



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

RESPONSE TO SGX-ST QUERIES ON RESULTS ANNOUNCEMENT FOR HY2020

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 20 August 2020 with regards to our financial statements announcement dated 12 August 2020 (the “**Announcement**”) for the half year ended 30 June 2020 (“**HY2020**”).

Query 1:

In HY2020, property, plant and equipment increased by RMB 55 million, from RMB 649.7 million to RMB 704.7 million. Please disclose the details of the "additions to construction in progress and PPE of RMB 55 million".

Company's response:

Property, plant and equipment (“**PPE**”) increased by RMB 55 million from RMB 649.7 million to RMB 704.7 million mainly due to additions of RMB 117.8 million to Construction in Progress (“**CIP**”) and PPE, offset by depreciation charge of RMB 58.8 million and PPE written off of RMB 4 million. The details of the additions to CIP and PPE by categories¹ are as follows:-

	Plant and machinery RMB' mil	Buildings RMB' mil	Motor vehicle RMB' mil	Office equipment RMB' mil	CIP ² RMB' mil	Total RMB' mil
Hengshun IS project (with a total budget of RMB 270 mil)	-	-	-	-	71.6	71.6
SunSine Phase 2 TBBS project (with a total budget of RMB 60 mil)	-	-	-	-	31.6	31.6
Other additions	4.0	2.0	0.6	1.9	6.1	14.6
Total	4.0	2.0	0.6	1.9	109.3	117.8

¹ A disclosure of the details of CIP and PPE may reveal the Company's confidential information, and would include hundreds of items, making it impractical to do so. Hence, only a disclosure of CIP and PPE by categories is made in this announcement.

² CIP includes infrastructure and buildings under construction, machinery, equipment etc. All costs incurred for the project are captured under CIP until the project is fully completed, at which point such costs will be transferred to the relevant PPE categories.



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Query 2:

It was disclosed that revenue decreased by 26%, as compared to HY2019, due to the decrease in both ASP and sales volume. If the decline in revenue is mainly due to ASP (which decreased by 21%), please quantify and provide more details to explain the decline in GPM of 11.3 percentage points from 34.5% to 23.2% GP margins.

Company's response:

The revenue decreased by 26% mainly due to the decrease in ASP by 21%, and sales volume, by 7%. The detailed analysis of the effects on revenue due to the decrease in ASP and sales volume are as follows:-

Table A

	HY2020		HY2019		HY2020 vs HY2019	
	ASP	Volume	ASP	Volume	ASP effect	Volume effect
	RMB/ton	Tons	RMB/ton	Tons	RMB' mil	RMB' mil
Accelerators	16,172	40,480	21,769	43,790	(245.1)	(53.5)
IS	7,551	13,333	9,424	14,930	(28.0)	(12.1)
Anti-oxidant	12,361	21,564	13,089	22,385	(16.3)	(10.1)
Others	13,827	943	17,566	973	(3.6)	(0.4)
Other business	-	-	-	-	-	(1.9)
Total		76,320		82,078	(293.0)	(78.0)

Therefore, the main contributing factor for the decrease in revenue was the decrease in ASP.

Table B below shows the GPMs by different product categories: -

Table B

	HY2020				HY2019			
	Revenue	Cost of sales	GP	GPM	Revenue	Cost of sales	GP	GPM
	RMB' mil	RMB' mil	RMB' mil		RMB' mil	RMB' mil	RMB' mil	
Accelerators	654.7	515.5	139.2	21.3%	953.3	624.3	329.0	34.5%
IS	100.7	67.6	33.1	32.9%	140.7	89.0	51.7	36.7%
Anti-oxidant	266.5	202.2	64.3	24.1%	293.0	194.9	98.1	33.5%
Others	13.0	9.9	3.1	23.8%	17.1	12.1	5.0	29.2%
Other business	7.7	5.5	2.2	28.6%	9.5	5.3	4.2	44.2%
Total	1,042.6	800.7	241.9	23.2%	1,413.6	925.6	488.0	34.5%

From FY2017 to FY2019, the Group enjoyed higher ASP and higher GP, benefitting from its competitive advantages in environmental protection and safety production. As disclosed in several of our results announcements, the Group had expected the ASP to normalise eventually. Therefore, the decrease in the ASP was expected. The ASP decreased by 21% in HY2020 due to the decrease in raw material prices as



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well as greater market competition. However, the decrease in the price of raw materials is less than the decrease in ASP. For example, the ASP for Accelerators decreased from RMB 21,769/ton (excluding VAT) in HY2019 to RMB 16,172/ton in HY2020 (see Table A above), representing a 26% decrease. On the other hand, two of our main raw materials, namely Aniline and Cyclohexylamine, decreased by 4% from RMB 5,148/ton to RMB 4,919/ton, and 10% from RMB 8,313/ton to RMB 7,441/ton, respectively.

As such, the GPM decreased by 11.3 percentage points from 34.5% to 23.2%, due mainly to the decrease in ASP.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
21 August 2020