



## Singapore

**ADD** (previously NOT RATED)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	S\$1.04		
Target price:	S\$1.50		
Previous target:	N/A		
Up/downside:	44.2%		
CIMB / Consensus:	7.9%		
Reuters:			
Bloomberg:	CSSC SP		
Market cap:	US\$386.8m		
	S\$511.4m		
Average daily turnover:	US\$0.47m		
	S\$0.64m		
Current shares o/s:	491.7m		
Free float:	35.0%		

\*Source: Bloomberg

**Key changes in this note**

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.5	14.3	103.9
Relative (%)	13.2	7.8	85.9

Major shareholders	% held
Success More Group Limited	63.3

# China Sunsine Chemical Holdings

## Rubber chemicals specialist

- Sunsine trades at 5.1x CY18F ex-cash P/E, at a 48% discount to its Chinese rubber chemicals peer Shandong Yanggu Huatai Chemical.
- ASPs for accelerator products rose 25% yoy in 9M17 amid crackdown on pollution in China.
- Boost in production capacity to kick in by 1H18F, fuelling 7% growth in total capacity.
- Earnings have tripled since FY13, and we believe the company is set for continued earnings growth as the industry consolidates.
- Initiate coverage with Add and a TP of S\$1.50, based on 9.8x CY19F P/E (20% discount to global peers' average)

### Initiate coverage with Add and TP of S\$1.50

Our TP is based on 9.8x CY19F P/E (20% discount to global peers' average), compared against a 3-year EPS CAGR of 16% in FY16-19F. It is trading at 7.4x CY18F P/E, and 5.1x ex-cash CY18F P/E. China Sunsine (Sunsine) is the largest rubber accelerator (RAC) manufacturer (87,000 tonnes p.a.) in China, operating at close to full capacity since 2Q16. Sunsine's customers include global tyre makers – Bridgestone, Michelin, Goodyear and Pirelli. Its top 5 customers contributed 20% of its FY16 revenue.

### Riding on industry consolidation

Sunsine's production formed 15%/26% of the global/China RAC market in 2016 according to statistics from the China Rubber Industry Association. The crackdown on pollution in China since 2014 has choked output of chemicals and other materials in the country, resulting in closure of small- to mid-sized competitors that failed to meet regulatory environmental standards. ASPs for RACs rose 25% yoy in 9M17 due to industry consolidation and dwindling supplies.

### Capacity expansion to kick in by 1H18F

Sunsine has added production lines for 10,000 tonnes of TBBS (a type of rubber accelerator) and 10,000 tonnes of insoluble sulphur (IS), both pending trial-run approvals from the authorities. We expect these to start commercial production in 2H18F. We project capacity expansion of 5,000 tonnes each in FY18F and 10,000 tonnes each in FY19F.

### Steady margins through cycles

Rubber accelerators and insoluble sulphur accounted for 71% and 9% of its sales in 9M17, generating gross margins of c.25 and c.40%, respectively. Sunsine has consistently delivered gross margins of c.26% since 2008 with the exception of FY12 and FY13 when it reported gross margins of 18% due to lower average selling prices (ASP) and the hike in cost of raw materials such as Aniline due to escalating costs of benzene.

### Earnings have tripled since FY13, and are expected to rise further

Net profit grew from S\$77m in FY13 to S\$222m in FY16, driven by capacity expansion. For FY17F, we expect net profit to grow by 31.2% yoy with Rmb81.6m in 4Q17F. In 9M17, Sunsine delivered net profit of Rmb209m, which included forex loss of Rmb17.6m due to the weakening US\$/Rmb. We forecast net profit growth of 14% in FY18F and 10% in FY19F, building in the capacity expansion, as well as a 4% p.a. increase in the ASP of RAC to Rmb23,000/t and a 3% p.a. increase in IS ASP to Rmb11,000/t by FY19F.

### Zero borrowings

The company had a cash hoard of RM463m as of 9M17, or S\$0.19/share. Management has said that due to the tightening credit outlook in China, it would have to rely on its internal cash resources to fund its capacity expansion without depending on bank borrowings. It adopted a formal dividend payout policy of 20% in Jun 2017. Key risks are a sudden plunge in ASP and delays in capacity expansion.

**Analyst(s)**

**Colin TAN**  
T (65) 6210 8685  
E colin.tan@cimb.com

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (Rmbm)	1,859	2,037	2,552	2,763	3,033
Operating EBITDA (Rmbm)	356.9	390.9	512.7	560.4	593.8
Net Profit (Rmbm)	195.2	221.7	290.9	332.5	365.6
Core EPS (Rmb)	0.40	0.47	0.60	0.68	0.74
Core EPS Growth	(16.1%)	18.7%	27.9%	12.2%	10.0%
FD Core P/E (x)	12.73	10.72	8.38	7.47	6.79
DPS (Rmb)	0.05	0.07	0.12	0.15	0.15
Dividend Yield	0.96%	1.44%	2.40%	2.89%	2.89%
EV/EBITDA (x)	6.04	5.30	3.79	3.06	2.50
P/FCFE (x)	9.41	NA	16.61	7.00	8.20
Net Gearing	(16.7%)	(20.3%)	(27.8%)	(38.9%)	(44.0%)
P/BV (x)	2.00	1.72	1.46	1.26	1.09
ROE	16.9%	17.3%	18.8%	18.1%	17.2%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)			0.97	0.99	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

# Rubber chemicals specialist

## Demand driven by tyre and rubber producers

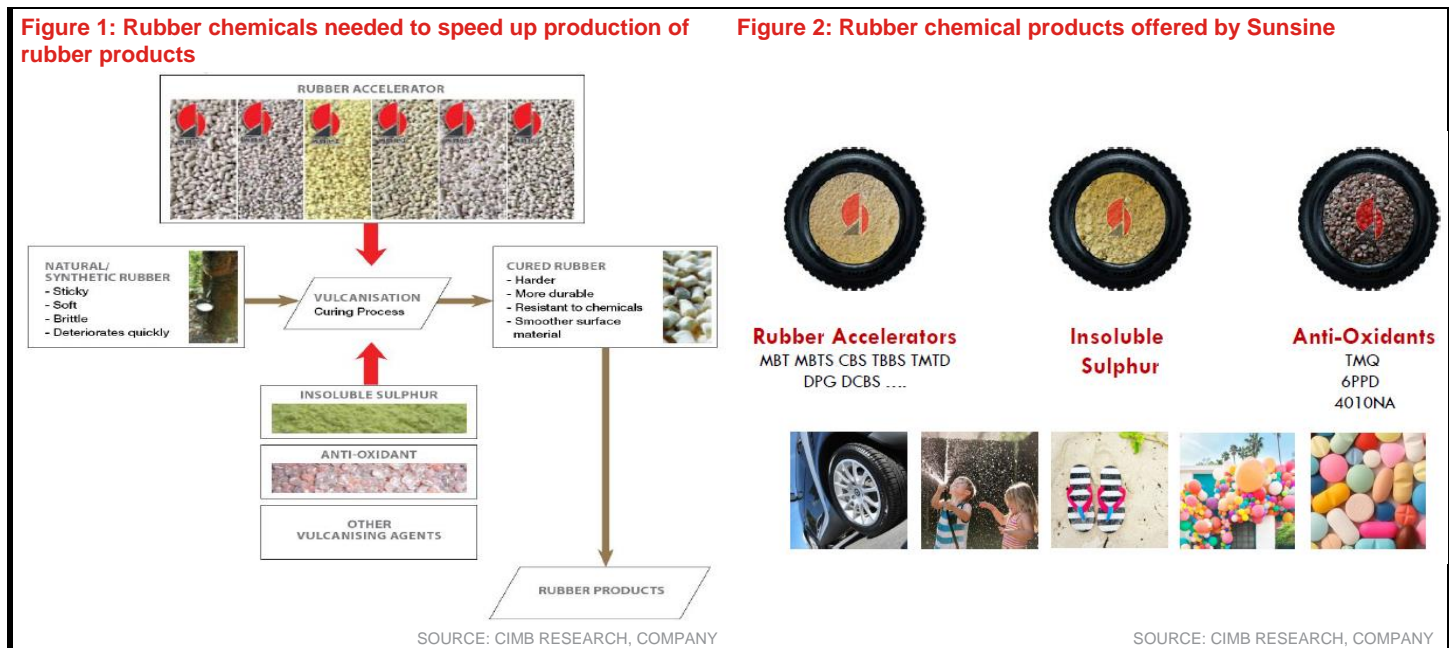
### From state-owned enterprise to family-owned company

