



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.

In the first quarter ended 31 March 2023 (“**1Q2023**”), China’s GDP grew 4.5%¹ year-on-year, indicating a gradual rebound since the re-opening from COVID-19. Many key data, including consumption, investment, imports and exports of goods, show a promising start for the Chinese economy.

However, China’s industrial capacity utilisation rate came in at 74.3%² in 1Q2023, down 1.5 percentage points from the same period a year earlier. In addition, competition in the Chinese rubber chemicals industry has become even more intensive. In order to obtain more orders from customers, the Group adopted a more flexible pricing strategy. In 1Q2023, the Group sold a total of 48,875 tonnes of products, which is approximately 17% increase as compared to the sales volume in the first quarter ended 31 March 2022 (“**1Q2022**”). However, the Sales Revenue decreased by 8% to approximately RMB 863 million from RMB 938 million in 1Q2022, due to lower Average Selling Price (“**ASP**”). The ASP in 1Q2023 decreased by approximately 21% year-on-year to RMB 17,426 per tonne, due mainly to the decrease in the prices of raw materials, as well as the adoption of the flexible pricing strategy stated above. The lower ASP also resulted in a lower Gross Profit Margin (“**GPM**”) of 22.4% in 1Q2023. Net Profit decreased to RMB 67 million.

China Automakers sold a total of 6.076 million units in China for 1Q2023, representing a 6.7% decrease year-on-year³. On the other hand, the sales volume of New Energy Vehicles (“**NEVs**”) rose 26.2% year-on-year to 1.586 million units in 1Q2023, accounting for 26.1% of total new vehicle sales⁴.

As stated in our 2022 Annual Report, the current global economic situation is becoming increasingly challenging. The Ukraine-Russia conflict continues to deteriorate, with no positive outcome in sight. Raw material prices continue to fluctuate, posing challenges to enterprises in their cost control management.

Although we are facing so many challenges, the Company will continue with its long-term goals by focusing on its rubber chemicals business, strengthening its global market leadership position in rubber accelerators, maintaining its market leadership in insoluble sulphur by expanding the production scale, and further enhancing the market share of anti-oxidant products.

At the same time, the Company will enhance and improve the technological processing in the areas of automation, continuous and green production. The Group will also tighten its internal control, strengthen cashflow management and cost control.

Given our strong balance sheet and financial stability, our market leadership position, our ability to consistently provide high-quality products reliably, 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 2 30,000-tonne per annum IS project

¹ Source: National Bureau of Statistics

² Source: National Bureau of Statistics

³ Source: China Association of Automobile Manufacturing

⁴ Source: China Association of Automobile Manufacturing

The Phase 2 30,000-tonne per annum IS project is on schedule, and the management expects the project to be completed by the end of 2023.

2. *Phase 1 20,000-tonne per annum Continuous Production of High Quality MBT project*

This project is on schedule, and the management expects the project to be completed by the end of 2023.

Below is a summary of our estimated Annual Capacity⁵ 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
26 April 2023

⁵ Annual Capacity excludes capacity of intermediary materials such as 4ADPA and MBT