



**CHINA SUNSINE CHEMICAL HOLDINGS LTD.**

**中国尚舜化工控股有限公司**

**FY2018  
COMPANY PRESENTATION**

**5 March 2019**

# PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

# Our Company

# About China Sunsine Chemical

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China Sunsine listed in the first batch of the National Champion Manufacturing Enterprises by Ministry of Industry and Information Technology of the PRC, in 2017

- ✓ Specialty rubber chemicals producer
- ✓ **World's largest** producer of Rubber Accelerators
- ✓ **PRC's biggest** producer of Insoluble Sulphur
- ✓ Superior product-quality and economies of scale
- ✓ Accredited by a strong customer base of top tire makers
- ✓ Beneficiary of stringent environmental protection standards



# Our Products - Rubber Chemicals



## Rubber Accelerators

MBT MBTS CBS TBBS TMTD  
DPG DCBS ....



## Insoluble Sulphur

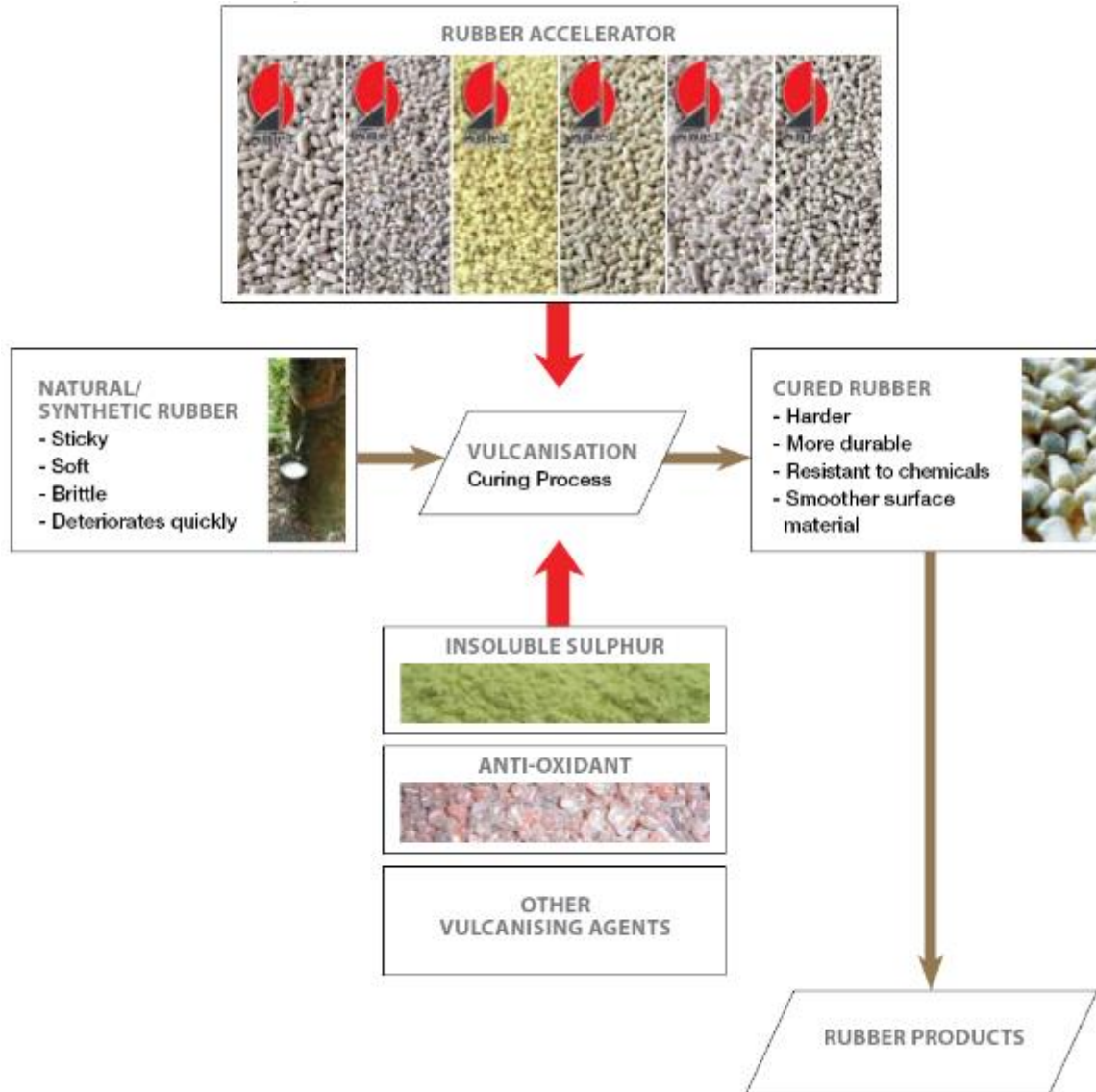


## Anti-Oxidants

TMQ  
6PPD  
4010NA



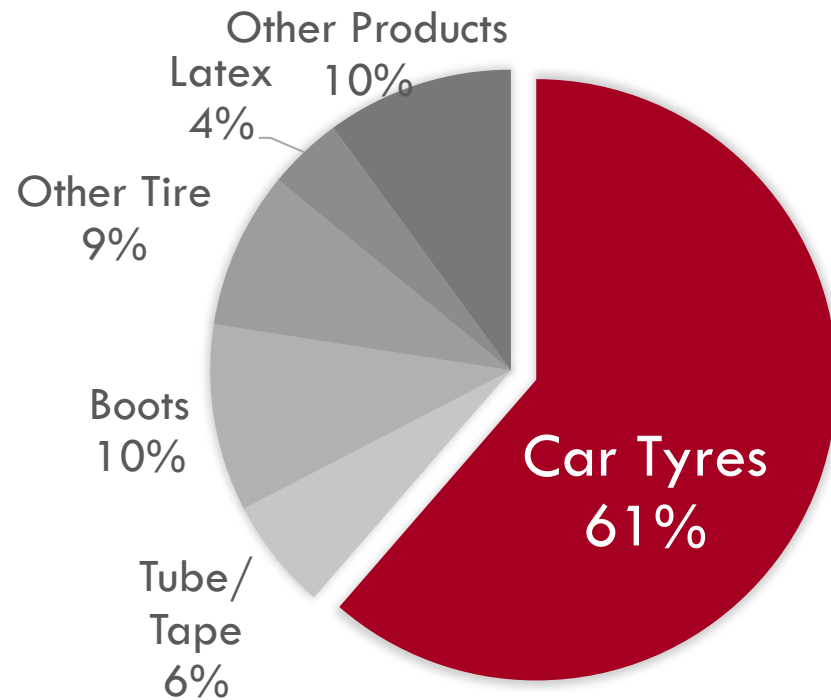
# Our Products: Rubber Chemicals



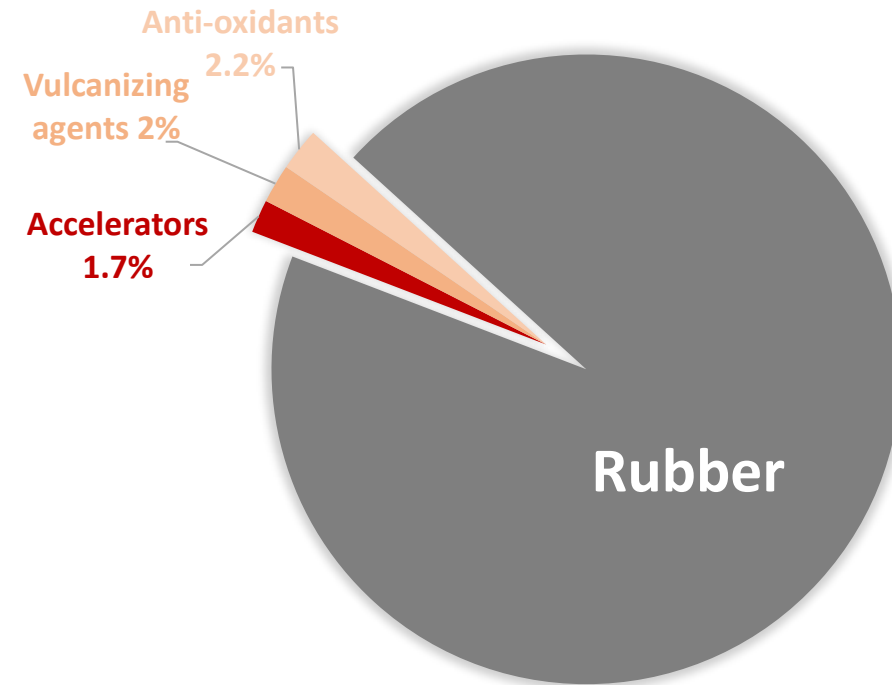
Rubber Chemicals are **Essential Additives** in the production of rubber products