The company's business was first established as a state-owned enterprise under the name of "Shanxian Organic Chemical Factory" in 1977, during when the current chairman, Mr. Xu Chengqiu, joined the firm. The factory was initially engaged in the manufacturing of various chemical products and started to develop a series of low-pollution rubber antioxidants and rubber accelerators in 1988 and 1994, respectively. It began to export its products to overseas customers after obtaining the export licence in 1996. Mr Xu Chengqiu, together with 43 employees, subsequently led a management buyout for a total consideration of Rmb1.04m in Dec 1998 and continues to retain a majority stake in the company till today.

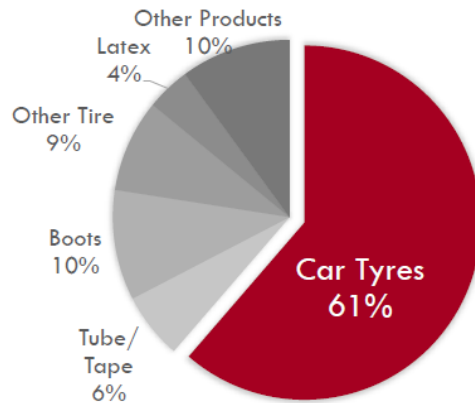
Since the buyout in 1998, the firm has expanded both its product range and customer base, and subsequently invested in a sulphur recycling facility and wastewater treatment plant in Jun 2003 to promote environmental friendliness. China Sunshine was listed on the SGX Mainboard on 5 Jul 2007 at S\$0.39 per share.

### Chemical products rely on global rubber demand

Sunshine is primarily engaged in the production of rubber chemicals which comprise rubber accelerators (RAC), insoluble sulphur (IS) and antioxidants (AO). These are essential rubber chemicals that are used in the production of rubber and rubber-related products. The bulk of its chemicals are sold to tyre makers that consume most of the global supply of rubber, driven by the growth in the global automotive industry. According to the company, every 100 tonnes of rubber produced consumes 6 tonnes of rubber chemicals.



**Figure 3: Car tyres account for 61% of the global demand for rubber in 2016.**



SOURCE: CIMB RESEARCH, COMPANY

### Three key production facilities ►

Sunsine operates three production facilities that are located in Shanxian, Dingtao, and Weifang in Shandong province, China. Its Shanxian plant is its biggest plant, which is situated on c.600mu of land, and produces rubber accelerators, insoluble sulphur and antioxidants. Dingtao plant (c.280mu land) focuses only on the production of insoluble sulphur whereas its Weifang plant (c.280mu land) produces only rubber accelerators. The Shanxian facility is also equipped with a centralised coal-fired heating plant (Guangshun heating plant) that generates steam and electricity for Sunsine’s use.

The group holds the land use rights to the land parcels on which its production plants are situated. The earliest expiry of these land use rights is on 5 Sep 2056.

**Figure 4: Corporate structure (as of end-FY2016)**



SOURCE: CIMB RESEARCH, COMPANY

### Serving the top global tyre makers ▶

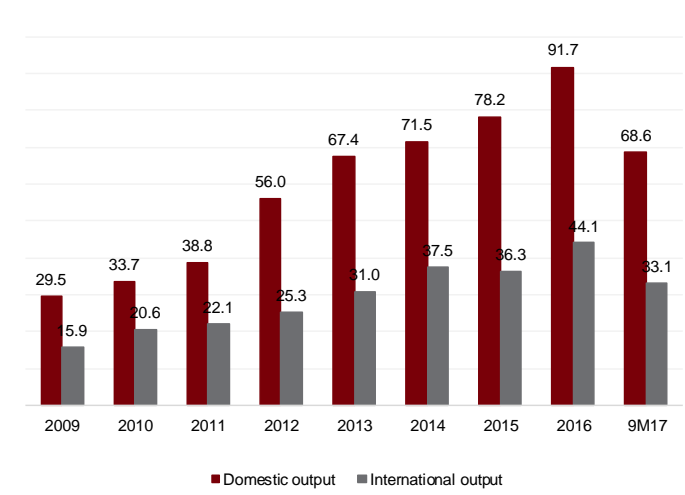
According to the management, SunSine serves over 1,000 customers globally and two-thirds of the global top 75 tyre makers. Products are sold to renowned tyre manufacturers in the world and in China, including nine of the world's top 10 tyre manufacturers, such as **Bridgestone Corporation** (5108 JP, Not Rated; contract secured in 2003), **Michelin Group** (Cie Generale des Etablissements Michelin, ML FP, Not Rated; in 2006), **Goodyear Tire & Rubber** (GT US, Not Rated; in 2006), **Pirelli & C** (PPAMF US, Not Rated; in 2005) and **Sumitomo Rubber Industries** (5110 JP, Not Rated; in 2005), and some of the leading tyre manufacturers in China, such as **GITI Tire** (600182 CH, Not Rated) and **Shandong Hengfeng Rubber & Plastic Co Ltd** (Unlisted). **About one-third of SunSine's products were exported to overseas customers in FY09-16.**

Figure 5: Renowned tyre brands in SunSine's customer base



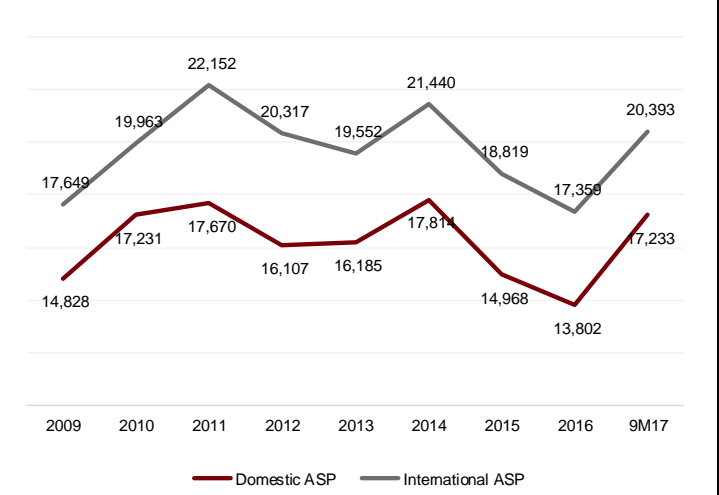
SOURCE: CIMB RESEARCH, COMPANY

Figure 6: Local vs. international output of chemical products ('000 tonnes)



SOURCE: CIMB RESEARCH, COMPANY

Figure 7: Local vs. international ASP (Rmb/tonne); average price premium of exported products over domestic: c.22%



SOURCE: CIMB RESEARCH, COMPANY

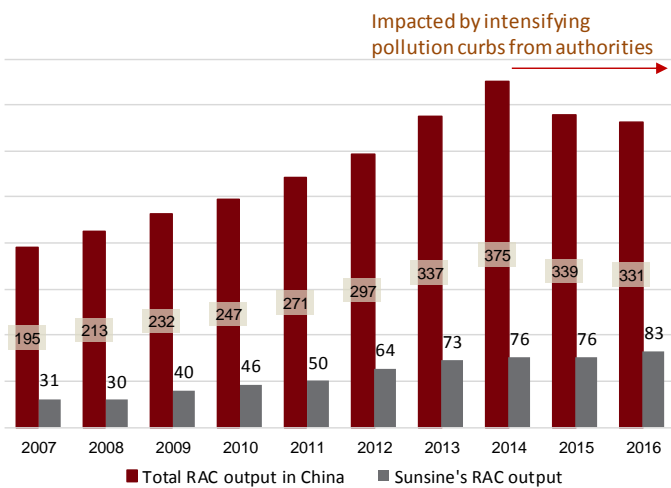
## Benefits from industry consolidation

### A new “normal” amid escalating ASP? ➤

According to media reports, production from smaller players was halted or shut down due to the government’s efforts to curb pollution and impose stringent environmental standards on rubber chemical factories. In Aug 2017, the Chinese government imposed targets on 28 cities to trim their heavy air pollution days. The cities affected were Beijing, Tianjin and 26 other cities in the smog-congested provinces of Hebei, Shandong, Henan and Shanxi, with stricter reduction targets imposed on Beijing, Tianjin and Shijiazhuang, Hebei provinces.

