



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 15 May 2015 with regards to our financial statements announcement dated 27 April 2015 (“**Results Announcement**”) for the first quarter ended 31 March 2015 (“**1Q2015**”).

Query 1:

We note that ‘Administrative expenses’ has increased by 63% from RMB35.6 million to RMB58.1 million due mainly to increase in staff salaries & bonus, increase in allowance for impairment on receivables as well as increase in R&D expenses. Please provide the following details:-

- (a) Explain the increase in ‘Administrative expenses’ of 63% despite increase in ‘Revenue’ of only 1%.
- (b) Provide breakdown of ‘Administrative expenses’ with details.

Company’s response:

- (a) As explained in our Results Announcement, the administrative expenses increased by 63% mainly due to an increase in staff salaries and bonus, increase in allowance for impairment on receivables as well as increase in R&D expenses. The increase in staff salaries and bonus was mainly due to the accrual of management variable bonus which depends on the Group’s performance. The increase in allowance for impairment on receivables was due mainly to the management taking a more prudent view and providing for allowance for trade debtors (see response on Query 2 below). The increase in R&D expense was due to R&D activities undertaken by the Group to enhance our product quality and also to develop other potential products in order to enrich our product line. Due to these one-off expenses incurred in 1Q2015, the percentage increase in administrative expenses is not proportionate to the increase in Revenue.
- (b) The breakdown of administrative expenses is as follow:-

Administrative expenses	1Q2015	1Q2014
	RMB’ million	RMB’ million
Staff salaries and bonus	18.1	8.4
Staff welfare	3.3	2.1
Staff social insurance	6.8	11.6
Depreciation and amortisation	4.6	3.8
Sewerage expense	1.7	1.7
Property tax	1.5	0.2
Allowance for impairment on receivables	8.0	0.0
Research and development expenses	10.0	0.5
Business taxes	2.2	2.6
Others	1.9	4.7
Total	58.1	35.6

Query 2:

We note that there is an 'Allowance for impairment on receivables' of RMB8 million in 1Q2015. Please provide the following details:-

- (a) Nature of these receivables that are impaired
- (b) Who were these debtors and what are the underlying transactions
- (c) Reason why the Company is unable to collect these collectibles and how long have they been outstanding.

Company's response:

- (a) All these receivables are trade in nature.
- (b) All these debtors are our trade customers and the underlying transactions are the sale of our products.
- (c) As disclosed in our Results Announcement, due to US's anti-dumping and countervailing measures against China tire industries, as well as the consolidation process in China's tire industry, some tire makers may face higher insolvency risk, thus the Group's receivables may also face a higher risk of impairment. The Group is taking a more prudent approach in the review of all our debts. If there are indications that the debts may not be recoverable, provisions will be made in respect of the full amount of the debts, and for other debtors whose debts are overdue for more than 6 months, the overdue amounts are provided for as more particularly set out in the table below:-

	RMB' million
Debts with indications of not being recoverable as at 31 March 2015	5.5
Debts overdue for more than 6 months as at 31 March 2015	7.9
Total	13.4
Less: Allowance as at 31 December 2014	5.4
Additional allowance made in 1Q2015	8.0

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
18 May 2015