# Global Consumption of Rubber



<http://www.chemn.com>



Global natural and synthetic rubber consumption in 2018:  
29.08 million tons

Source: <https://www.statista.com>

- **By weight**, every 100 tons of rubber consumes about 6 tons of rubber chemicals (100:6)
- **By value**, rubber chemical's cost accounts for about 3% of total tire cost (100:3)



# Our Strong Customer Base



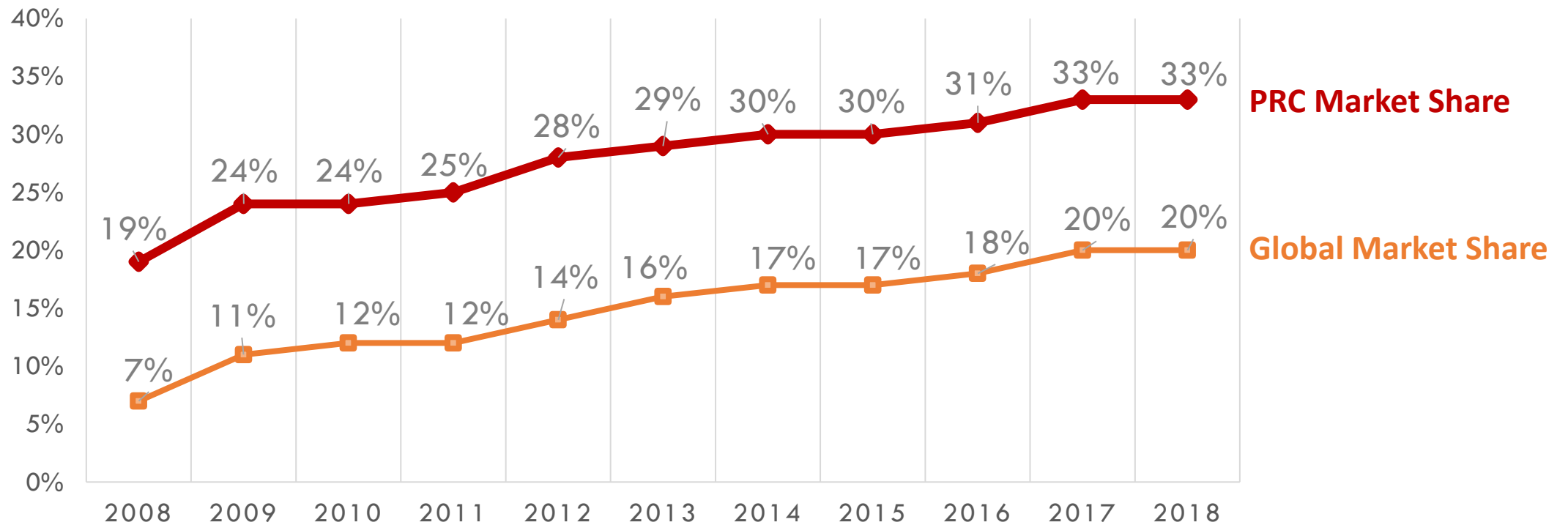
- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tire makers
- **1/3** output exported





# Market Share: Rubber Accelerators

## MARKET SHARE



# Our Market Leadership Position

## GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2018
<b>China Sunsine 中国尚舜</b>	<b>87,000 tons</b>
Tianjin Kemai 天津科迈	<b>51,000 tons</b>
Yanggu Huatai 阳谷华泰	<b>45,000 tons</b>

## PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2018
<b>China Sunsine 中国尚舜</b>	<b>30,000 tons</b>
Yanggu Huatai 阳谷华泰	<b>20,000 tons</b>
Wuxi Huasheng 无锡华盛	<b>10,000 tons</b>



# Our Production Bases

**Five production bases in three locations**



**Dingtao Base**  
• 10,000-ton Insoluble Sulphur  
(another 10,000-ton to be completed by 2017)



**Shanxian**  
• Home base: 116,000-ton  
• Sub-base-Yongshun: 10,000-ton TBBS (high-grade accelerator) expected to be completed by 2017.  
• Sub-base-Guangshun Heating plant: Centralised steam production



**Weifang Plant**  
• 26,000-ton accelerators



# Financial Overview

# P&L Highlights

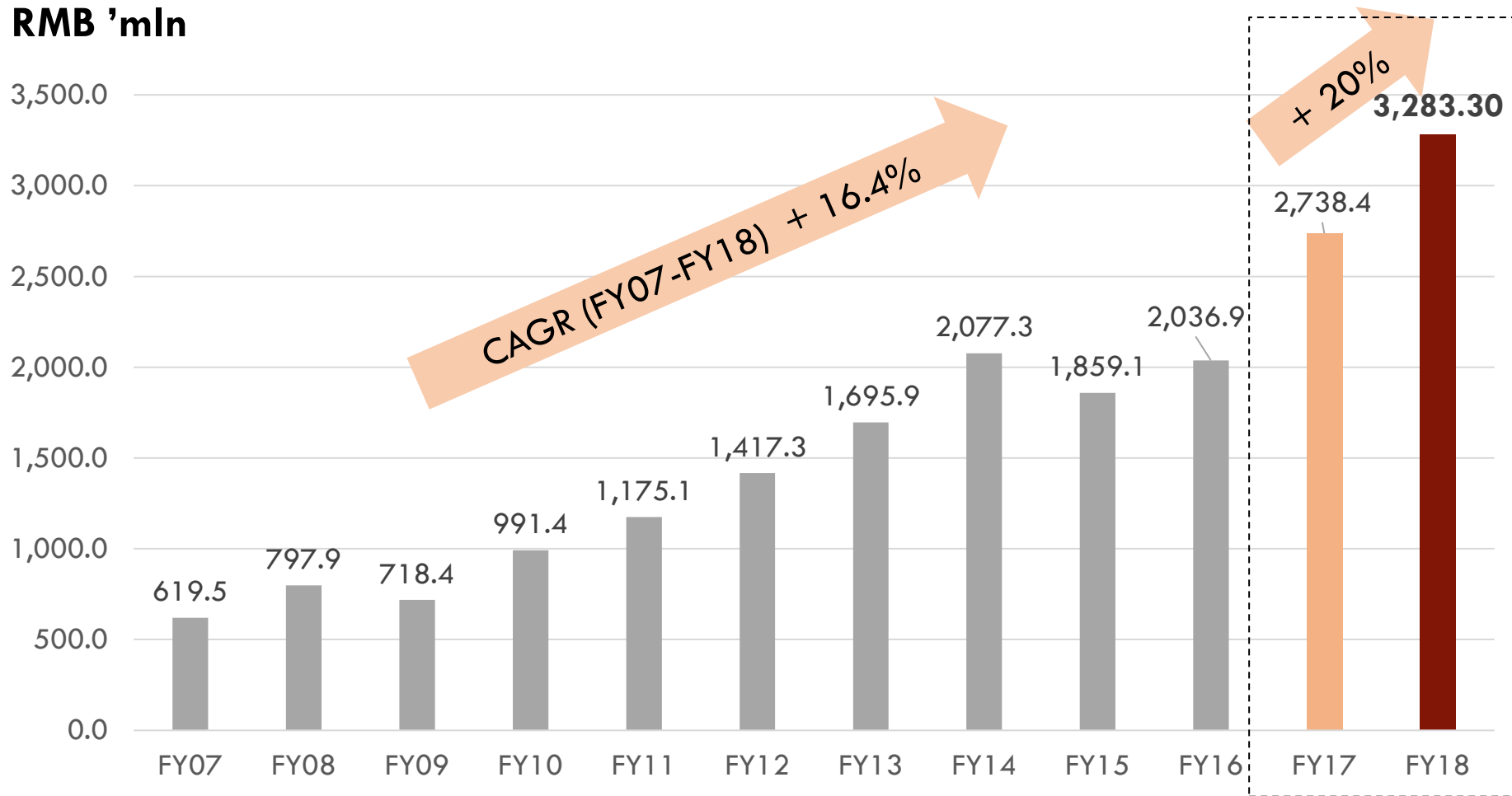
13

RMB 'mln	Year Ended		
	31 Dec 18	31 Dec 17	Change
Group Revenue	<b>3,283.3</b>	2,738.4	20%
Gross Profit	<b>1,125.9</b>	788.1	43%
Gross Profit Margin	<b>34.3%</b>	28.8%	5.5 pts
Profit Before Tax	<b>711.6</b>	476.8	49%
Profit After Tax	<b>641.3</b>	341.3	88%
EPS (RMB cents/SGD Cents*)	<b>130.45/ 26.06</b>	70.83/ 14.15	84%