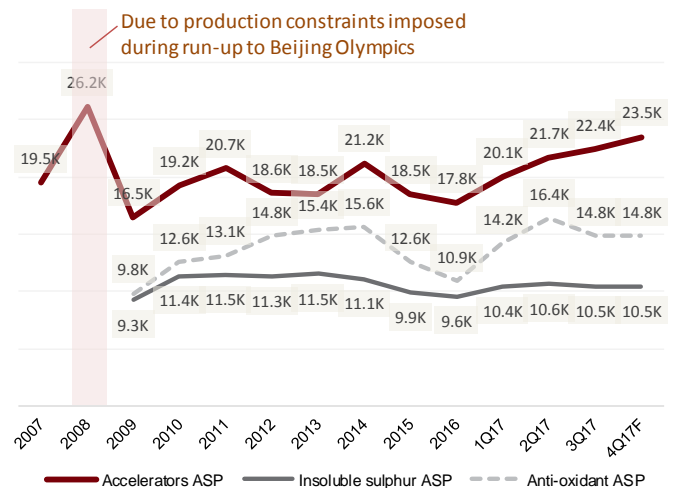
The ASP of SunSine’s RAC output has risen over the past five quarters, from Rmb17,000/tonne in 2Q16 to Rmb22,300/tonne in 3Q17. Its production output was minimally affected by the government’s air pollution crackdown as SunSine produced 61,600 tonnes of RAC in 9M17, compared to 61,500 tonnes in 9M16.

Figure 8: RAC production ('000 tonnes) in China vs. SunSine’s



SOURCE: CIMB RESEARCH, COMPANY, CHINA RUBBER INDUSTRY ASSOCIATION

Figure 9: Average selling prices (Rmb/tonne) of SunSine’s chemical products



SOURCE: CIMB RESEARCH, COMPANY

### Competitor cited surging prices for accelerators in 4Q17 ➤

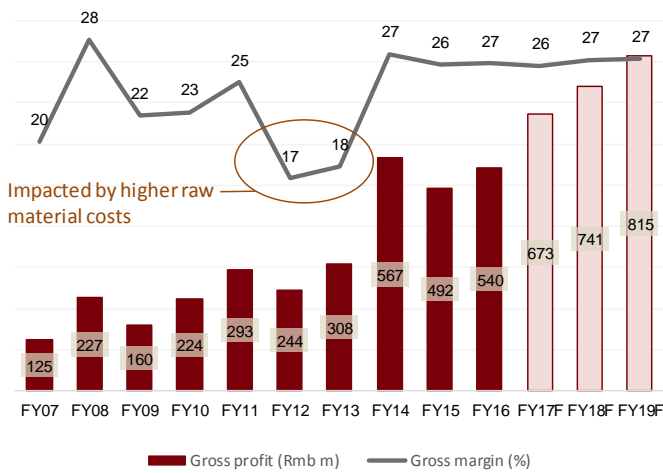
SunSine’s close competitor, Shandong Yanggu Huatai Chemical (300121 CH, Not Rated), released its FY17F performance forecast on 11 Jan 2018, estimating FY17F net profit to be in the range of Rmb196m-220m, which would translate into yoy growth rate of 25-40%. What we found interesting was that the company reported a surge in transaction prices for its accelerator products in 4Q17, which would lead to a boost in overall margins and net profit growth.

### Steady margins as costs are passed on in most cases ➤

The ongoing environmental scrutiny by the authorities has reportedly led to escalating prices of aniline, one of the key raw materials required for SunSine’s production of RAC. Management believes it would be able to pass the higher costs on to its customers in view of its leading position in the RAC market. With the exception of FY12 and FY13, when average prices of aniline spiked up 9% yoy in 2012 due to the limited supply of benzene (a raw material for aniline), the company has delivered gross margins of around 26% since FY08.

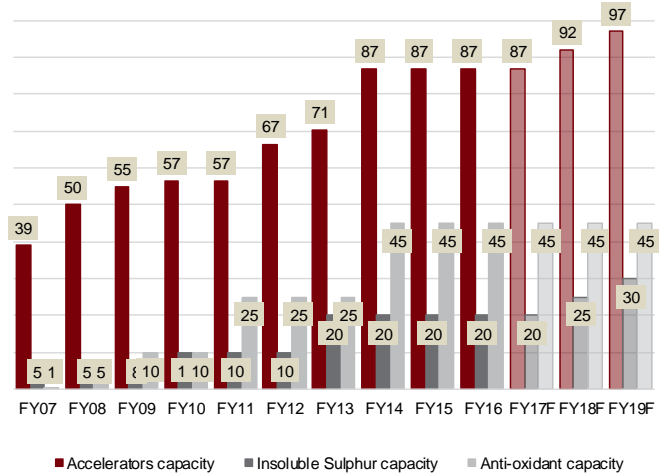
We expect gross margin to be sustained at c.27% in FY18-19F with SunSine increasing production output of rubber chemical products with future expansion in production capacity. Management guided that its two new 10,000-tonne production lines – one for the production of TBBS rubber accelerator and the other for the production of IS – could start commercial production by 1H18F after obtaining the necessary approvals from the authorities. **SunSine’s rubber accelerator capacity was 95% utilised, while its capacity for IS was 100% utilised in FY16.**

**Figure 10: Gross profit and gross margins – we expect gross margin to sustain at c.27% until FY19F**



SOURCE: CIMB RESEARCH, COMPANY

**Figure 11: Sunshin's production capacity (accelerators and insoluble sulphur) to step up in FY18-19F**

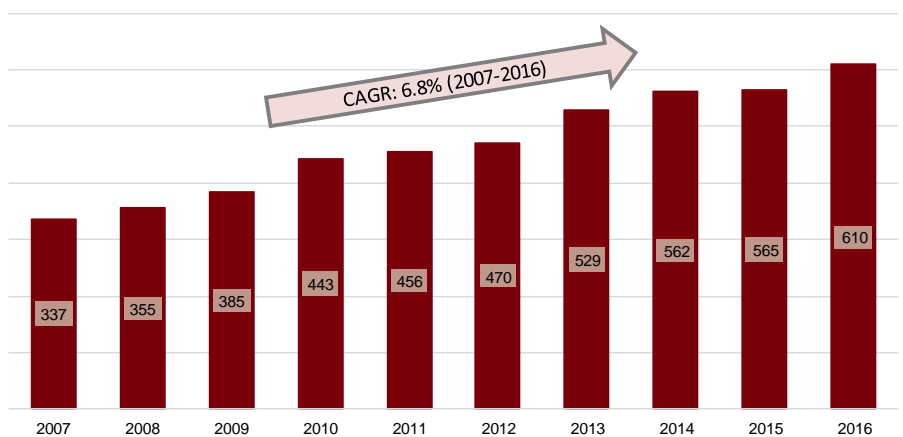


SOURCE: CIMB RESEARCH, COMPANY

### Rising demand for rubber tyres will continue to drive growth for rubber accelerator products ➤

According to statistics from the company, China's rubber tyre production registered 6.8% CAGR in 2009-16 or an average of 30m tyres p.a., reaching 610m pieces in 2016. Research and Markets reported that the global rubber tyre market registered 4.5% CAGR over the same period, with an output of 2.9bn units in 2016. We expect the growth trends in rubber tyre production to continue to be supported by rising per capita income in China and emerging markets, where motor vehicle ownership rates are increasing. This would in turn fuel the demand for rubber processing chemicals.

