



尚舜化工
S U N S I N E

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

中国尚舜化工控股有限公司

2H & FY 2020 RESULTS BRIEFING

2 March 2021

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Outlook and Strategy

Our Company

About China Sunsine Chemical

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



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



Our Products - Rubber Chemicals



Rubber Accelerators

MBT MBTS CBS TBBS TMTD
DPG DCBS



Insoluble Sulphur

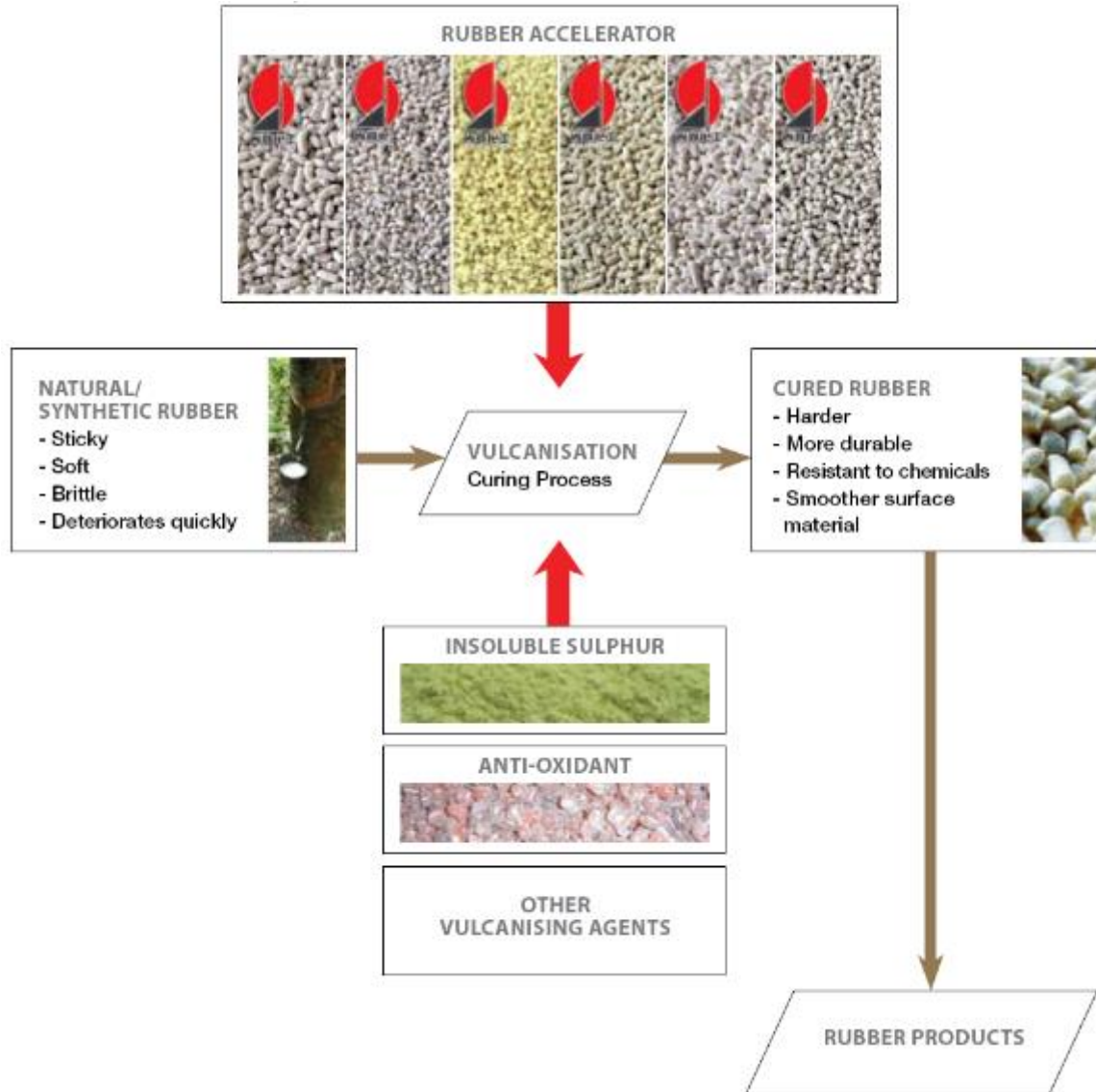


Anti-Oxidants

TMQ
6PPD
4010NA



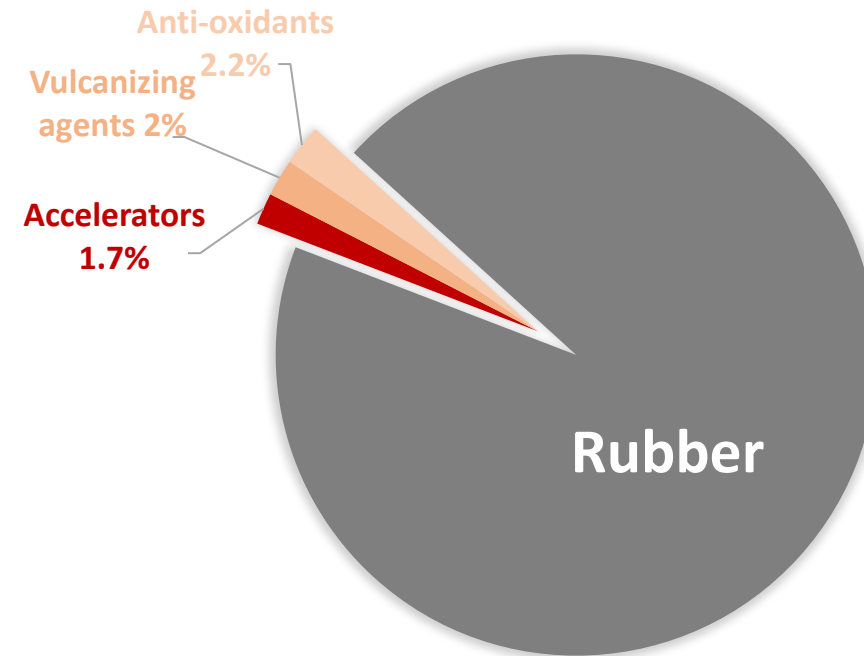
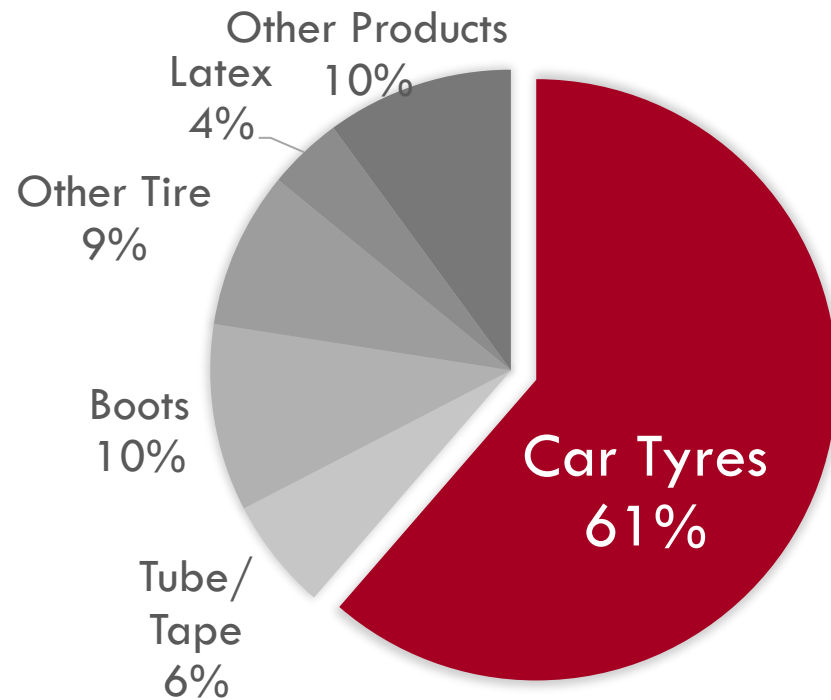
Our Products: Rubber Chemicals