\* SGD to RMB exchange rate @5.0062



# Revenue Growth

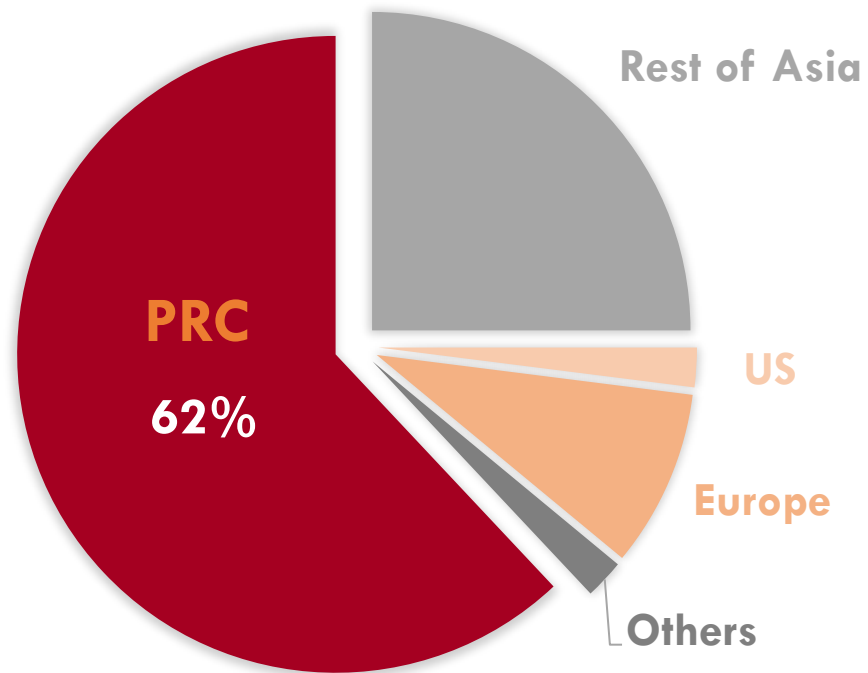


FY18 Revenue up 20% y-o-y boosted by higher average selling price (ASP) and sales volume



# Sales Contribution (By Region)

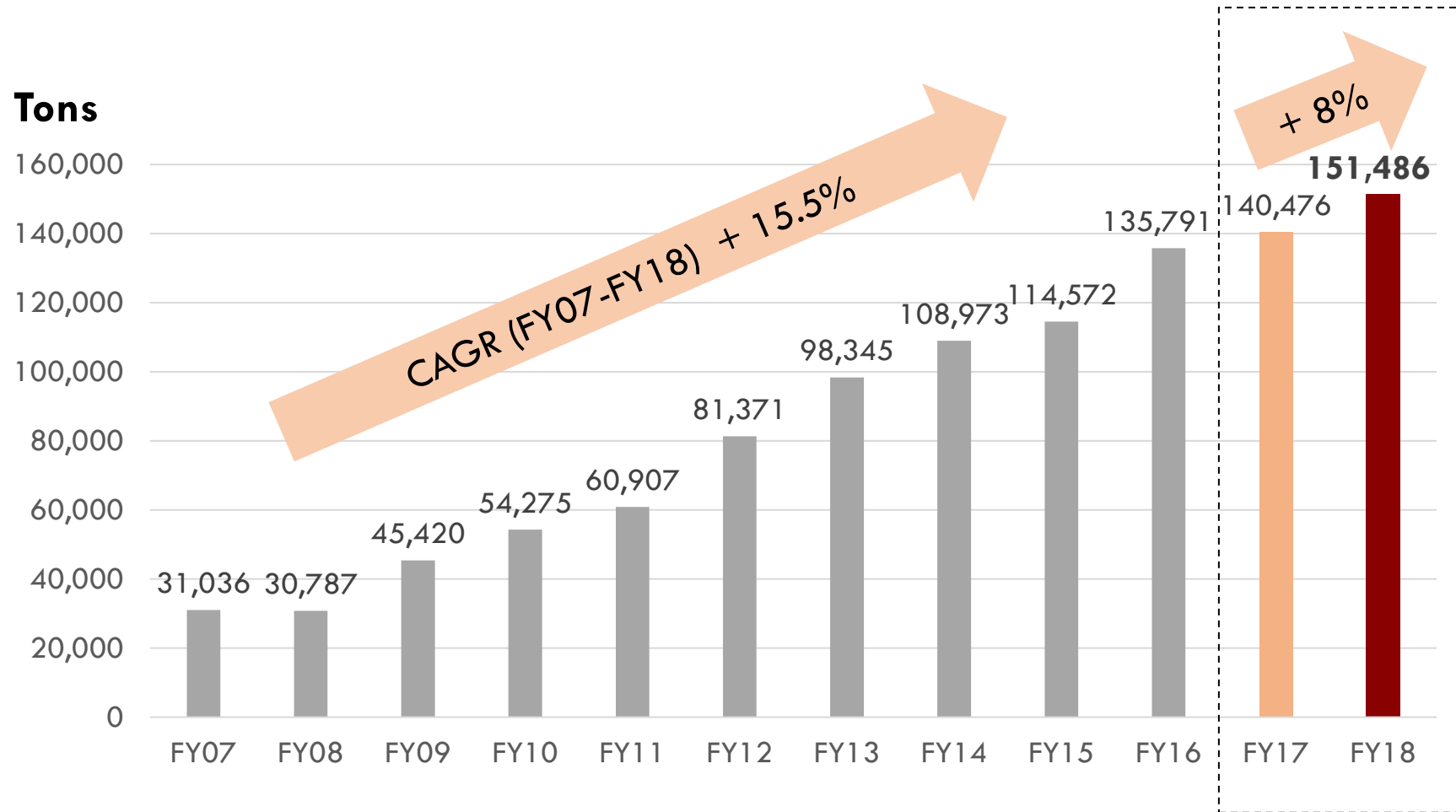
## FY18 Sales Contribution (y-o-y)



Region	FY2018	FY2017
China	62%	64%
Rest of Asia	25%	24%
US	2%	5%
Europe	9%	5%
Others	2%	2%
Total	100%	100%