**Figure 12: Rubber tyres (m units) produced in China**



SOURCE: CIMB RESEARCH, COMPANY

## Market leader

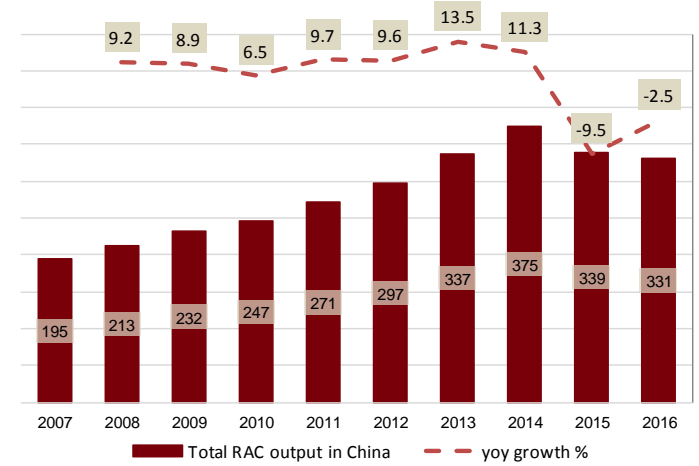
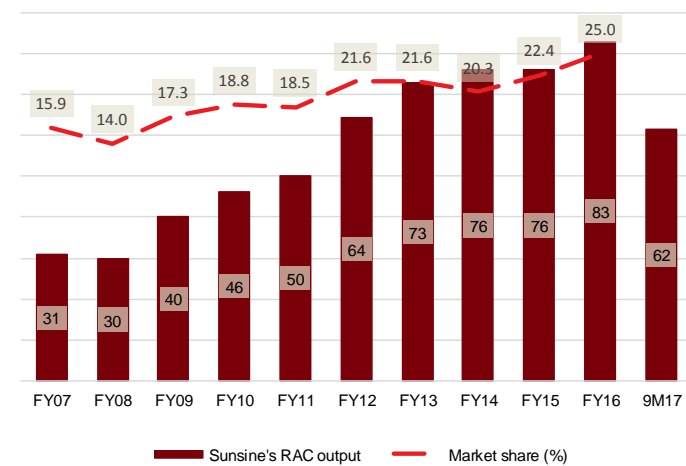
### Top global rubber accelerator producer and expanding ▶

According to the management, SunSine has the largest production capacity for rubber accelerators globally, at 87,000 tonnes p.a., which accounted for 26% of China's total output of 331,000 tonnes and nearly 15% of the global rubber accelerators market of over 600,000 tonnes in 2016. Its closest rivals are Kemai Chemical (Unlisted) (2016 capacity: 51,000 tonnes) and Shandong Yanggu Huatai Chemical (30,000 tonnes). These top 3 players had a total capacity of 168,000 tonnes in 2016. SunSine's overseas competitors include Flexsys Rubber Chemicals (Unlisted) for IS and Lanxess Corporation (LXS GR, Not Rated) for RAC.

According to the China Rubber Industry Association, SunSine's market share in China has steadily grown from 16% in FY07 to 25% in FY16, and its production output of RAC reached 83,000 tonnes p.a. at end-FY16 and 42,000 tonnes p.a. at end-1H17. To cater for further demand growth, the group plans to add an additional 10,000-tonne production line of TBBS at its Shanxian plant. This would enable it to increase output, given that its capacity was 95% utilised in FY16.

Figure 13: SunSine's share of China's RAC market ('000 tonnes)

Figure 14: RAC production ('000 tonnes) in China



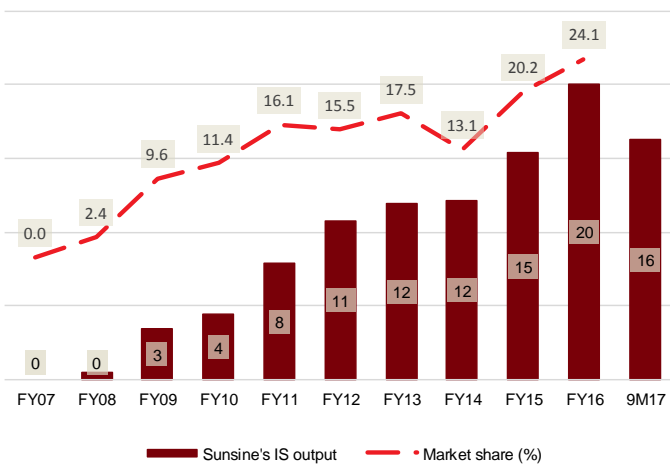
SOURCE: CIMB RESEARCH, COMPANY, CHINA RUBBER INDUSTRY ASSOCIATION

SOURCE: CIMB RESEARCH, CHINA RUBBER INDUSTRY ASSOCIATION

### Solidifying its top spot in China's insoluble sulphur market

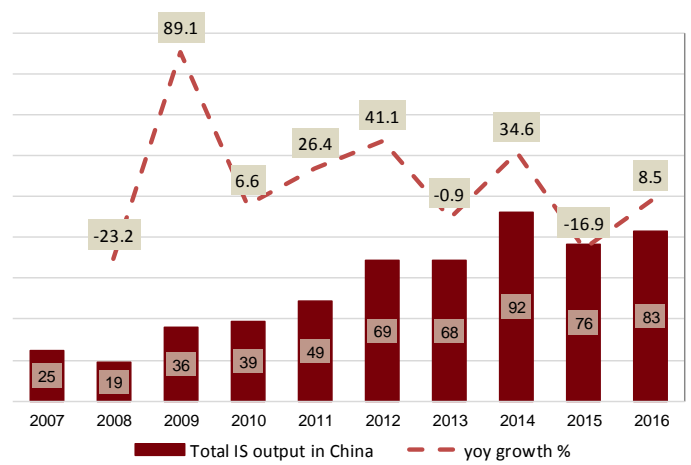
Sunsine is also the leading producer of insoluble sulphur in China, with a production capacity of 20,000 tonnes p.a., which accounted for 24% of China's total production output of 83,000 tonnes in 2016. Its top competitors include Shandong Yanggu Huatai Chemical and Jiangxi Hengxingyuan Chemical (Unlisted), which have annual capacities of 10,000 tonnes and 5,000 tonnes, respectively. Sunsine is also planning to add an additional 10,000-tonne production line at its Dingtao plant to boost production capacity for insoluble sulphur, for which the management expects commercial production to begin in 2H18F after the necessary government approvals are obtained.

Figure 15: Sunsine's share of China's IS market ('000 tonnes)



SOURCE: CIMB RESEARCH, COMPANY, CHINA RUBBER INDUSTRY ASSOCIATION

Figure 16: IS production ('000 tonnes) in China

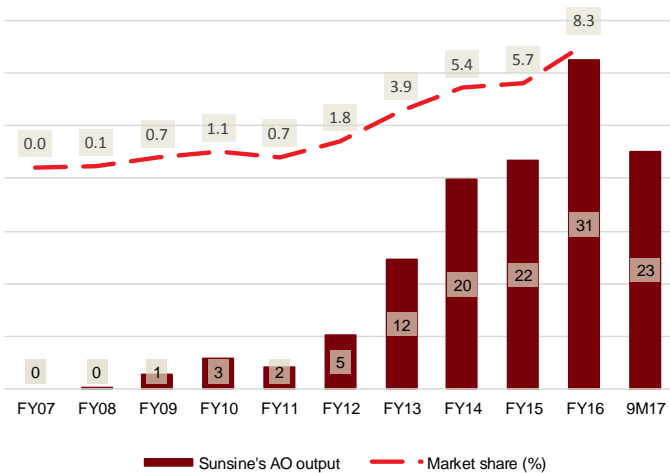


SOURCE: CIMB RESEARCH, CHINA RUBBER INDUSTRY ASSOCIATION

### Gaining market share in antioxidants as well

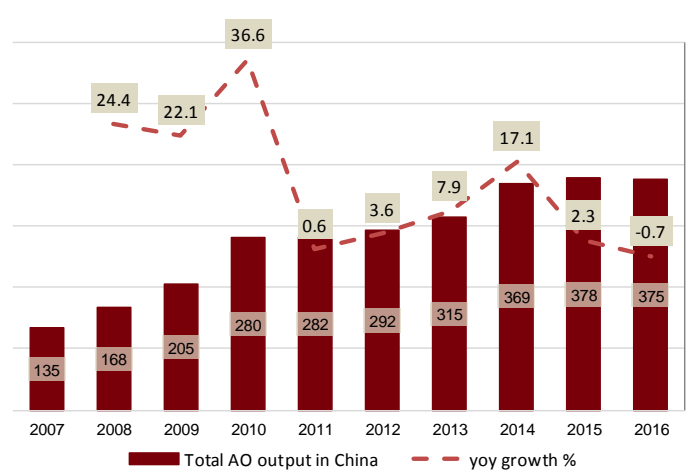
In FY16, Sunsine's antioxidant output of 31,000 tonnes accounted for c.8% of China's total antioxidant production of 375,000 tonnes. Sunsine currently has a capacity of 45,000 tonnes p.a. for antioxidants, providing ample room to cater for further increase in demand. Antioxidants accounted for 17% and 19% of Sunsine's FY16 and 1H17 revenues, respectively.

Figure 17: Sunsine's share of China's antioxidant (AO) market ('000 tonnes)



SOURCE: CIMB RESEARCH, COMPANY, CHINA RUBBER INDUSTRY ASSOCIATION

Figure 18: AO production ('000 tonnes) in China



SOURCE: CIMB RESEARCH, CHINA RUBBER INDUSTRY ASSOCIATION

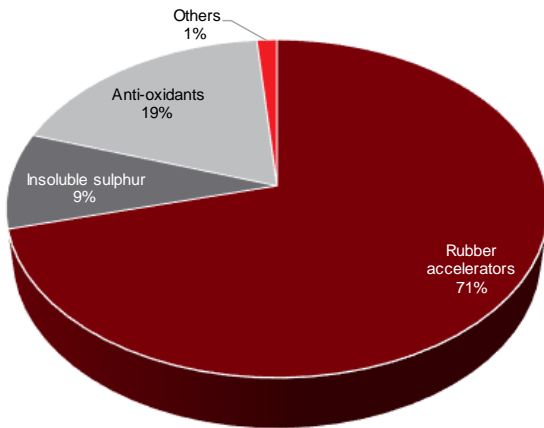


## Financials

### Segmental revenue ▶

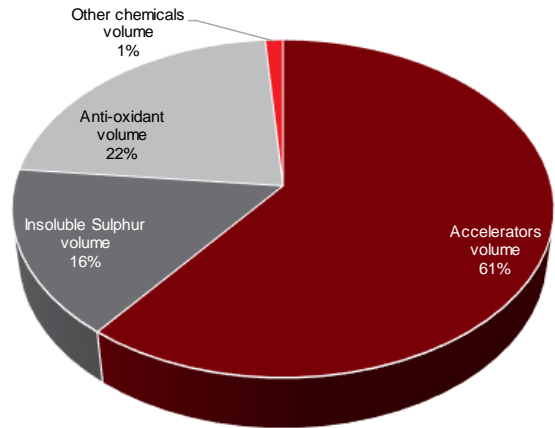
Rubber accelerators accounted for 71% of Sunsine's 9M17 revenue and antioxidants was the second-biggest contributor at 19%. The remainder came largely from insoluble sulphur (9%). A small 1% of 9M17 revenue came from other chemical products, provision of heating power and a small hotel located in Fu Long Lake area in Heze city, Shandong province, China. Sunsine's top 5 customers accounted for 20% of its FY16 revenue.

Figure 19: 9M17 revenue breakdown



SOURCE: CIMB RESEARCH, COMPANY

Figure 20: 9M17 production output



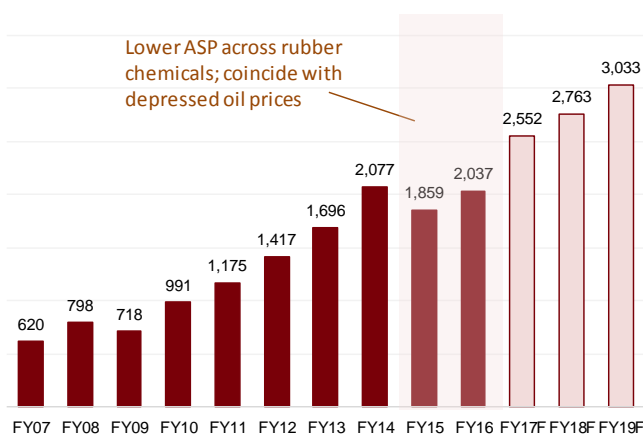
SOURCE: CIMB RESEARCH, COMPANY

### Track record in delivering profits and growth ▶

Since its listing in 2007, Sunsine has consistently delivered positive net profit every year, with net profit rising by an 11.4% CAGR from Rmb83.8m in FY07 to Rmb221.7m in FY16. This compares to its revenue CAGR of 14.1%, rising from Rmb619.5m in FY07 to Rmb2,036.9m in FY16. Net profit growth slowed in FY15 mainly due to lower ASPs across rubber chemical products from the collapse in oil prices and anti-dumping duties imposed on Chinese tyres by the US government in 2015.

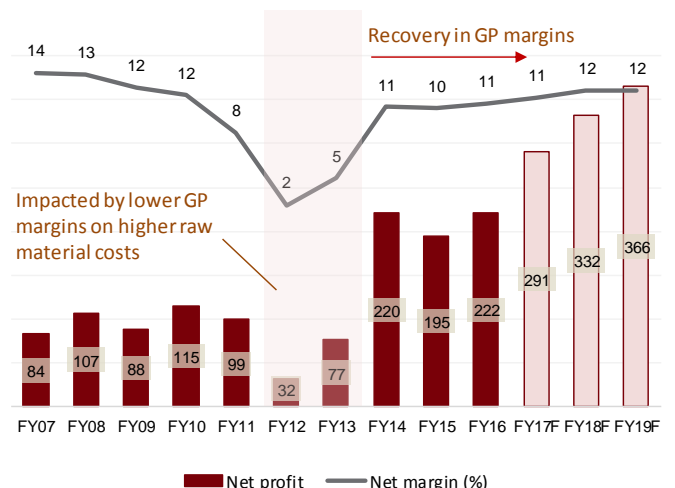
Looking ahead, we project net profit growth of 14% in FY18F and 10% in FY19F on the back of rising ASPs for its products and capacity expansion amid consolidation in the domestic industry.

