



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

RESPONSE TO SGX-ST QUERY ON RESULTS ANNOUNCEMENT FOR 2H&FY2022

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 a query from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 6 March 2023 with regards to our financial statements announcement dated 28 February 2023 (the “**Announcement**”) for the 2nd half and full year ended 31 December 2022 (“**2H&FY2022**”).

Query 1:

Please explain why interest income amounted to only RMB16.2 million during the financial period ended 31 December 2022 when the Company has significant cash and bank balance amounting to RMB1.36 billion, and explain why the interest income decreased from RMB24.2 million in FY2021 to RMB16.2 million in FY2022 when the Company's cash and bank balances only differ by approximately RMB13 million at the end of both FYs.

Company's response:

The Group placed its excess funds with various local banks to earn interest income. The interest rates payable on such deposits differ according to the types of deposits, the tenure, the principal amount placed, etc. Our interest income is mainly derived from fixed deposits and structured deposits. The decrease in the interest income in FY2022 was mainly due to the following two reasons:

1. In FY2022, the People's Bank of China cut the interest rates for both savings deposits and loans, as well as banks' reserve requirement ratios three times on 20 January 2022, 20 May 2022, and 22 August 2022, in order to boost the Chinese economy. As a result, the interest rates on our deposits also decreased in FY2022 as compared to those in FY2021. For example, a 12-month fixed deposit rate for RMB20 million decreased from approximately 2.48% per annum in FY2021 to approximately 1.85% per annum in FY2022; a 3-month structured deposit rate for RMB100 million decreased from approximately 4.0% per annum in FY2021 to approximately 3.5% per annum in FY2022.
2. The structured deposits bear both higher interest rates and higher risks than fixed deposits. In view of the greater macro-economic uncertainties in FY2022, the management adopted a more conservative approach in relation to the Group's excess funds. As such, the Group placed lesser amounts in structured deposits as compared to FY2021, and placed larger amounts in fixed deposits, instead.

As such, the interest income decreased from RMB 24.2 million in FY2021 to RMB 16.2 million in FY2022, even though the Group's cash and bank balances did not differ much.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
7 March 2023