# Sales Volume



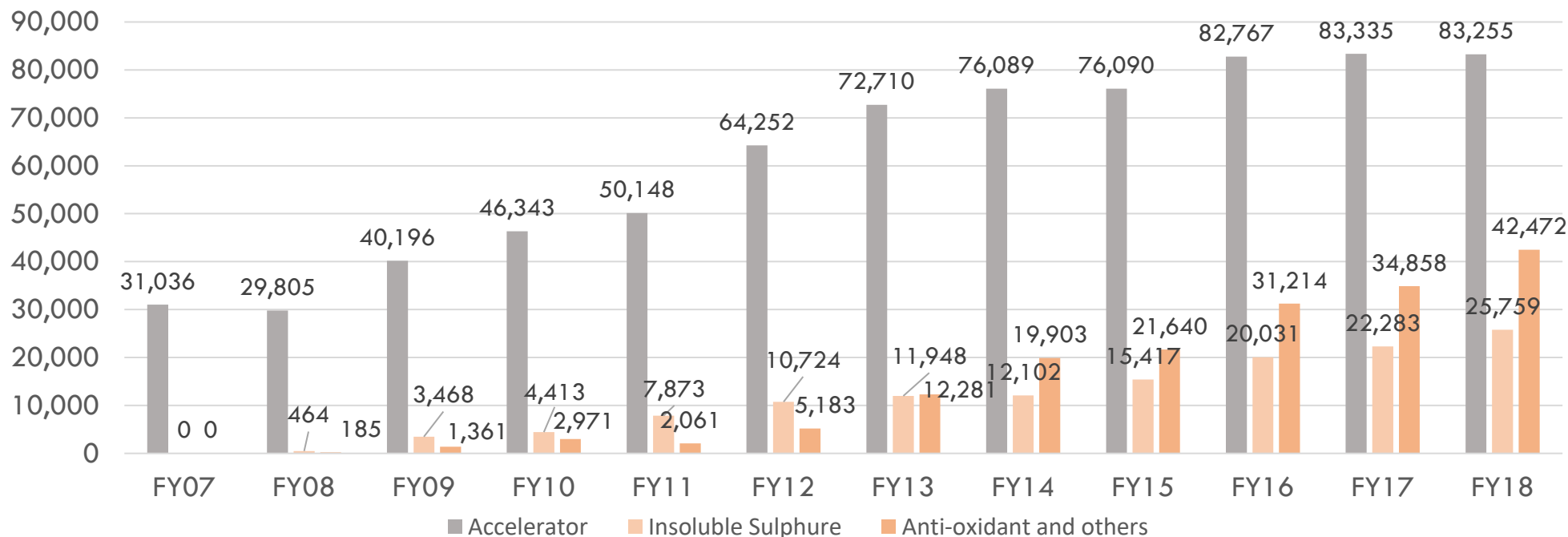
FY18 Sales volume up 8% y-o-y due mainly to higher sales volume of Insoluble Sulphur (IS) and Anti-oxidant products





# Sales Volume by Products

**Tons**

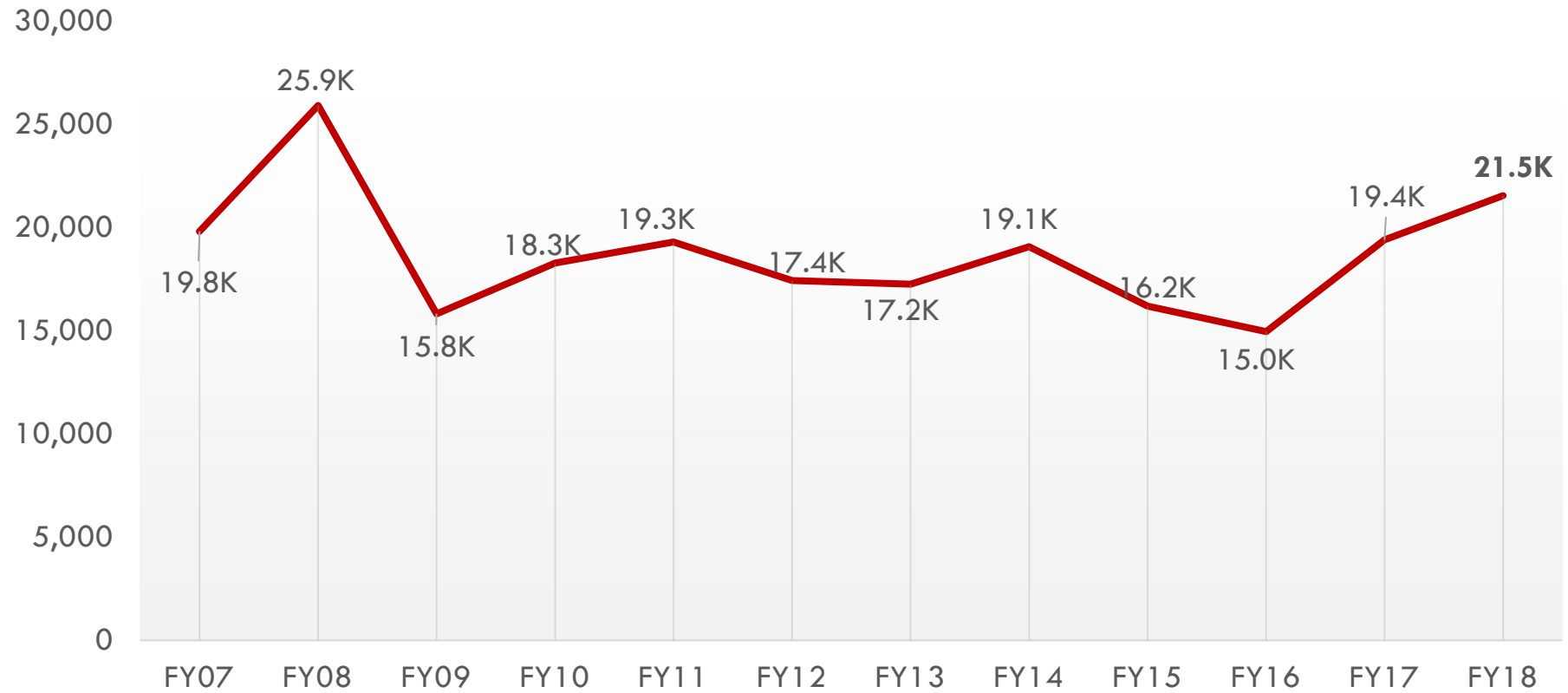


Sales Volume	FY18 vs FY17	Utilization Rate
Accelerators	+ 0%	Almost fully utilized
Insoluble Sulphur	+ 16%	Fully utilized
Anti-oxidants & Others	+ 24%	About 90%



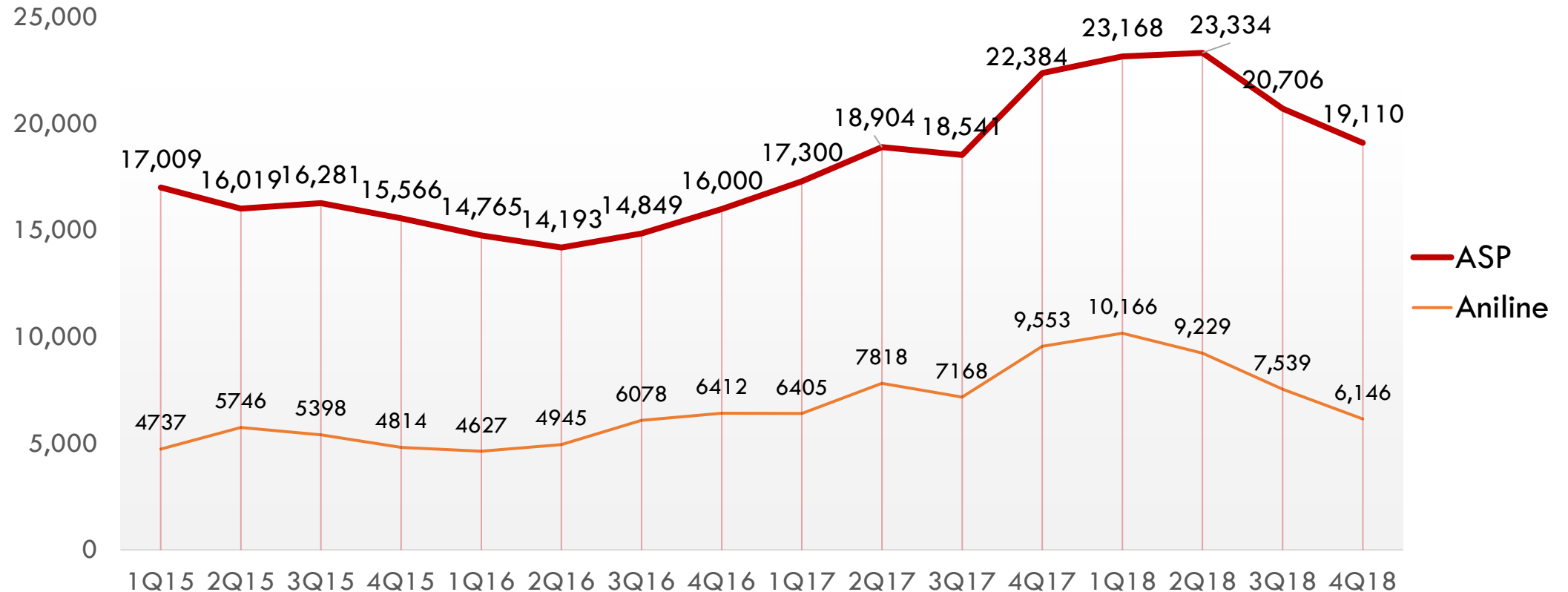
# Overall Average Selling Price (ASP)

RMB/Ton



# ASP vs Aniline Price

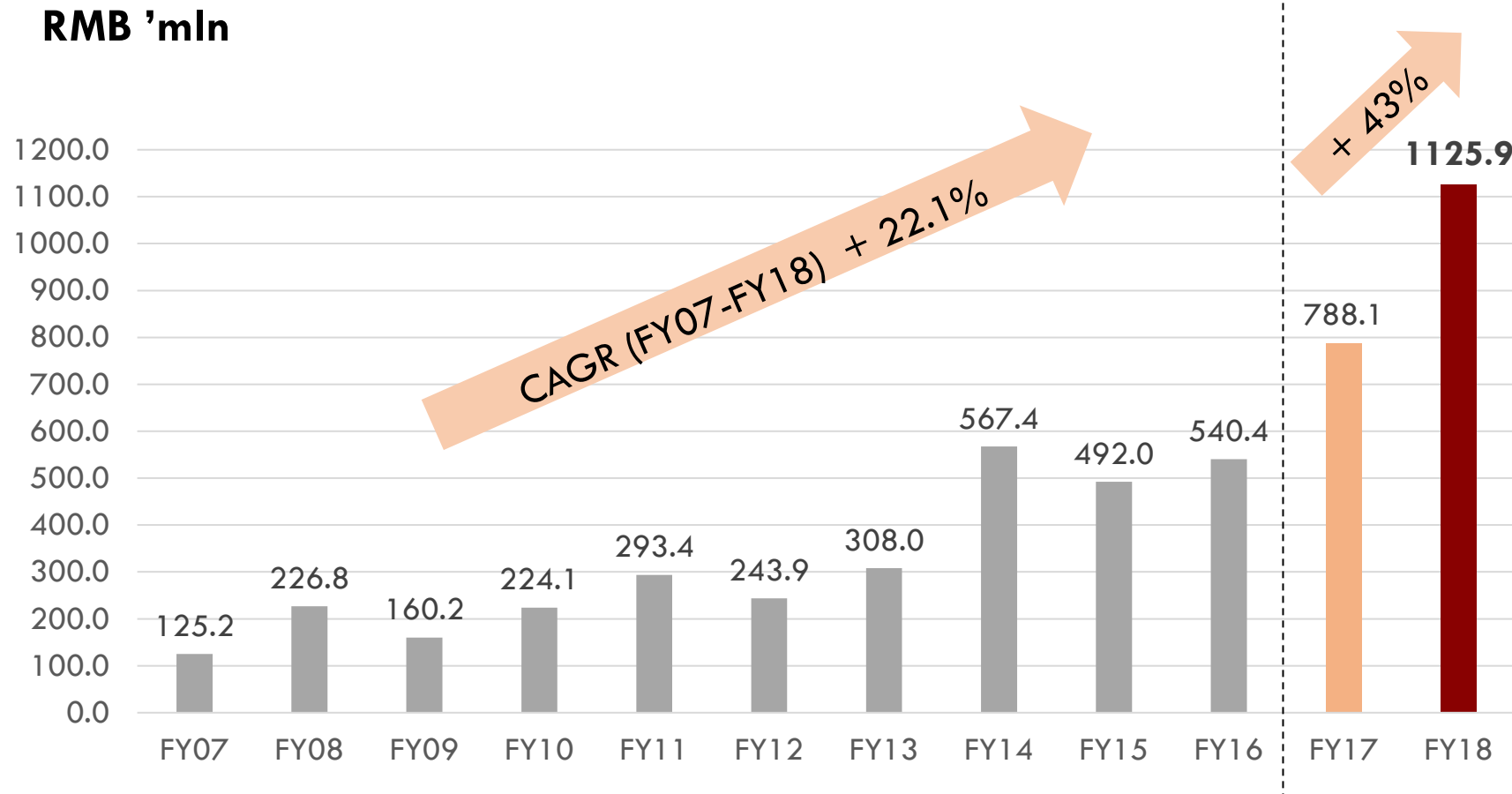
RMB/Ton



- The Group is able to gain a reasonable margin due to its competitive strengths



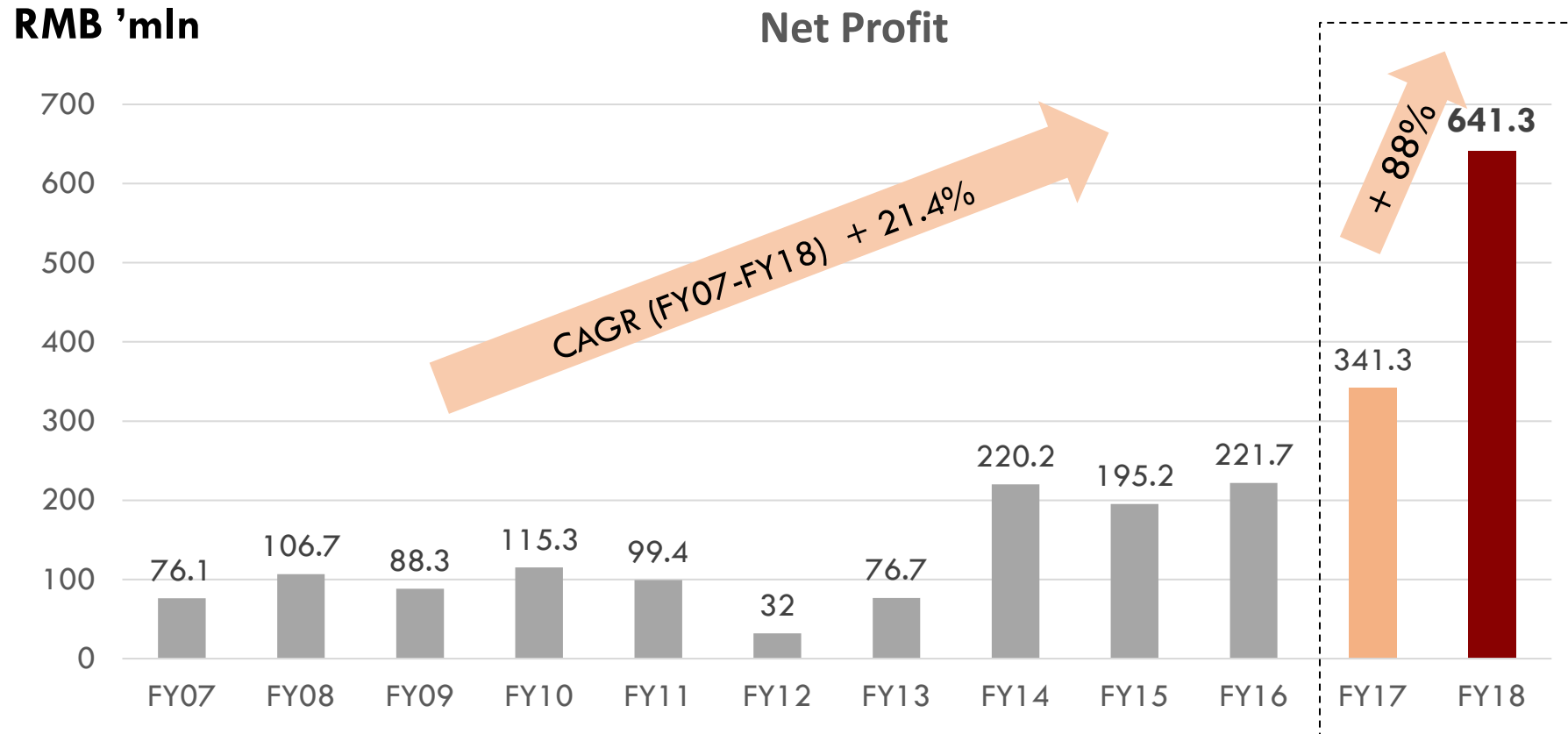
# Gross Profit



FY18 Gross profit grew 43% y-o-y due to higher ASP and sales volume



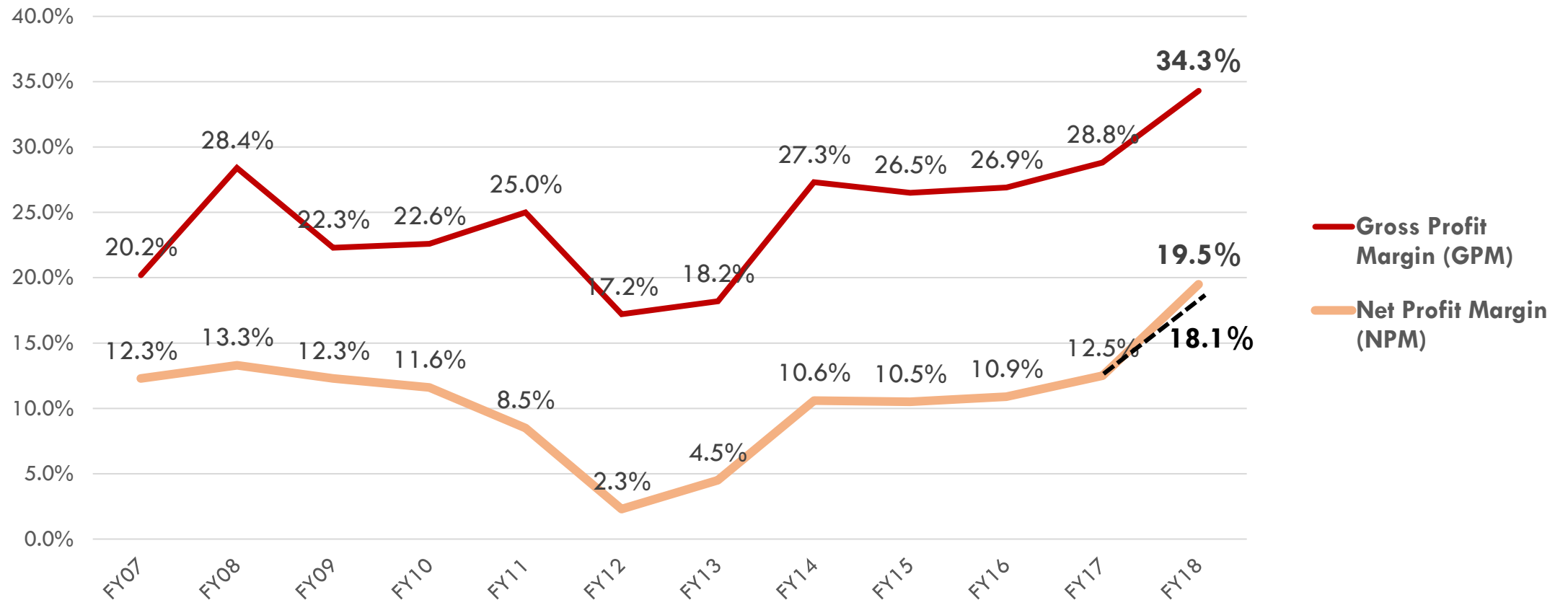
# Net Profit



- Net Profit surge due to higher ASP and higher sales volume.
- Group's main subsidiary-Shangdong Sunsine enjoys a concessionary tax rate of 15% throughout FY17, FY18 and FY19 due to its "High-tech Enterprise" status



# Margins Analysis



--- Adjusted by taking out the one-time credit of tax expense of RMB 48 mln



# Balance Sheet Highlight

	31/12/2018	31/12/2017	31/12/2016
<b>Current Assets (RMB'mln) *</b>	<b>2,016.4</b>	1,424.6	1,050.5
<b>Current Liabilities (RMB'mln)</b>	<b>421.8</b>	385.3	280.8
<b>Current Ratio</b>	<b>4.78</b>	3.70	3.74
<b>Shareholders' Equity (RMB'mln)</b>	<b>2,325.5</b>	1,742.4	1,361.6
<b>D/E ratio **</b>	<b>0</b>	0	0
<b>NAV per share (RMB cents) (equivalent to SGD cents)</b>	<b>473.32/ 94.6</b>	354.37/ 70.8	293.42/ 58.6
<b>Net Cash per share (RMB cents) (equivalent to SGD cents)</b>	<b>211.4 42.2</b>	101.6/ 20.3	56.1/ 11.2

\* Including Cash RMB 1,038.6 mln

\*\* No bank borrowing



# Key Developments



# Ongoing Projects

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Project	Status	CapEx
<p><b><u>30,000-ton fully-automated, high-end Accelerator TBBS at Shanxian:</u></b></p> <p>1. Phase I of 10,000-ton capacity</p> <p>2. Phase II of 20,000-ton capacity</p>	<p>Whole project was approved in Jan 2019</p> <p>Commercial production commenced</p> <p>Production line to be installed in 2019</p>	<p>RMB 100 mln</p> <p>RMB 60 mln</p>
<p><b><u>Insoluble Sulphur at Dingtao:</u></b></p> <p>10,000-ton production line</p>	<p>Obtained approval in Nov 2018</p> <p>Commercial production commenced</p>	<p>RMB 50 mln</p>
<p><b><u>Heating Plant:</u></b></p> <p>Add one boiler and one electric generator</p>	<p>Completed</p>	<p>RMB 100 mln</p>

The Group is currently negotiating with local government to acquire more land for further expansion



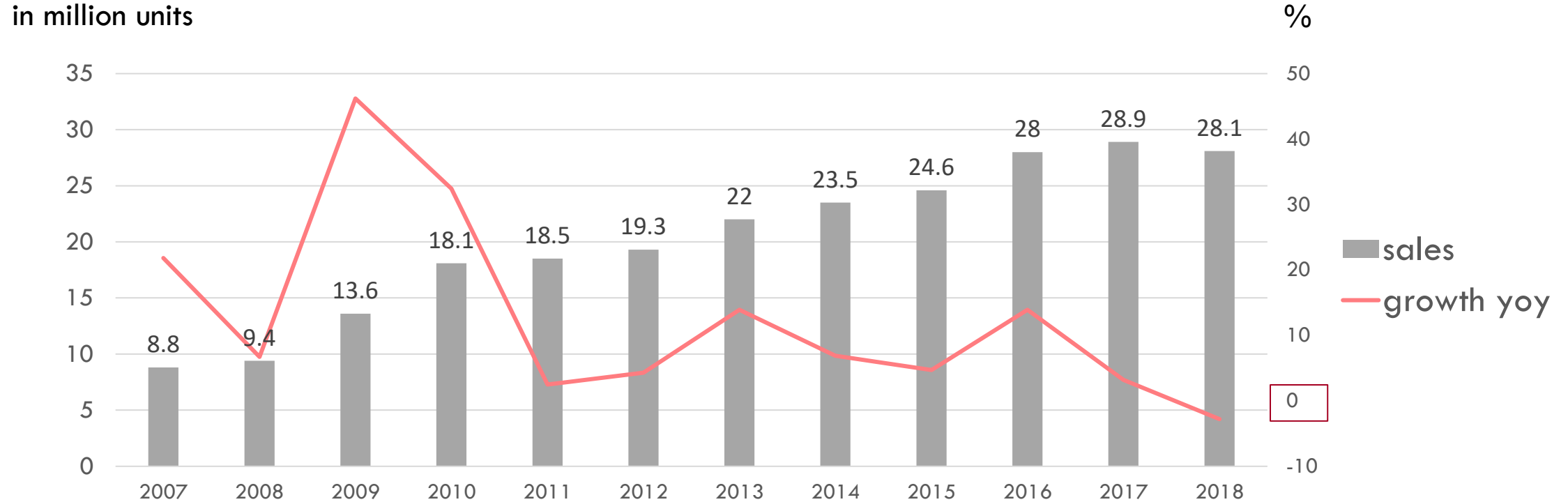
# Annual Capacity

	2007 (before IPO)	FY17	FY18	FY9e
Rubber Accelerators	32,000	87,000	87,000	117,000
Insoluble Sulphur	nil	20,000	30,000	30,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000
<b>Total</b>	<b>32,000</b>	<b>152,000</b>	<b>162,000</b>	<b>192,000</b>



# Industry Info and Outlook

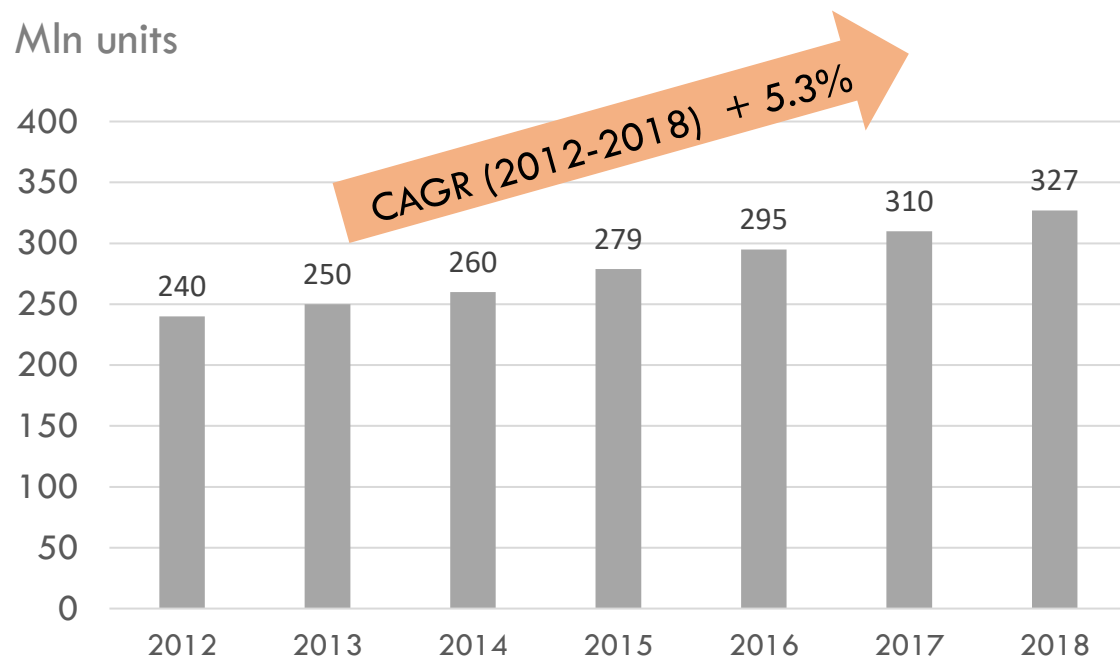
# China's New Car Sales



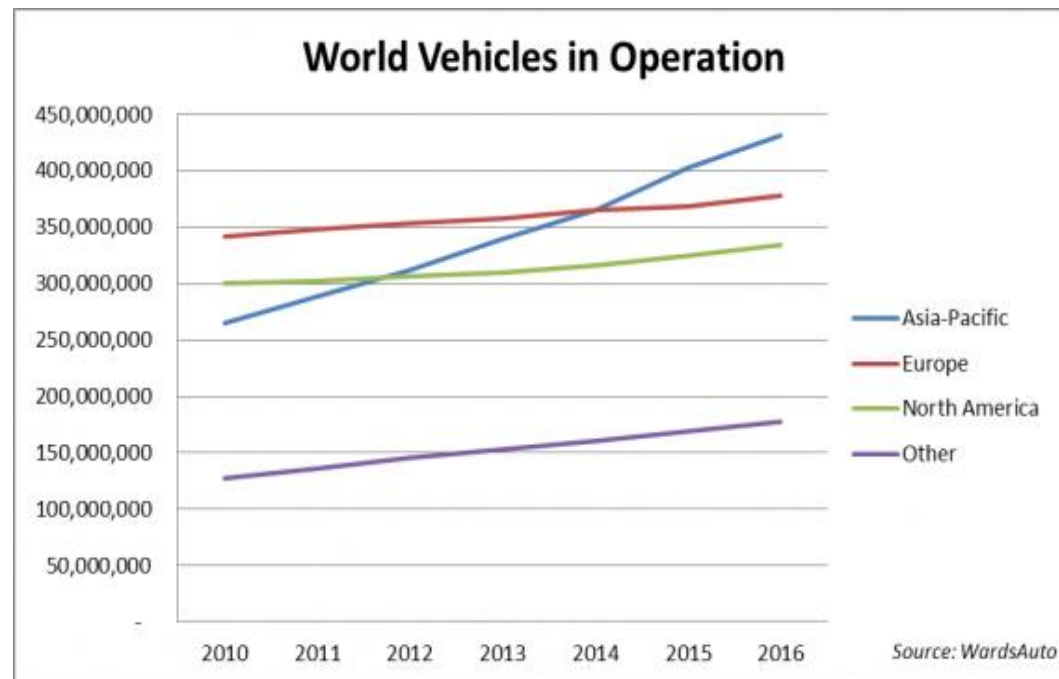
- 28.1 mln cars sold in China in 2018, down 2.8% y-o-y
- New car sales volume have seen the first time drop after 28 years of consecutive growth

# Global Vehicle Population

## PRC Motor Vehicle Population



[http://www.sohu.com/a/289093749\\_390500](http://www.sohu.com/a/289093749_390500)



Source: WardsAuto

<http://subscribers.wardsintelligence.com/analysis/world-vehicle-population-rose-46-2016>

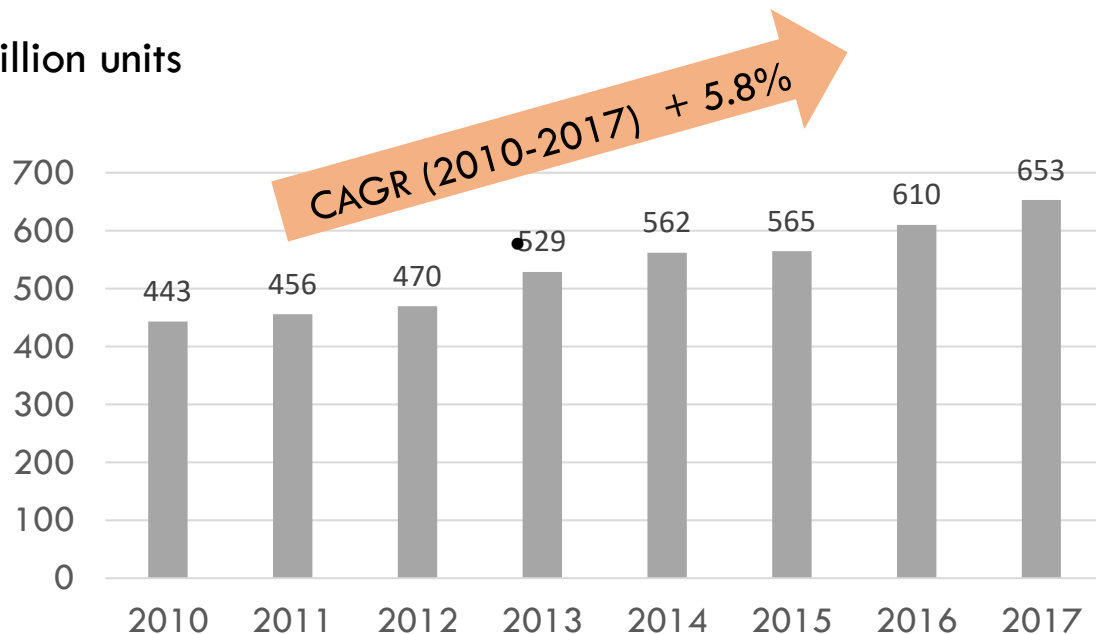


- Global vehicle population is growing, mainly driven by rising car ownership in developing countries

# Riding on Rising Tire Consumption

### PRC Tire Production Volume

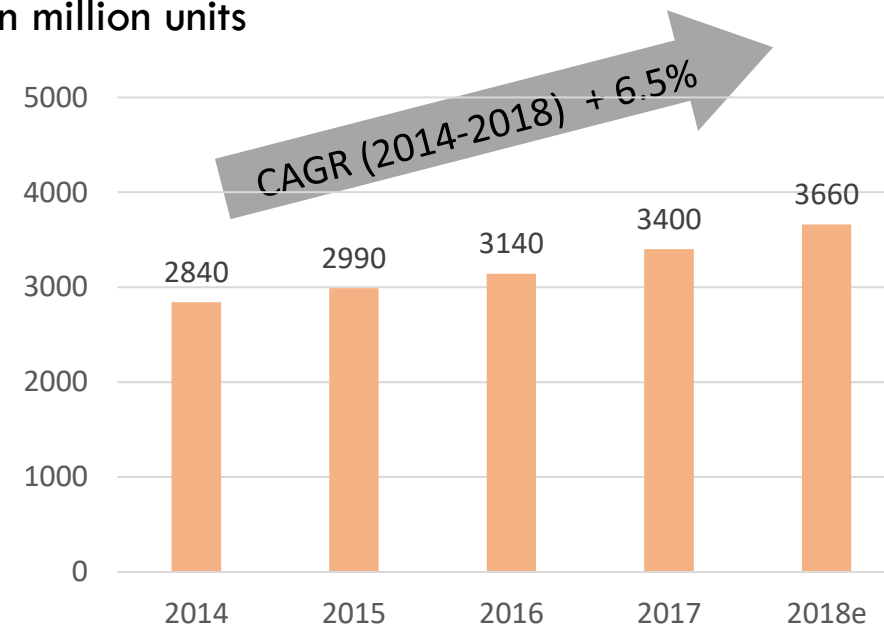
in million units



Source: <http://www.tyrefh.org/>

### Projected worldwide tire market volume from 2014 to 2018

in million units



[www.statista.com](http://www.statista.com)



- Replacement tire and new car tire sales account for 70% and 30% respectively
- As overseas factories of Chinese tyre makers produce for export to the US and the EU, tire production in China expected to grow moderately

# Competitive Strengths

## Market Leadership

- World largest accelerators and China's biggest IS producer
- Capturing 20% of global and 33% of China's accelerators markets
- Listed in the first batch of "National Champion Manufacturing Enterprise"

## Products & Economy of Scale

- Superior quality and Full range of varieties
- Stable supply
- Largest capacity with economy of scale

## Strong Customer Base

- Over 1,000 customers worldwide spanning over 40 countries
- Serving 2/3 of global top 75 tire manufacturers
- 1/3 output exported

## Environmental Protection advantage

- Early adopter of Environmental protection initiative
- 1/3 of capex invested in environmental protection and safety
- Transformation and upgrading towards "Green, Intelligent & Miniaturized"

## R&D Capability

- "High-tech Enterprise" Status
- Academician R&D workstation in collaboration with Tsinghua and CAS
- R&D Centre partnered with Qingdao University of Science and Technology

## Ready Resources for Future Expansion

- Strong cash position
- Built-up infrastructures



**Q : Are rubber chemical products commodities?**

**A : NO – They are products in the niche market.**

**Reasons:**

1. Rubber chemicals are not produced in a large scale
2. Renowned tire makers, which account for the bulk of the global tire production, require rubber chemicals to satisfy their special, onerous specifications. High technology and talents are required to make such rubber chemicals
3. China Sunshin has been profitable since 1998





**Q : Are entry barriers high for the rubber chemical industry?**

A : Yes.

Reasons:

1. Capital intensive -- land, environmental protection and safety infrastructure.
2. Know-how -- technology, talents and management skills also required to produce specialty chemicals.
3. Stringent supplier selection process by renowned tire makers, taking into account of production capabilities, capacity, quality of products & services and compliance with government's regulations etc.
4. Rubber chemical industry currently undergoing consolidation.
5. Difficult to get approval for new capacities



**Q : Will weakening car sales affect the rubber chemical industry?**

**A :** There will be material impact only if the new car sales experience significant negative growth

Reasons:

1. New cars accounts for only 30% of tire consumption. Existing cars consume the remaining 70% as replacement for old tires. For passenger cars, every car needs to replace 1.5 piece of tires every year.
2. New car sales in developing countries expected to stay robust owing to low car ownership

Country	US	Australia	Italy	Japan	Germany	S. Korea	China
Motor vehicles per 1,000 people	910	740	625	591	555	459	231

[https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_vehicles\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_countries_by_vehicles_per_capita)



# Turning Challenges into Opportunities

## Challenges

## Opportunities

Stringent environmental and safety enforcement may affect all chemical companies in China



The policy affects smaller producers more and will lead to industry consolidation, benefiting bigger players

Short supply situation may ease as some affected productions resume gradually which could lead to the decline of ASP



Sunsine's capacity growth will result in sales volume growth and lower unit cost. Profit will grow in long term even if ASP normalises

Trade war tension between US and China makes the world economy uncertain and weakens China's tire export to US



Group's sales to US are small, about 2%. Wherever they are located, tire factories all over the world need rubber chemicals



## Strategy

Higher production leads to higher sales volume, which in turn stimulates even higher production

## Leveraging

advantages in

- Quality
- Economies of scale
- Product range
- Low cost of production
- Environmental protection
- Market reach

## Objectives

Staying ahead in the rubber chemical Industry

Strengthening RA's global market leadership position

Striving to secure IS's leadership position in the world

Expanding Anti-oxidants' market share



# Listed On SGX Mainboard

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## SHARE PERFORMANCE

China Sunshine Chemical Holdings Ltd. (CH8.SI)

SES - SES Delayed Price. Currency in SGD

[★ Add to watchlist](#)

[Quote Lookup](#)

**1.1200** -0.0400 (-3.45%)

As of 11:47AM SGT. Market open.

[Summary](#) [Chart](#) [Conversations](#) [Statistics](#) [Historical Data](#) [Profile](#) [Financials](#) [Analysis](#) [Options](#) [Holders](#) [Sustainability](#)



IPO 39 cents

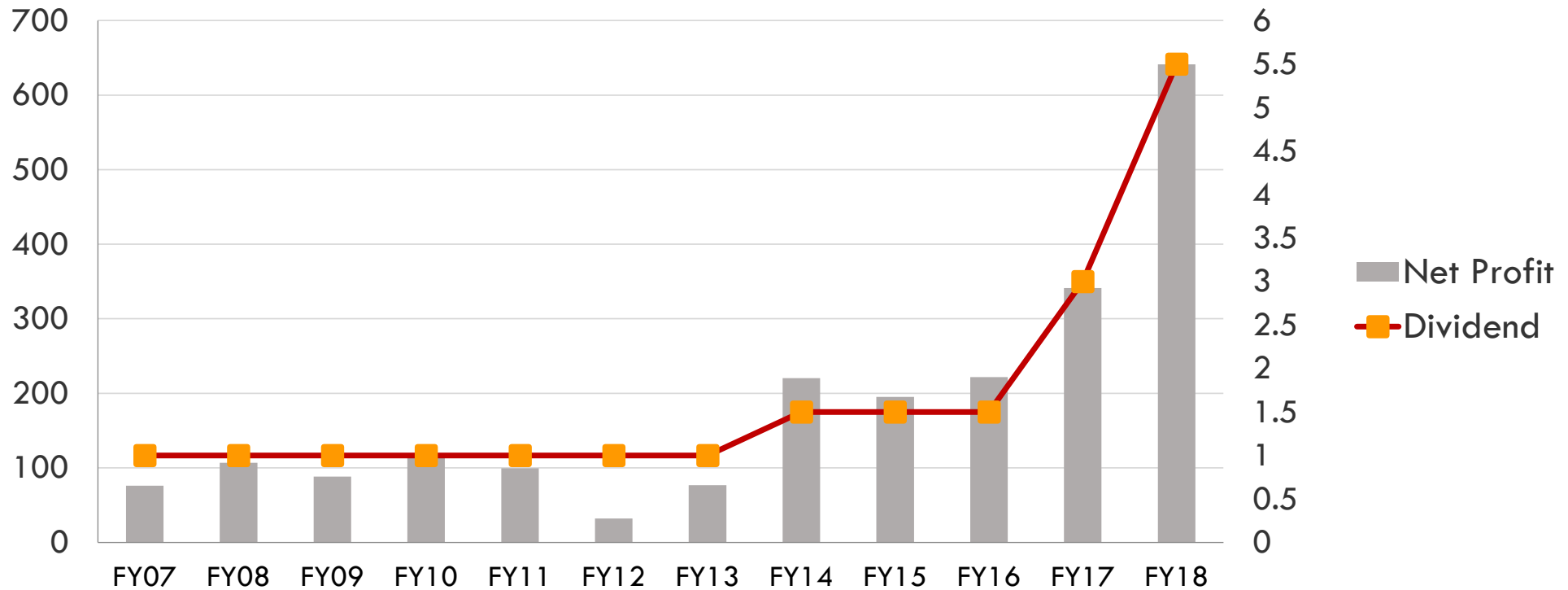
- No rights issue and new share placement since IPO
- P/E 4X times, P/B 1.2 times
- Dividend yield 4.8%



# Dividend Payment History

**Net Profit**  
(in RMB 'mln)

**Dividend**  
(in SGD cents)



# Q & A

## MEDIA/INVESTOR CONTACT

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