



China SunSine Chemical Holdings Ltd.

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Business Updates:

Shandong SunSine 60,000 tonnes/annum Continuous Production of High Quality MBT Phase 1 Project Hengshun 60,000 tonnes/annum Insoluble Sulphur Phase 2 Project

The Board of Directors (the “**Board**”) of China SunSine Chemical Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders of the Company that its wholly-owned subsidiary, Shandong SunSine Chemical Co., Ltd (“**Shandong SunSine**”), has, on 3 October 2022, launched its ground-breaking ceremony in Shanxian for two projects, namely, a 60,000 tonnes/annum Continuous Production of High Quality MBT Phase 1 Project, and a 60,000 tonnes/annum Insoluble Sulphur Phase 2 Project.

60,000 tonnes/annum Continuous Production of High Quality MBT Phase 1 Project (“**MBT Project**”)

In line with the continuing growth and expansion of the Group, the production volume of rubber accelerators, CBS and TBBS, have been increasing progressively. This has led to the increase in demand for the intermediate material - MBT. Currently, the Group has to buy approximately 20,000 tonnes of MBT from third parties every year to meet its requirements. External purchase of this MBT not only costs more (approximately RMB 320 million for 20,000 tonnes of MBT based on current market price) but crucially, third party supply of MBT may not be stable. As such, the Group decided to expand its own MBT production line.

Under this **MBT Project**, new production technology is adopted. This innovative technology is jointly developed by Shandong SunSine’s R&D team and Tsinghua University’s Academician, Professor Chen Bing Zhen, and her team. The new technology not only achieves continuous production of MBT, it also improves MBT conversion rate compared to current acid-based treatment technology, resulting in a higher quality MBT product. Best of all, the whole process only produces a small amount of waste salt and wastewater. As such, the new technology will reduce our environmental risks, and at the same time, provide cost advantages. The Group is entitled to a provincial government grant of RMB 24.36 million under the “2020 Shandong Province Major Science and Technology Innovation Project Guide” for the development of this technology, of which RMB 21.92 million has been received by the Group to-date.

This **MBT Project** will fill the gap in China’s market for the continuous production of high quality MBT, and promote the transformation and upgrading toward clean, automated and continuous production in the Chinese rubber chemicals industry. It is therefore of great strategic significance in China’s fast development of the rubber chemicals, tires, as well as auto industries.

The entire **MBT Project** has a total annual capacity of 60,000 tonnes, split into two phases. Phase 1 consists of 20,000 tonnes/annum, with a budget of RMB 200 million. It is expected to be completed by the end of 2023.

60,000 tonnes/annum Insoluble Sulphur Phase 2 Project (“**Phase 2 IS Project**”)

As previously disclosed in our Response to Shareholders Questions for AGM dated 25 April 2022, the current total capacity of Insoluble Sulphur of the Group is 60,000 tonnes, consisting of 10,000 tonnes in Shandong SunSine, 20,000 tonnes in Shandong Shengtao Chemical Co., Ltd (“**Shengtao Chemical**”), and 30,000 tonnes in Shandong Hengshun New Material Co., Ltd (“**Hengshun**”). The 10,000-tonne production line in Shandong SunSine was built in 2010, and has old equipment and outdated production technology, and the Group plans to phase out this production line eventually. Shengtao Chemical is not located in a chemical industrial park. Hence, we expect the government will eventually require it to be relocated (although no formal notice of relocation has been received by the Group to-date). The 30,000-tonne production line in Hengshun

has almost reached its full capacity. As such, the Group believes that the time is ripe to start the **Phase 2 IS Project** to add another 30,000 tonnes/annum.

The whole Hengshun Insoluble Sulphur project consists of a total annual capacity of 60,000 tonnes, and adopts a “One-step” production method (or continuous production method). This production method is developed in-house by Shandong Sunshine, and represents one of the highest standards of production technology in its field. For this achievement, it has been awarded “First Prize of Scientific and Technological Progress” by China Petroleum Chemical Industry Federation (中国石油和化学工业联合会科技进步一等奖). After the completion of the whole Hengshun project, the total 60,000-tonne Insoluble Sulphur capacity will become the world’s largest production lines in a single location.

The **Phase 2 IS Project** will utilise some of the equipment at Shengtao Chemical's IS production facility, which will help to reduce the initial investment costs. The budget for Phase 2 IS Project is RMB 100 million. The management expects the project to be completed by the end of 2023.

These two projects will be funded by internal resources and are not expected to have any material impact on the consolidated net tangible assets per share or earnings per share of the Group for the financial year ending 31 December 2022.

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
11 October 2022