Figure 21: Revenue in FY07-19F (Rmb m), based on our estimates



SOURCE: CIMB RESEARCH, COMPANY

Figure 22: Net profit (Rmb 'm) and net margin (%)

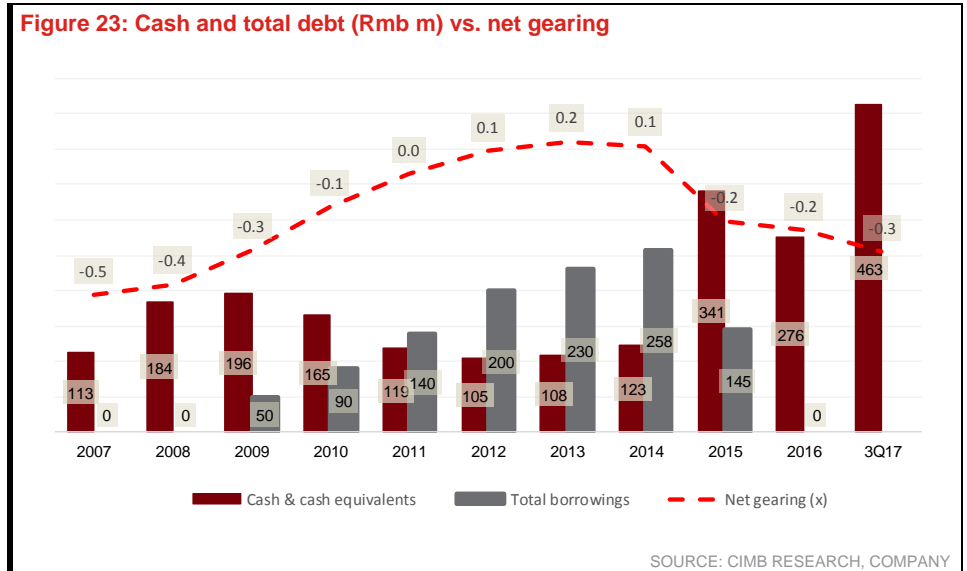


SOURCE: CIMB RESEARCH, COMPANY

### Net cash with zero debt ▶

Sunsine had a cash pile of Rmb463m or S\$0.19/share and zero borrowings as at end-3Q17. Management said it would need to rely on its internal cash resources to fund future capacity expansion in view of the credit tightening by Chinese banks. Sunsine started to deleverage in FY15 and achieved zero gearing in FY16.

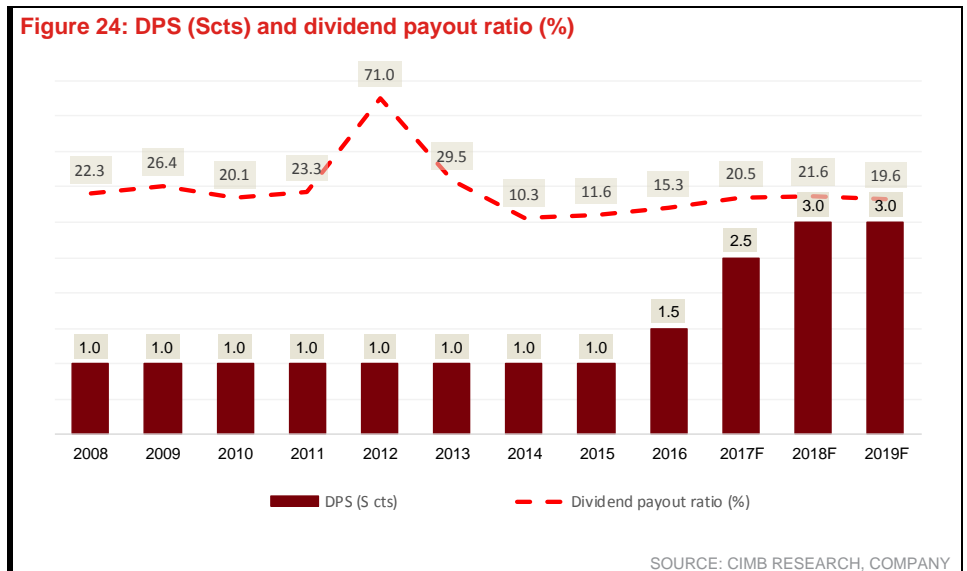
Figure 23: Cash and total debt (Rmb m) vs. net gearing



### Dividend payout policy of 20% since Jun 2017 ▶

Prior to the adoption of its formal dividend payout policy in Jun 2017, Sunsine consistently paid out DPS of 1 Sct since 2008. At 20% dividend payout ratio, we project FY17F DPS of 2.5 Scts, comprising 0.5 Scts DPS declared in 2Q17 and 2.0 Scts DPS to be declared in 4Q17F. We project FY18F DPS of 3.0 Scts. These translate into dividend yields of 2.4% in FY17F and 2.9% in FY18F.

Figure 24: DPS (Scts) and dividend payout ratio (%)



## Valuation and recommendation

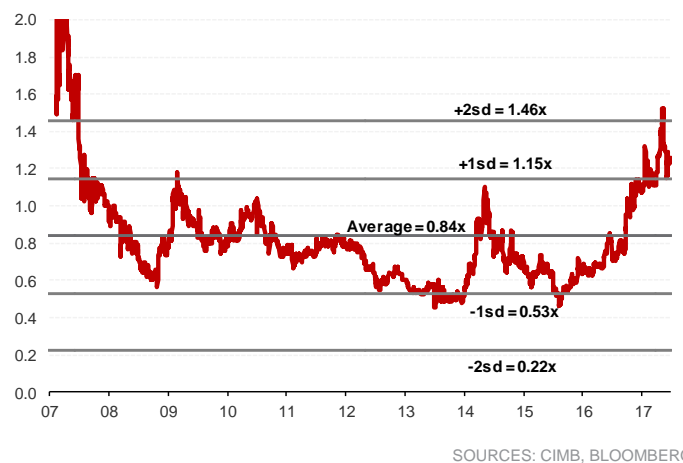
### Earnings gaining momentum ►

Excluding the net profit slump in FY12-13 when the cost of raw materials escalated, Sunshine has traded at 12-month forward P/E in the range of 2-8x since its listing. On a P/BV basis, we believe the stepped-up efforts to control pollution in China and the rising ASP of rubber accelerators increased its book value to the current 1.2x CY18F P/BV, above its historical long-term average of 0.8x P/BV.

**Figure 25: 12-month forward P/E (2007-2017) – Excluding the net profit slump in FY12-13, Sunshine traded at 12-month forward P/E of 2-8x**



**Figure 26: Historical long-term average P/BV (2007-2017) – Sunshine's 0.8x is below 2.9x average of its global rubber chemical peers**



### Initiate with Add and target price of S\$1.50 ►

We conservatively apply a 20% discount to its global rubber chemical peers' average of 12.3x CY19F P/E to factor in a certain degree of country risk premium in China. Our TP is based on 9.8x CY19F P/E, compared against a 3-year EPS CAGR of 16% in FY16-19F. Sunshine is currently trading at 7.4x CY18F P/E and 5.1x CY18F ex-cash P/E. Key catalysts for the stock are strong earnings growth on the back of higher ASPs and increasing volume output across its rubber chemical products.

**Figure 27: Peers comparison**

Company	Bloomberg Ticker	Price Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY18F	3-year EPS CAGR (%) CY16-19F	P/BV (x) CY18F	Recurring ROE (%) CY18F	EV/EBITDA (x) CY18F	Dividend Yield (%) CY18F		
China Sunshine Chemical Hold	CSSC SP	Add	1.04	1.50	387	7.5	6.8	17.7%	1.25	17.9%	3.1	2.5	2.9%
<b>Rubber chemical peers</b>													
Shandong Yanggu Huatai Che	300121 CH	Not rated	14.29	na	646	14.3	11.5	30.4%	3.94	26.8%	11.9	10.0	2.5%
Eastman Chemical Co	EMN US	Not rated	96.83	na	13,918	11.8	10.9	15.2%	2.57	22.0%	8.9	8.3	2.3%
LANXESS AG	LXS GY	Not rated	73.14	na	8,195	17.0	14.5	33.8%	2.31	13.0%	10.0	8.6	1.4%
<b>Simple average (rubber chemical peers)</b>						<b>14.4</b>	<b>12.3</b>	<b>26.5%</b>	<b>2.94</b>	<b>20.6%</b>	<b>10.3</b>	<b>9.0</b>	<b>2.0%</b>
Anhui Zhongding Sealing Part	000887 CH	Not rated	17.54	na	3,382	15.1	13.6	19.1%	2.42	15.2%	9.7	8.6	na
Shandong Linglong Tyre Co L	601966 CH	Not rated	18.25	na	3,421	16.3	12.9	17.2%	2.14	13.9%	na	na	na
Bridgestone Corp	5108 JP	Not rated	5,393	na	36,976	12.8	12.0	9.8%	1.59	12.9%	5.9	5.7	2.8%
Yokohama Rubber Co Ltd/The	5101 JP	Not rated	2,812	na	4,293	11.1	10.3	32.5%	1.14	10.7%	7.7	7.2	2.1%
Cie Generale des Etablisseme	ML FP	Not rated	127.9	na	28,111	12.2	11.3	7.0%	1.80	15.4%	5.5	5.2	3.0%
Goodyear Tire & Rubber Co/T	GT US	Not rated	34.08	na	8,395	9.2	7.3	-1.2%	1.52	17.7%	5.8	5.4	1.6%
Cooper Tire & Rubber Co	CTB US	Not rated	39.80	na	2,041	10.8	9.7	-3.5%	1.51	13.8%	4.9	5.0	0.7%
Apollo Tyres Ltd	APTY IN	Reduce	261.9	199.1	2,346	14.1	11.2	2.6%	1.49	10.9%	8.8	7.4	1.3%
Cheng Shin Rubber Industry C	2105 TT	Not rated	52.40	na	5,769	15.6	15.2	-5.6%	1.94	11.1%	8.1	7.7	4.5%
Hankook Tire	161390 KS	Add	52,800	84,000	6,136	6.9	6.7	na	0.87	13.3%	4.5	4.2	0.8%
Nexen Tire Corp	002350 KS	Not rated	12,100	na	1,106	7.5	6.8	1.1%	0.84	11.7%	4.9	4.6	0.9%
<b>Simple average (tyre manufacturers)</b>						<b>12.0</b>	<b>10.7</b>	<b>7.9%</b>	<b>1.57</b>	<b>13.3%</b>	<b>6.6</b>	<b>6.1</b>	<b>1.9%</b>

SOURCE: CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG DATA AS AT 19 JAN 2018

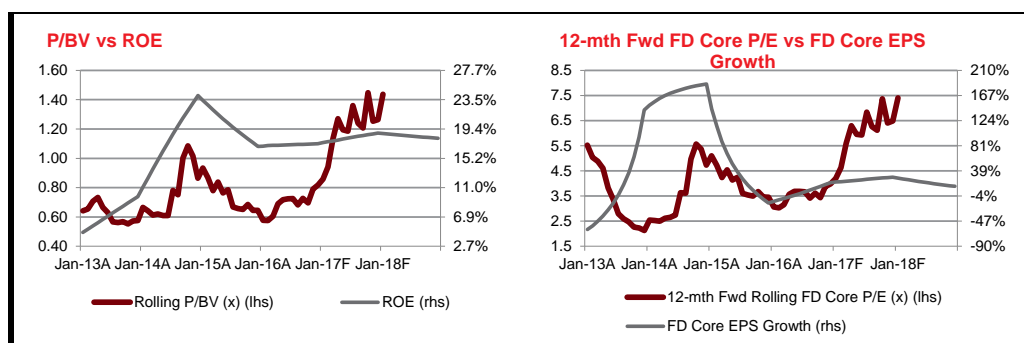
**Figure 28: Share price movement and key events (20 Jan 2017 – 18 Jan 2018)**


## Key risks

**Forex risks from weakening US dollar.** SunSine's expenses and purchases of raw materials are denominated in Renminbi, while sales are exposed to Renminbi, US dollar and the Euro as SunSine sells products to domestic and overseas customers. The company incurred a forex loss of Rmb17.6m in 9M17 due to the weakening of the US dollar against the Renminbi, and we project 4Q17F forex loss to be at a similar level as that of 3Q17 (c.Rmb10m) in view of the weak US dollar.

**Margins may be dragged down by rising raw material costs.** SunSine's cost of sales are mainly influenced by the prices of raw materials, such as aniline and other chemicals needed to produce rubber accelerators, insoluble sulphur and antioxidant products. While management said it is generally able to pass on increased costs to its customers, it may not be able to do so in a timely manner, which could lead to sharp decline in gross margins, as seen in FY12 and FY13.

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>Total Net Revenues</b>	<b>1,859</b>	<b>2,037</b>	<b>2,552</b>	<b>2,763</b>	<b>3,033</b>
<b>Gross Profit</b>	<b>492</b>	<b>540</b>	<b>673</b>	<b>741</b>	<b>815</b>
<b>Operating EBITDA</b>	<b>357</b>	<b>391</b>	<b>513</b>	<b>560</b>	<b>594</b>
Depreciation And Amortisation	-94	-96	-91	-107	-95
<b>Operating EBIT</b>	<b>263</b>	<b>295</b>	<b>422</b>	<b>453</b>	<b>498</b>
Financial Income/(Expense)	-9	-2	3	3	3
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	19	13	-30	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>272</b>	<b>306</b>	<b>395</b>	<b>455</b>	<b>501</b>
Exceptional Items	15	4	4	0	0
<b>Pre-tax Profit</b>	<b>287</b>	<b>309</b>	<b>399</b>	<b>455</b>	<b>501</b>
Taxation	-92	-88	-108	-123	-135
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>195</b>	<b>222</b>	<b>291</b>	<b>332</b>	<b>366</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>195</b>	<b>222</b>	<b>291</b>	<b>332</b>	<b>366</b>
Recurring Net Profit	185	219	288	332	366
<b>Fully Diluted Recurring Net Profit</b>	<b>185</b>	<b>219</b>	<b>288</b>	<b>332</b>	<b>366</b>

### Cash Flow

(Rmbm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>EBITDA</b>	<b>356.9</b>	<b>390.9</b>	<b>512.7</b>	<b>560.4</b>	<b>593.8</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	133.2	(124.1)	(43.8)	(49.9)	(63.1)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
<b>Other Operating Cashflow</b>	<b>34.2</b>	<b>21.1</b>	<b>(26.0)</b>	<b>0.0</b>	<b>0.0</b>
Net Interest (Paid)/Received	(10.4)	(4.4)	0.0	0.0	0.0
Tax Paid	(94.2)	(85.0)	(107.6)	(123.0)	(135.2)
<b>Cashflow From Operations</b>	<b>419.7</b>	<b>198.5</b>	<b>335.3</b>	<b>387.5</b>	<b>395.4</b>
Capex	(30.4)	(82.6)	(192.4)	(35.0)	(95.0)
Disposals Of FAs/subsidiaries	0.0	0.6	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(20.0)	0.0	0.0	0.0	0.0
Other Investing Cashflow	1.0	2.4	2.5	2.5	2.5
<b>Cash Flow From Investing</b>	<b>(49.5)</b>	<b>(79.6)</b>	<b>(189.9)</b>	<b>(32.5)</b>	<b>(92.5)</b>
Debt Raised/(repaid)	(120.2)	(148.0)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	86.0	0.0	0.0
Shares Repurchased	0.0	(3.2)	0.0	0.0	0.0
Dividends Paid	(31.5)	(33.2)	(33.8)	(59.7)	(71.7)
Preferred Dividends					
Other Financing Cashflow	(0.2)	(4.3)	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(151.9)</b>	<b>(188.6)</b>	<b>52.2</b>	<b>(59.7)</b>	<b>(71.7)</b>
Total Cash Generated	218.3	(69.7)	197.5	295.3	231.2
<b>Free Cashflow To Equity</b>	<b>250.0</b>	<b>(29.1)</b>	<b>145.4</b>	<b>355.0</b>	<b>302.9</b>
<b>Free Cashflow To Firm</b>	<b>380.7</b>	<b>123.3</b>	<b>145.4</b>	<b>355.0</b>	<b>302.9</b>

Placed out all of its 27.7m treasury shares to various investors for about S\$17.5m in net proceeds, which will be used to pay dividends

