



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.

Recently, geopolitical conflicts have become more severe, which have greatly impacted the global economic outlook. In China, many cities have reported COVID-19 cases, prices of our raw materials have fluctuated significantly, while production utilisation rates of Chinese tire manufacturers are not high, resulting in shrinking demand from our customers. Despite these challenges, the Board is, however, pleased to announce that the Group’s financial performance in the third quarter ended 30 September 2022 (“**3Q2022**”) improved as compared to the third quarter ended 30 September 2021 (“**3Q2021**”). Although the sales volume in 3Q2022 decreased slightly by 6% year on year to 48,268 tonnes, the Group recorded sales revenue of approximately RMB 921 million in 3Q2022, which is about 4% higher as compared to 3Q2021, due to higher average selling prices (“**ASP**”). Net profit jumped 27% as compared to 3Q2021 to RMB128 million. For the first three quarters ended 30 September 2022 (“**YTD3Q2022**”), the Group achieved total sales revenue of RMB 2.94 billion and net profits of RMB 555 million, an increase of 11% and 52%, respectively, as compared to prior year period ended 30 September 2021.

The prices of our main raw materials have been increasing since June 2021, then started to decline from its highest level in the first quarter of 2022, and increased sharply at the end of September 2022. 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 such, our ASP in 3Q2022 decreased as compared to that in 2Q2022. However, as compared to raw material prices in 2Q2021 and 3Q2021, the raw material prices in 3Q2022 were higher, so were our ASP in 3Q2022. ASP in 3Q2022 was RMB 18,858/tonne, about 11% higher as compared to the ASP in 3Q2021. Gross profit margin (“**GPM**”) in 3Q2022 increased by 5.6 percentage points year on year to 27.2%.

However, the world economy is slowing down owing to interest rates hikes in most of the western economies, and together with the energy crisis in Europe, these factors had led to the decrease in our overseas orders. China’s COVID-19 control measures have also resulted in consumers’ lack of confidence, as well as lower production utilisation rates of most of the Chinese tire manufacturers. As such, our sales volume in 3Q2022 decreased as compared to last year.

China’s GDP grew 3.9%¹ in 3Q2022, and 3.0% for YTD 3Q2022. Automakers sold a total of 19.47 million units in China for YTD3Q2022, representing a 4.4% increase year on year². It is also noted that sales volume of New Energy Vehicles (“**NEVs**”) reached a total of 4.567 million units in YTD 3Q2022, representing 23.5% of total vehicle sales³. The Chinese government has continued to introduce policies, such as extending the waiver of purchase tax on NEVs, 10% toll fees’ cut on transportation vehicles etc, which hopefully will boost the confidence of the Chinese auto market, and lead to an increase in the demand for tires.

It should also be noted that due to the time-lag for pricing as stated above, our ASP in 4Q2022 may not increase as fast as the increase in raw material prices, and our GPM in 4Q2022 may come under pressure. At present, Chinese tire makers’ production utilisation rate remains low, and at the same time, the resurgence of COVID-19 cases in many Chinese cities may cause further disruptions to supply chains and logistics. All of these, and together with growing geopolitical tensions, the Russia-Ukraine conflict, as well as expected further hikes in interest rates by western countries, will lead to greater economic uncertainties.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

³ Source: China Association of Automobile Manufacturing

The Group will continue with its strategy of “sales production equilibrium”, and at the same time, adopt 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.

Updates of expansion projects

1. *Phase I 20,000-tonne per annum continuous production of high quality MBT project*

We have commenced the infrastructure construction, and the management expects the project will be completed by end of 2023. For more details of this project, please refer to the Company’s announcement dated 11 October 2022.

2. *Phase II 30,000-tonne per annum Insoluble Sulphur project*

We have commenced the infrastructure construction, and the management expects the project will be completed by end of 2023. For more details of this project, please refer to the Company’s announcement dated 11 October 2022.

3. *Phase II 50,000-tonnes Controlled Landfill Projects*

The Phase II Project has completed.

Below is a summary of our estimated Annual Capacity⁴ at the end of each financial year:

Tonnes	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e
Accelerators	87,000	87,000	97,000	117,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	30,000	30,000	30,000	30,000	60,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	77,000	77,000
Total	152,000	162,000	172,000	192,000	192,000	254,000	254,000

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
11 November 2022

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