



China SunSine Chemical Holdings Ltd.

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Voluntary Disclosure – Business Updates

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 its business updates to shareholders.

In the first quarter ended 31 March 2022 (“**1Q2022**”), with the unexpected outbreak of the Ukraine-Russia conflict, the world’s economy is facing increasing uncertainties. In China, due to the outbreak of COVID-19 in Shanghai, and with many cities in China also reporting COVID-19 cases, most of these cities have implemented some form of control measures to restrict the movement of goods and people. Trucks are not allowed to exit the highway, which has delayed the transportation of raw materials to factories and finished goods to customers. The tyre-makers also experienced lower production utilisation rate and lower profits due to these control measures.

Despite these complicated situations, the Board is pleased to announce that the Group’s financial performance in 1Q2022 has improved as compared to the first quarter ended 31 March 2021 (“**1Q2021**”). Even though the Sales Volume decreased from approximately 47,100 tonnes in 1Q2021 to approximately 41,800 tonnes in 1Q2022 as a result of the combined effects of the Winter Olympics, Chinese New Year and Covid control measures as mentioned above, the Group’s Sales Revenue increasing by 11% to approximately RMB 938 million in 1Q2022 due to the increase in overall Average Selling Prices (“**ASP**”). ASP increased by 24.7% year-on-year to RMB 22,073 per tonne due to the increase in raw material prices. Gross Profit Margin (“**GPM**”) also increased by 2.4 percentage points from 31.6% in 1Q2021 to 34.0% in 1Q2022. Net Profit increased by 26% as compared to 1Q2021 to RMB157 million.

China’s GDP grew 4.8%¹ in 1Q2022. Automakers sold a total of 6.509 million units in China for 1Q2022, representing a 0.2% increase year-on-year². It is also noted that sales volume of New Energy Vehicles (“**NEVs**”) increased 1.4 times year-on-year to 1.257 million units in 1Q2022.

As stated in our FY2021 Full Year Results announcement dated 23 February 2022, China’s economy is now facing increased pressures related to shrinking demand, supply disruptions and weaker expectations. Together with the current multiple outbreaks of COVID-19 cases, the pressure on China’s economic downturn has increased further. The Ukraine-Russia conflict has further accelerated the decoupling of global economies. Recently, the IMF has down-graded the 2022 global economic growth to 3.6%.

Nevertheless, the Group will continue with its strategy of “sales production equilibrium”, and at the same time, seek to improve its sales volume in FY2022.

Given our strong balance sheet and financial stability, our market leadership position, our ability to provide high quality products, economies of scale, wide variety of rubber chemical products, and compliance with national environmental protection laws and regulations, we remain confident about the Group’s profitability in the next 12 months.

Updates of capacity expansion plans

1. Phase 1 30,000-tonne per annum IS project

The Phase 1, 30,000-tonne per annum IS project has been completed and commercial production has commenced.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

2. *30,000-tonne per annum TMQ and 2,000-tonne per annum HTMQ project*

HTMQ refers to TMQ with higher effective contents. The Group has added some more equipment onto the existing TMQ production lines so as to produce HTMQ. The construction of the infrastructure and installation of the machinery for the entire project has been completed. We are in the process of applying for trial-run approval from the Government. The management expects the approval will be granted by 2Q2022, and the commercial production to commence in 2H2022.

3. *Controlled Landfill Projects*

The Group is in the process of constructing Phase 2, 50,000-tonne capacity Controlled Landfill Project. The Phase 2 Project is expected to be completed by 1H2022.

Below is a summary of our estimated Annual Capacity³ at the end of each financial year:

Tonnes	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022e
Accelerators	87,000	87,000	87,000	97,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	20,000	30,000	30,000	30,000	30,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	45,000	77,000
Total	152,000	152,000	162,000	172,000	192,000	192,000	254,000

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
28 April 2022

³ Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT