

Singapore

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	S\$1.55
Target price:	S\$1.87
Previous target:	S\$1.87
Up/downside:	20.8%
CGS-CIMB / Consensus:	-2.5%

Reuters:	CHSN.SI
Bloomberg:	CSSC.SP
Market cap:	US\$557.3m
	S\$762.1m

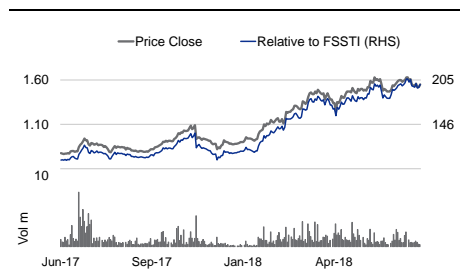
Average daily turnover:	US\$1.18m
	S\$1.56m

Current shares o/s:	491.7m
Free float:	35.0%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.4	9.9	102.6
Relative (%)	12.8	13.6	101.3

Major shareholders	% held
Success More Group Limited	63.3

Analyst(s)

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China Sunsine Chemical Holdings

Plunge in raw material costs

- Shutdown of several chemical factories in downstream industry in May has impacted demand for aniline, leading to 25% plunge in price to Rmb7,400/ton as at 28 Jun 18.
- If ASPs for rubber accelerators remain unchanged, Sunsine could possibly see better-than-expected gross margins in 3Q18F.
- A rising US\$ against renminbi would benefit Sunsine as the group has a net asset exposure of Rmb424m in US\$ as at end-FY17.
- Anticipate Sunsine to extend record profit streak to 2Q18F following its closest peer's strong profit guidance amid favourable market conditions.
- Maintain Add with unchanged EPS and TP of S\$1.87.

Aniline prices dive could be favourable to Sunsine

Prices of aniline plunged from c.Rmb10,260/ton as at 30 May 18 to Rmb7,400/ton as at 28 Jun 18 according to data from 100ppi.com. The price drop was attributed to weak demand resulting in an oversupply of aniline as several chemical factories in the downstream industry were shut down in May amid the tightening environmental policies. Aniline is a key raw material for Sunsine's chemical products.

Lower raw material prices could boost 3Q18F gross margins

The price index for rubber accelerators in China have generally held steady in recent months at Rmb19,800-21,300 per ton over the Apr-Jun 18 period, based on Sublime China Information (SCI) data. If ASPs for accelerators continue to remain steady over the next 1-2 months, we could possibly see better-than-expected gross margins in Sunsine. Raw material accounted for c.80% of Sunsine's total costs in FY17.

If ASPs were to decline correspondingly instead...

We think this could still track our thesis on ASPs normalising in 2H18F and in line with our earnings forecasts. Rubber accelerators producers could adjust ASPs accordingly with lower raw material costs in order to sustain cordial relations with international tyre makers and other key customers if tight supply of accelerator conditions are easing off.

Also, a beneficiary of rising US\$ against renminbi

As at end-FY17, Sunsine had a net asset exposure of Rmb424m in US\$, with about 70% held in cash. About one-third of its products are exported and international sales accounted for c.36% of its 1Q18 revenue at Rmb307m. The recent strengthening of the US\$ vs. Rmb could lead to substantial FX gains for Sunsine in the coming quarters.

Expect Sunsine to extend record earnings streak to 2Q18F

Sunsine's closest peer, Yanggu Huatai (300121 CH; Not Rated), released its 1H18F guidance on 29 Jun 18, forecasting a 155-185% yoy growth in net profit to Rmb206.2m-230.5m as new capacity kicked in. We think Sunsine could likewise chalk up another record set of earnings for 2Q18F and extend its record profit streak.

Tyre production in China grew 7% yoy in 2017

Production volume for rubber tyres in China grew 7% yoy to 653m in 2017, according to data from China Rubber Industry Association as replacement tyres roughly account for c.70% of total tyres produced. Sunsine's chemical products are mostly sold to tyre makers for the manufacturing of rubber tyres. Sunsine captured a c.25% market share of domestic production of rubber accelerators in 2016.

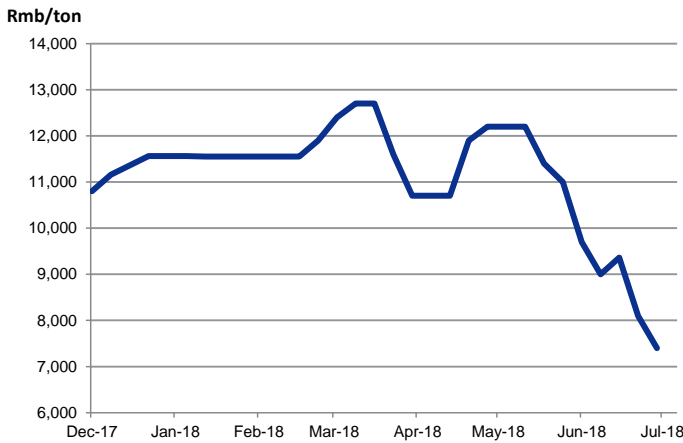
Maintain Add with unchanged TP of S\$1.87

Sunsine is currently trading at 8.2x CY19F P/E, a 32% discount to peer average of 12.1x. Maintain Add with TP S\$1.87, pegged to 9.8x CY19F at a c.19% discount to peer average. Key catalysts include stronger-than-expected earnings growth. Downside risks include weaker gross margins and delays in capacity expansion.

Financial Summary	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (Rmbm)	2,037	2,738	3,232	3,159	3,430
Operating EBITDA (Rmbm)	403.6	561.9	771.4	658.5	662.5
Net Profit (Rmbm)	221.7	341.3	546.0	452.6	465.5
Core EPS (Rmb)	0.47	0.71	1.11	0.92	0.95
Core EPS Growth	18.7%	51.6%	55.5%	(17.1%)	2.8%
FD Core P/E (x)	15.93	10.51	6.76	8.15	7.93
DPS (Rmb)	0.07	0.14	0.24	0.19	0.19
Dividend Yield	0.96%	1.93%	3.21%	2.57%	2.57%
EV/EBITDA (x)	7.96	5.50	3.84	3.85	3.29
P/FCFE (x)	NA	19.91	12.46	6.75	8.16
Net Gearing	(20.3%)	(28.7%)	(32.7%)	(45.2%)	(51.7%)
P/BV (x)	2.56	2.12	1.66	1.45	1.26
ROE	17.3%	22.0%	27.6%	19.0%	17.0%
CIMB/consensus EPS (x)			0.99	0.92	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Aniline's YTD prices in Shandong province



SOURCES: CGS-CIMB RESEARCH, 100PPI.COM

Figure 2: Aniline prices for North China (blue) and East China (orange) regions in 2013-2017



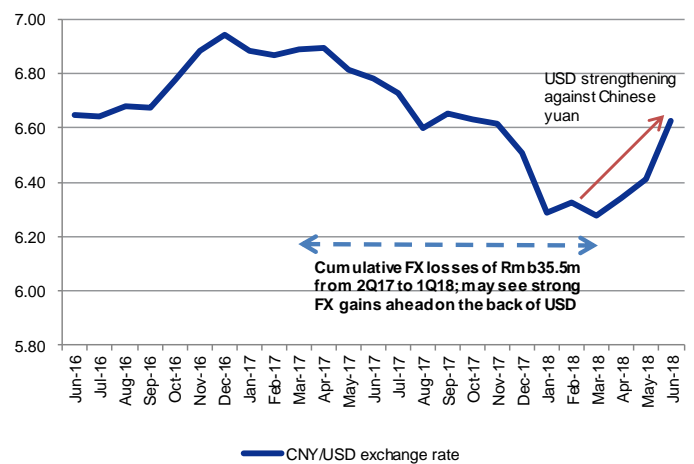
SOURCES: CGS-CIMB RESEARCH, SCI99.COM

Figure 3: Average price index for rubber accelerators in China



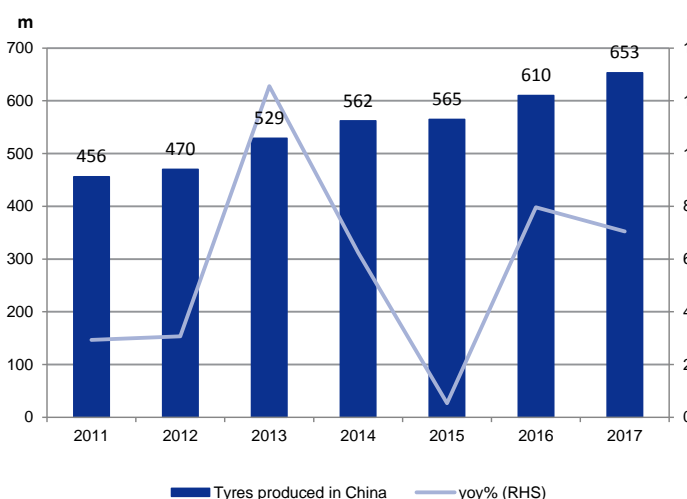
SOURCES: CGS-CIMB RESEARCH, SCI99.COM

Figure 4: Rmb/US\$ exchange rate (Jun-16-Jun18)



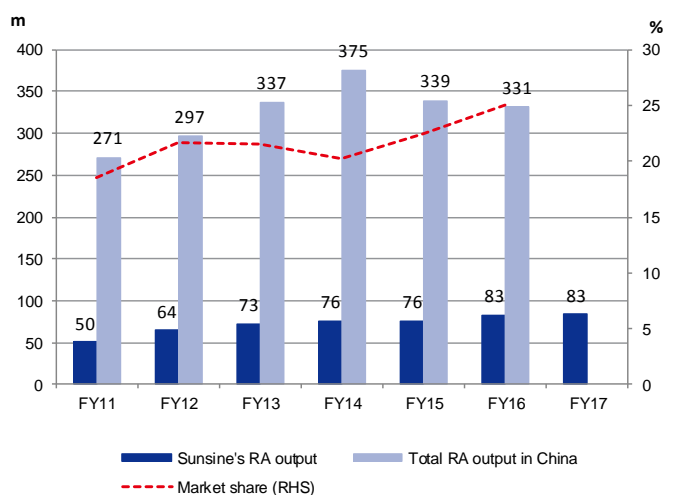
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 5: Rubber tyres (m) produced in China



SOURCES: CGS-CIMB RESEARCH, CHINA RUBBER INDUSTRY ASSOCIATION

Figure 6: Sunsine's domestic market share (%) of rubber accelerators produced (m)



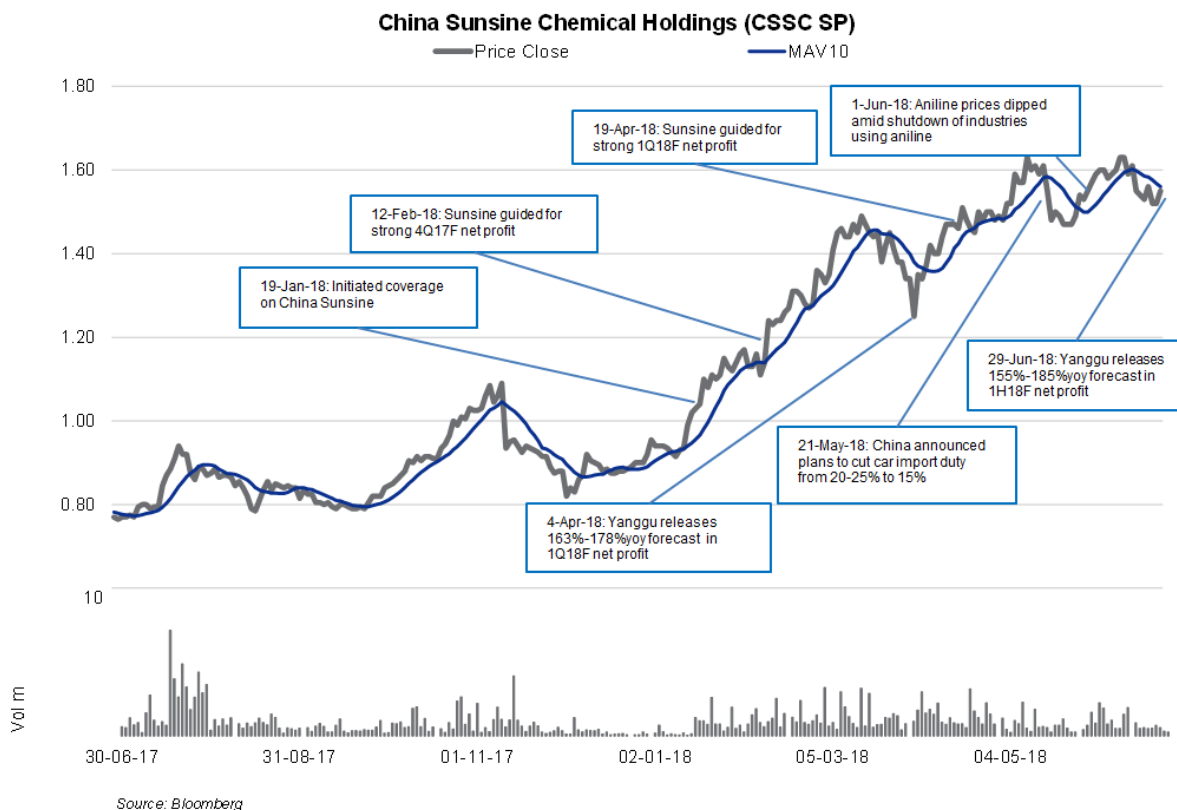
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, CHINA RUBBER INDUSTRY ASSOCIATION

Figure 7: Global peer comparison

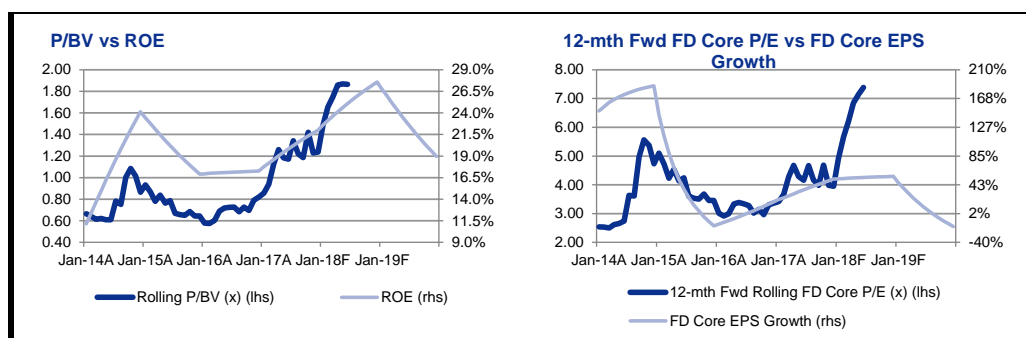
Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY18F	P/E (x) CY19F	3-year EPS CAGR (%)	P/BV (x) CY18F	Recurring ROE (%) CY18F	EV/EBITDA (x) CY18F	EV/EBITDA (x) CY19F	Dividend Yield (%) CY18F
China Sunshine Chemical Hold	CSSC SP	Add	1.55	1.87	557	6.8	8.2	12.3%	1.66	27.2%	3.7	3.6	3.2%
Rubber chemical peers													
Shandong Yanggu Huatai	300121 CH	Not rated	14.01	na	795	14.7	11.6	30.4%	4.46	29.7%	10.3	8.8	2.7%
Eastman Chemical Co	EMN US	Not rated	99.70	na	14,233	11.7	10.7	2.3%	2.45	21.6%	8.9	8.5	2.3%
LANXESS AG	LXS GY	Not rated	65.48	na	6,978	16.4	14.1	75.4%	2.50	14.6%	9.6	8.8	1.5%
Simple average (rubber chemical peers)						14.2	12.1	36.1%	3.14	22.0%	9.6	8.7	2.1%
Tyre manufacturers													
Anhui Zhongding	000887 CH	Not rated	14.36	na	2,682	13.1	11.2	16.6%	2.04	14.9%	10.0	8.6	na
Shandong Linglong Tyre Co L	601966 CH	Not rated	15.77	na	2,863	14.6	12.1	14.5%	1.95	13.4%	na	na	2.2%
Bridgestone Corp	5108 JP	Not rated	4,330	na	29,793	10.7	10.1	6.7%	1.28	12.8%	5.0	4.8	3.7%
Yokohama Rubber	5101 JP	Not rated	2,305	na	3,531	8.8	8.4	5.7%	0.92	11.0%	6.6	6.3	2.7%
Cie Generale des Etab.	ML FP	Not rated	104.0	na	21,750	10.2	9.3	8.4%	1.51	15.4%	4.5	4.3	3.6%
Goodyear Tire & Rubber Co/T	GT US	Not rated	23.64	na	5,670	6.9	5.8	52.7%	1.14	17.3%	5.1	4.6	2.2%
Cooper Tire & Rubber Co	CTB US	Not rated	26.60	na	1,345	14.0	8.9	na	na	8.2%	4.8	4.0	1.6%
Apollo Tyres Ltd	APTY IN	Reduce	254.7	213.8	2,118	14.7	11.7	22.6%	1.40	10.1%	8.5	6.9	1.3%
Cheng Shin Rubber Ind	2105 TT	Not rated	45.85	na	4,879	19.7	15.6	22.9%	1.73	9.5%	7.8	7.1	4.3%
Hankook Tire	161390 KS	Add	42,800	67,000	4,717	7.2	6.4	15.4%	0.75	11.1%	3.8	3.4	0.9%
Kumho Tire Co Inc	073240 KS	Not rated	6,290	na	892	na	19.2	na	1.08	-3.5%	10.7	7.0	na
Nexen Tire Corp	002350 KS	Not rated	10,350	na	903	7.8	6.8	10.6%	0.72	9.6%	4.8	4.4	1.0%
Simple average (tyre manufacturers)						11.6	10.5	17.6%	1.32	10.8%	6.5	5.6	2.4%

NOTE: AS AT 29 JUN 2018
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 8: Historical one-year price and key events



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	2,037	2,738	3,232	3,159	3,430
Gross Profit	540	788	1,057	934	984
Operating EBITDA	404	562	771	658	663
Depreciation And Amortisation	(96)	(89)	(109)	(110)	(99)
Operating EBIT	308	473	662	548	564
Financial Income/(Expense)	(2)	4	4	4	4
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	306	477	666	552	568
Exceptional Items	4	0	0	0	0
Pre-tax Profit	309	477	666	552	568
Taxation	(88)	(136)	(120)	(99)	(102)
Exceptional Income - post-tax					
Profit After Tax	222	341	546	453	465
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	222	341	546	453	465
Recurring Net Profit	219	341	546	453	465
Fully Diluted Recurring Net Profit	219	341	546	453	465

Cash Flow

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	403.6	561.9	771.4	658.5	662.5
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(124.1)	(82.6)	(244.1)	24.3	(71.9)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	8.3	5.5	0.0	0.0	0.0
Net Interest (Paid)/Received	(4.4)	0.0	0.0	0.0	0.0
Tax Paid	(85.0)	(99.5)	(119.9)	(99.4)	(102.2)
Cashflow From Operations	198.5	385.3	407.5	583.4	488.5
Capex	(82.6)	(209.0)	(115.0)	(40.0)	(40.0)
Disposals Of FAs/subsidiaries	0.6	0.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	2.4	3.7	3.7	3.7	3.7
Cash Flow From Investing	(79.6)	(205.1)	(111.3)	(36.3)	(36.3)
Debt Raised/(repaid)	(148.0)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	85.9	0.0	0.0	0.0
Shares Repurchased	(3.2)	0.0	0.0	0.0	0.0
Dividends Paid	(33.2)	(46.5)	(69.7)	(118.5)	(94.8)
Preferred Dividends					
Other Financing Cashflow	(4.3)	0.0	0.0	0.0	0.0
Cash Flow From Financing	(188.6)	39.4	(69.7)	(118.5)	(94.8)
Total Cash Generated	(69.7)	219.6	226.5	428.6	357.4
Free Cashflow To Equity	(29.1)	180.2	296.2	547.1	452.2
Free Cashflow To Firm	123.3	180.2	296.2	547.1	452.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	276	500	725	1,154	1,511
Total Debtors	629	713	974	952	1,034
Inventories	145	212	232	238	261
Total Other Current Assets	0	0	0	0	0
Total Current Assets	1,051	1,425	1,932	2,344	2,806
Fixed Assets	549	662	668	597	539
Total Investments	0	0	0	0	0
Intangible Assets	43	41	41	41	41
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	592	703	709	639	580
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	223	290	328	335	369
Other Current Liabilities	58	94	94	94	94
Total Current Liabilities	281	385	422	430	463
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	0	0	0	0	0
Total Provisions	0	0	0	0	0
Total Liabilities	281	385	422	430	463
Shareholders' Equity	1,362	1,742	2,219	2,553	2,924
Minority Interests					
Total Equity	1,362	1,742	2,219	2,553	2,924

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	9.6%	34.4%	18.0%	(2.3%)	8.6%
Operating EBITDA Growth	7.5%	39.2%	37.3%	(14.6%)	0.6%
Operating EBITDA Margin	19.8%	20.5%	23.9%	20.8%	19.3%
Net Cash Per Share (Rmb)	0.59	1.02	1.48	2.35	3.07
BVPS (Rmb)	2.93	3.54	4.51	5.19	5.95
Gross Interest Cover	70.48	N/A	N/A	N/A	N/A
Effective Tax Rate	28.4%	28.4%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	15.4%	20.4%	21.7%	20.9%	20.4%
Accounts Receivables Days	101.2	89.4	95.3	111.3	106.0
Inventory Days	35.09	33.45	37.30	38.56	37.34
Accounts Payables Days	52.95	48.00	51.86	54.38	52.66
ROIC (%)	23.6%	32.7%	39.9%	27.5%	30.2%
ROCE (%)	23.1%	30.7%	33.6%	23.1%	20.7%
Return On Average Assets	13.6%	18.0%	22.8%	16.0%	14.5%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
ASP (% chg, main prod./serv.)	-3.9%	29.5%	14.9%	-11.2%	2.0%
Unit sales grth (% , main prod./serv.)	8.8%	0.7%	3.0%	5.8%	5.5%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	-3.1%	12.1%	3.9%	2.0%	2.0%
Unit sales grth (% ,2ndary prod/serv)	29.9%	11.2%	5.1%	9.6%	8.8%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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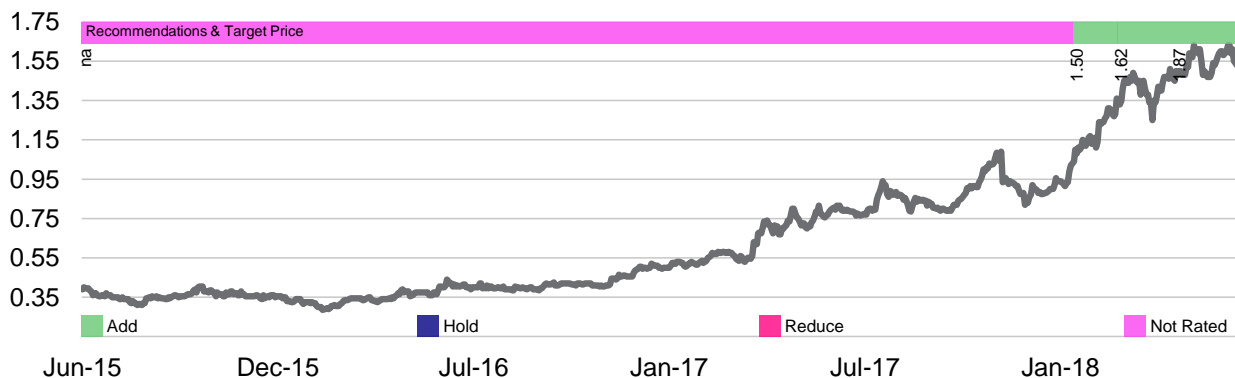
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1275 companies under coverage for quarter ended on 31 March 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

Spitzer Chart for stock being researched (2 year data)

China Sunshine Chemical Holdings (CSSC SP)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.