



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.

With COVID-19 under control in China and on the back of the Chinese economy's strong recovery in the July to September quarter, the Board is pleased to announce that the Group's business performance in the third quarter ended 30 September 2020 (“**3Q2020**”) had seen an overall improvement as compared with the first two quarters in 2020. The Group recorded sales revenue of approximately RMB 600 million in 3Q2020, and the sales volume for 3Q2020 reached another record high of approximately 46,000 tons. With the Group's addition of another 20,000-ton TBBS capacity in May 2020, representing an 11.6% increase in its total capacity to 192,000 tons per annum, the capacity utilisation rate for 3Q2020 works out to be a high of 95%. The Group's gross profit margin for 3Q2020 also improved to 28.3% from 23.2% in 1H2020.

Although the average selling price (“**ASP**”) in 3Q2020 did not improve compared to the previous quarter, we witnessed an increase in the prices of raw materials since the end of September 2020, and our ASP has been increasing correspondingly. The management believes that, barring unforeseen circumstances, the Group's performance for the second half of 2020 would be better than that of the first half of 2020.

China's GDP grew 4.9%¹ in 3Q2020, and 0.7% for YTD 3Q2020. Automakers sold a total of 2.56 million units in China for the month of September 2020, representing a 12.8% increase year on year². As of September 2020, China's auto production and sales volume have grown for six consecutive months, of which sales volume achieved more than 10% growth for five consecutive months. This shows that China's overall economy is recovering rapidly, and the Chinese auto market is also recovering, which would benefit the Group.

Meanwhile, the United States and Europe are facing another accelerating wave of COVID-19 cases, and some countries in Europe are locking down again which could stymie the recovery of the global economy, leading to more uncertainty and possibly lower demand from our overseas customers.

Nevertheless, the Group will continue with its strategy of “sales production equilibrium”, and at the same time, will seek to improve its sales and take the necessary steps to make raw material consumption more efficient, control cost, eliminate wastage, and strengthen its cash flow management in order to achieve sustainable growth.

Given our strong balance sheet and financial position, our market leadership position, our ability to provide high quality products, large-scale production, a variety of product range of rubber chemicals, 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-ton per annum IS project

The construction of the infrastructure has been completed, and we are in the process of installing the relevant machinery. The expected completion time remains unchanged, which is by the end of 2020. Commercial production will commence in 2021 depending on the market situation.

¹ Source: National Bureau of Statistics

² Source: China Association of Automobile Manufacturing

2. *Phase 2 20,000-ton per annum Accelerator - TBBS project*

Due to the recent commencement of this project in May 2020, there is potential to ramp up its production and utilisation rate. We strongly believe that this newly added capacity will give the Group's scale in TBBS a clear and distinct advantage over our competitors.

3. *30,000-ton per annum TMQ project*

Construction of infrastructure stage. The project is expected to complete by 1H2021, and commercial production will begin in 2H2021.

Below is a summary of our latest estimated Annual Capacity³ for FY2021, against past years' capacities :

Tons	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021e
Accelerators	87,000	87,000	87,000	87,000	87,000	97,000	117,000	117,000
Insoluble Sulphur	20,000	20,000	20,000	20,000	30,000	30,000	30,000	60,000
Anti-oxidant	45,000	45,000	45,000	45,000	45,000	45,000	45,000	75,000
Total	152,000	152,000	152,000	152,000	162,000	172,000	192,000	252,000

BY ORDER OF THE BOARD

Xu Chengqiu
Executive Chairman
16 November 2020

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