SOURCE: CIMB RESEARCH, COMPANY DATA

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	341	276	473	769	1,000
Total Debtors	497	629	678	734	806
Inventories	142	145	180	194	213
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>979</b>	<b>1,051</b>	<b>1,332</b>	<b>1,697</b>	<b>2,019</b>
Fixed Assets	563	549	651	579	578
Total Investments	0	0	0	0	0
Intangible Assets	44	43	43	43	43
Total Other Non-Current Assets	0	0	0	0	0
<b>Total Non-current Assets</b>	<b>606</b>	<b>592</b>	<b>694</b>	<b>621</b>	<b>621</b>
Short-term Debt	145	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	210	223	263	283	310
Other Current Liabilities	55	58	58	58	58
<b>Total Current Liabilities</b>	<b>411</b>	<b>281</b>	<b>321</b>	<b>341</b>	<b>368</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>411</b>	<b>281</b>	<b>321</b>	<b>341</b>	<b>368</b>
Shareholders' Equity	1,175	1,362	1,705	1,977	2,271
Minority Interests					
<b>Total Equity</b>	<b>1,175</b>	<b>1,362</b>	<b>1,705</b>	<b>1,977</b>	<b>2,271</b>

### Key Ratios

Due to lower ASP of rubber chemicals

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(10.5%)	9.6%	25.3%	8.3%	9.8%
Operating EBITDA Growth	(12.3%)	9.5%	31.2%	9.3%	6.0%
Operating EBITDA Margin	19.2%	19.2%	20.1%	20.3%	19.6%
Net Cash Per Share (Rmb)	0.42	0.59	0.96	1.56	2.03
BVPS (Rmb)	2.52	2.93	3.47	4.02	4.62
Gross Interest Cover	25.19	67.56	N/A	N/A	N/A
Effective Tax Rate	32.1%	28.4%	27.0%	27.0%	27.0%
Net Dividend Payout Ratio	12.6%	15.5%	20.8%	21.6%	19.6%
Accounts Receivables Days	117.9	101.2	93.5	93.3	92.7
Inventory Days	41.32	35.09	31.62	33.76	33.45
Accounts Payables Days	69.67	52.95	47.12	49.20	48.75
ROIC (%)	17.2%	22.6%	29.2%	27.6%	30.9%
ROCE (%)	20.4%	22.2%	27.7%	24.7%	23.6%
Return On Average Assets	11.6%	13.6%	15.5%	15.2%	14.7%

### Key Drivers

We expect rising ASP of rubber accelerators amid environmental curbs on pollution.

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	-13.0%	-3.9%	23.7%	4.0%	3.0%
Unit sales grth (% , main prod./serv.)	0.0%	8.8%	0.0%	2.8%	5.4%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	-10.8%	-3.1%	9.4%	3.4%	3.0%
Unit sales grth (% ,2ndary prod/serv)	27.4%	29.9%	9.8%	5.7%	10.8%
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

SOURCE: CIMB RESEARCH, COMPANY DATA

**DISCLAIMER**

#01

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to CGS-CIMB or CIMB Investment Bank Berhad (“CIMB”), as the case may be. Reports relating to a specific geographical area are produced and distributed by the corresponding CGS-CIMB entity as listed in the table below. Reports relating to Malaysia are produced and distributed by CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the “Restrictions on Distributions” set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CGS-CIMB or CIMB, as the case may be.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CGS-CIMB or CIMB, as the case may be, may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. Neither CGS-CIMB nor CIMB has an obligation to update this report in the event of a material change to the information contained in this report. Neither CGS-CIMB nor CIMB accepts any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, CGS-CIMB and CIMB, their respective affiliates and related persons including China Galaxy International Financial Holdings Limited (“CGIFHL”) and CIMB Group Sdn. Bhd. (“CIMBG”) and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CGS-CIMB and CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon sources which CGS-CIMB or CIMB, as the case may be, considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CGS-CIMB or CIMB, as the case may be, or any of their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB, CIMB, their respective affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations) and/or their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMB, CIMB, their respective affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CGS-CIMB, CIMB or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB or CIMB, as the case may be, may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CGS-CIMB entity as listed in the table below. The term “CGS-CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.

Country	CGS-CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)

Indonesia	PT CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

Reports relating to Malaysia are produced by CIMB as listed in the table below:

Country	CIMB Entity	Regulated by
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia

### Other Significant Financial Interests:

(i) As of January 19, 2018 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) China SunSine Chemical Holdings

(ii) Analyst Disclosure: As of January 19, 2018, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

This report does not purport to contain all the information that a prospective investor may require. Neither CGS-CIMB or CIMB, as the case may be, nor any of their respective affiliates (including CGIFHL, CIMBG and their related corporations) make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CGS-CIMB or CIMB, as the case may be, nor any of their respective affiliates nor their related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's or CIMB's (as the case may be) clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report.

The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Australia:** Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services license. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

**Canada:** This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

**China:** For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Germany:** This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

**Hong Kong:** This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.



CHK does not make a market on other securities mentioned in the report.

**India:** This report is issued and distributed in India by CIMB Securities (India) Private Limited (“CIMB India”) which is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with the Securities and Exchange Board of India (“SEBI”) as an Investment Adviser. CIMB India is registered with SEBI as a Research Analyst pursuant to the SEBI (Research Analysts) Regulations, 2014 (“Regulations”).

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a “prospectus” as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

CIMB India has not received any investment banking related compensation from the companies mentioned in the report in the past 12 months.

CIMB India has not received any compensation from the companies mentioned in the report in the past 12 months.

**Indonesia:** This report is issued and distributed by PT CIMB Sekuritas Indonesia (“CIMBI”). The views and opinions in this research report are our own as of the date hereof and are subject to change. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

**Ireland:** CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

**Malaysia:** This report is distributed by CIMB solely for the benefit of and for the exclusive use of our clients. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

**New Zealand:** In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

**Singapore:** This report is issued and distributed by CIMB Research Pte Ltd (“CIMBR”). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 (“FAA”) for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMBR, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related corporations do and seek to do business with the

company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of January 19, 2018, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMBR does not make a market on the securities mentioned in the report.

**South Korea:** This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch (“CIMB Korea”) which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea (“FSCMA”).

**Spain:** This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Switzerland:** This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers’ Association (Directives on the Independence of Financial Research).

**Thailand:** This report is issued and distributed by CIMB Securities (Thailand) Co. Ltd. (“CIMBT”) based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBT has no obligation to update its opinion or the information in this research report.

CIMBT may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEC, BEM, BJC, BH, BIG, BLA, BLAND, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, GFPT, GLOBAL, GLOW, GPSC, GUNKUL, HMPRO, INTUCH, IRPC, ITD, IVL, KBANK, KCE, KKP, KTB, KTC, LH, LHBANK, LPN, MAJOR, MALEE, MEGA, MINT, MONO, MTLs, PLANB, PSH, PTL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, S, SAWAD, SCB, SCC, SCCC, SIRI, SPALI, SPRC, STEC, STPI, SUPER, TASCOS, TCAP, THAI, THANI, THCOM, TISCO, TKN, TMB, TOP, TPIPL, TRUE, TTA, TU, TVO, UNIQ, VGI, WHA, WORK.

#### Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBT does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom and European Economic Area (EEA):** In the United Kingdom and European Economic Area, this material is also being distributed by CIMB Securities (UK) Limited (“CIMB UK”). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CIMB UK has been prepared in accordance with CGS-CIMB’s policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (c) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material(all such persons together being referred to as “relevant persons”). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent “research” (cannot remove research from here under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research (cannot remove research from here) and will not subject to any prohibition on dealing ahead of the dissemination of

research. Any such non-independent material must be considered as a marketing communication.

**United States:** This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, PT CIMB Sekuritas Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2017		
1235 companies under coverage for quarter ended on 31 December 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.5%	6.4%
Hold	31.7%	2.6%
Reduce	9.0%	0.7%

#### 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.

**Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:**

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

### CIMB 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.

#### Country Ratings

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.