



China SunSine Chemical Holdings Ltd.

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Company Registration No.: 200609470N

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.

Although raw material prices fluctuated dramatically during the third quarter ended 30 September 2021 (“**3Q2021**”), the Board is pleased to announce that the Group’s financial performance in 3Q2021 improved as compared to the third quarter ended 30 September 2020 (“**3Q2020**”) with the recovery in the global economy. The Group recorded sales revenue of approximately RMB 880 million in 3Q2021, a 47% increase as compared to 3Q2020. Net profit increased by 68% as compared to 3Q2020 to RMB100 million. The sales volume for 3Q2021 reached another record high of approximately 51,600 tonnes. For the first three quarters ended 30 September 2021 (“**YTD3Q2021**”), the Group achieved total sales revenue of RMB 2.64 billion and net profits of RMB 365 million, an increase of 61% and 157%, respectively as compared to prior year period ended 30 September 2020. Total sales volume reached approximately 144,760 tonnes.

The prices of our main raw materials declined sharply starting from March or April 2021, touched their troughs in June 2021, then slowly increased in July 2021, and accelerated at the end of September 2021. In general, there will be approximately one quarter of time-lag for pricing in the change in raw material prices for our major customers as we adopt quarterly pricing for such customers. As our Average Selling Prices (“**ASP**”) in 3Q2021 was fixed in advance for these customers based on the lower raw material prices in the second quarter ended 30 June 2021 (“**2Q2021**”), the spike in raw material prices in 3Q2021 mentioned above had resulted in a decline in our ASP as compared to that in 2Q2021, notwithstanding another record in sales volume achieved for 3Q2021. As such, our sales revenue and net profit in 3Q2021 were lower than 2Q2021. Our ASP will be correspondingly adjusted according to the fluctuation in raw material prices. Thus, the management believes that our ASP will increase along with the increase in the raw material prices.

China’s GDP grew 4.9%¹ in 3Q2021, and 9.8% for YTD3Q2021. Automakers sold a total of 18.62 million units in China for YTD3Q2021, representing a 8.7% increase year on year². It is also noted that sales volume of New Energy Vehicles (“**NEVs**”) almost doubled year-on-year to 2.157 million units in YTD3Q2021.

The recent “double cut” policy (i.e. cut the production, cut the electricity supply) implemented by the Chinese local governments had affected most of the manufacturing companies in China. Although the Group was not materially affected by the electricity supply crunch as we have our own power plant managed by our subsidiary, Shanxian Guangshun Heating Co., Ltd, the production of most of our suppliers and customers were directly affected by this policy, which may have contributed to the jump in the raw material prices to some extent. As such, our downstream tire makers generated lesser profits, and the utilisation rates became lower. At same time, the resurgence of the COVID-19 cases in many parts of the world, the uneven rollout of vaccines across nations, and growing geopolitical tensions, had altogether created greater economic uncertainties.

The Group will continue with its strategy of “sales production equilibrium”, and at the same time, adopt its flexible pricing strategy to better service its customers.

Given our strong balance sheet and financial stability, our market leadership position, our ability to provide high quality products, large-scale production, 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.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

Updates of capacity expansion plans

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

The construction of the infrastructure and installation of the machinery had been completed. We are in the process of applying for trial-run approval from the Government. The management expects the approval to be granted by end of November 2021, and the trial-run to commence in December 2021. The commercial production is expected to start in 2022.

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

The construction of the infrastructure and installation of the machinery had 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 end of 2021, and the commercial production to commence in 2022.

3. *Controlled Landfill Projects*

The Phase 1, 50,000-tonne capacity Controlled Landfill Project has been completed and put into use. The Group has started Phase 2 of another 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	75,000
Total	152,000	152,000	162,000	172,000	192,000	192,000	252,000

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
11 November 2021

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