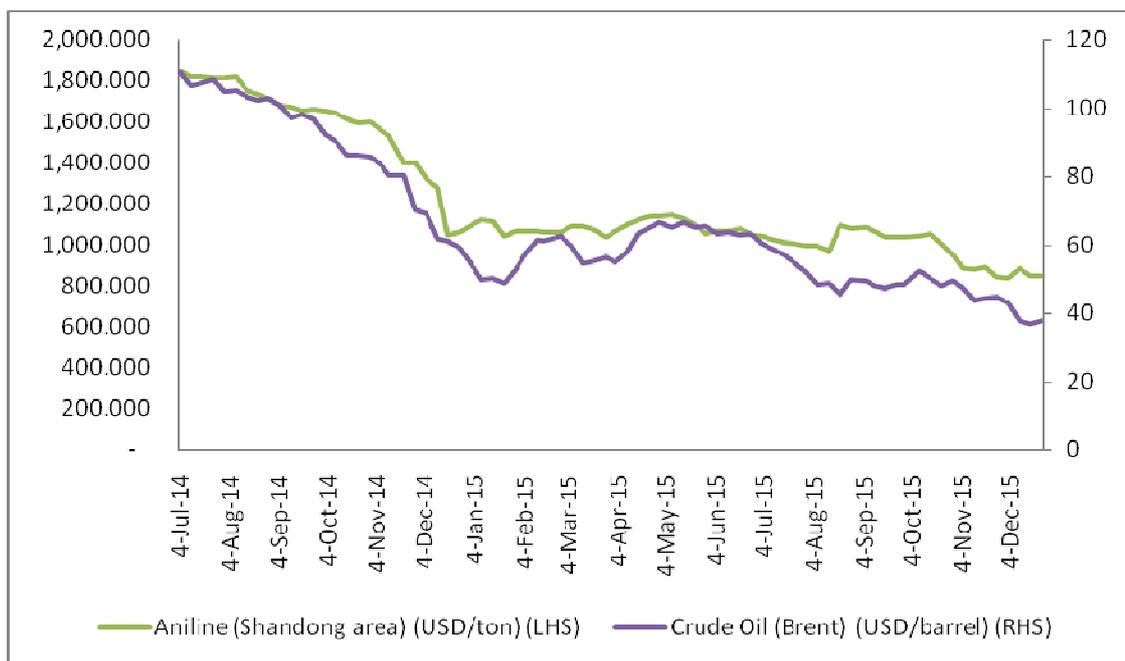
Query 3:

We note on page 10 of the Results Announcement that the average purchase price of Aniline has decreased by more than 30% as compared to its price one year ago. Please provide the following information:-

- (a) Why did the average price fall so significantly.
- (b) What is the fall in industry average.

Company's response:

- (a) Aniline is made from Benzene, which is a by-product during the process of crude oil refining. Therefore, the price of Aniline is somewhat related to international crude oil prices. The international crude oil prices decreased more than 35%, from approximately USD59/barrel at the end of 2014 to approximately USD38/barrel at the end of 2015. Thus, our average purchase price of Aniline decreased more than 30%, which was in line with the decrease in international crude oil prices.
- (b) The fall in industry average is about the same as the fall in international crude oil prices. The below table shows the fall in Aniline prices, as well as the fall in international crude oil prices.



Source: Bloomberg and 100ppi.com



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Query 4:

Please explain the basis for “RMB13.3 million allowance for impairment on plant and equipment provided during 4Q2014”.

Company’s response:

The Company had set up a new subsidiary, namely Shanxian Guangshun Heating Co., Ltd (“**Guangshun Heating**”)(please refer to Company’s announcement dated 30 December 2013 on the establishment of Guangshun Heating for more details) which started its commercial operation in 4Q2014. Guangshun Heating is a centralised heating power supplier which provides heating powers to all the factories within Shanxian Chemical Zone, including Shandong Sunsine. As such, Shandong Sunsine’s 4 smaller boilers stopped operations and became idle assets in 4Q2014. An allowance of RMB13.3 million, which was the net book value of these 4 boilers, had been provided for in 4Q2014.

Query 5:

We noted that there is a reversal of RMB10.0 million R&D expenses recognized in 1Q2015 as these R&D projects have been canceled. Please provide the following information:-

- (a) Provide breakdown of these costs*
- (b) Details of the R&D projects*
- (c) Explain why the R&D projects have been canceled*
- (d) Details of the R&D expenses written off.*

Company’s response:

In January 2015, Shandong Sunsine entered into 3 R&D agreements with third parties as follows:-

Project ¹	Vendor	Amount (RMB' million)
Project 1	Ding Jun Wei	4.0
Project 2	Jiangsu Kesheng Chemical Machinery Co., Ltd	3.0
Project 3	Yan Wei	3.0
Total		<u>10.0</u>

The purpose of these R&D projects was to develop new rubber chemical products requested for by some of the Group's customers. The targeted completion dates for these R&D projects are within 6 months from the date of the respective agreements, thus, provisions of RMB10.0 million R&D payable was made in 1Q2015. However, due to the unsatisfactory outcomes of these R&D works, and the market conditions having deteriorated which resulted in lower demands for these new products, the Group managed to cancel these projects without paying extra cost, after negotiation with the R&D vendors. There were only some immaterial expenses related to these 3 projects incurred by the Group, such as travelling and entertainment expenses etc, which were recorded under respective accounts instead of R&D expenses. The reversal of RMB10.0 million R&D expenses has no impact on the Group's FY2015 results.

¹ Detailed project names are not disclosed due to commercial confidentiality



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Query 6:

We refer to paragraph 9 of the Results Announcement. Please comment on whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement and if there is a variance, to explain why.

Company's response:

In paragraph 10 of 3Q2015 results announcement, we mentioned that "our selling prices may continue to come under pressure." Our Average Selling Prices for 4Q2015 was RMB15,566 per ton, as compared to RMB16,281 per ton in 3Q2015. Therefore, the current results are in line with the Company's commentary in paragraph 10 of its previous quarterly results announcement.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
17 March 2016