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



Global Consumption of Rubber



<http://www.chemn.com>

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



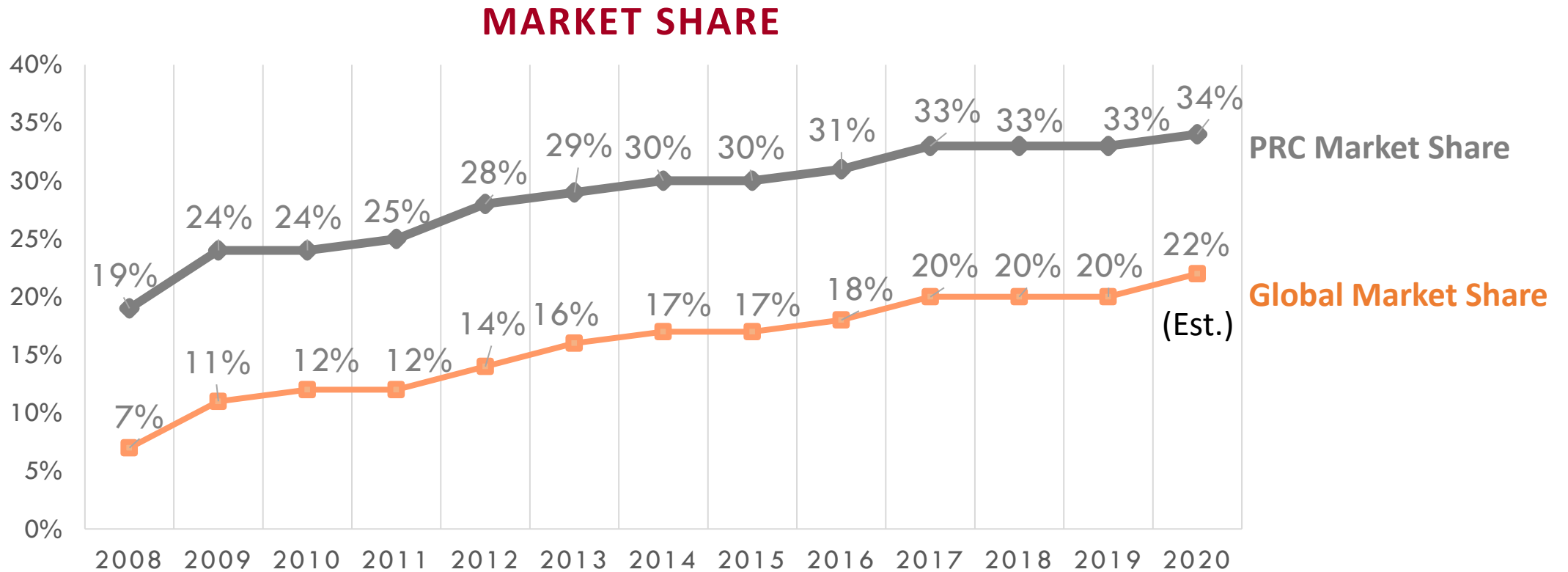
Our Strong Customer Base



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



Our Rubber Accelerators Products' Market Share



Our Market Leadership Position

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GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2020
China Sunsine 中国尚舜	117,000 tons
Yanggu Huatai 阳谷华泰	60,000 tons
Tianjin Kemai 天津科迈	51,600 tons

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2020
Yanggu Huatai 阳谷华泰	40,000 tons
China Sunsine 中国尚舜	30,000 tons +30,000 tons (2021)
Sennics 圣奥化学	15,000 tons



Our Production Bases

Dingtao Base:

- 20,000-ton IS



Shanxian:

- Home base:
 - RA: 59,500-ton
 - IS: 10,000-ton
 - AO: 45,000-ton
- Sub-base: - RA(TBBS): 30,000-ton
- Heating plant: Centralised steam production
- Hengshun New Materials:
 - IS: 30,000-ton (2021)
- Yongshun New District:
 - AO: 30,000-ton (2021)
- Yongshun Env: waste treatment



Weifang Plant:

- RA: 27,500-ton



RA: Rubber Accelerators
IS: Insoluble Sulphur
AO: Anti-oxidants



Financial Overview

2H20 Financial Summary

- Average Selling Price (ASP) recovery solid
- Record sales volume backed by enlarged capacity
- Nearly full capacity utilization
- Income tax rate adjusted back to statutory rate of 25%
- Robust balance sheet with no debt



Financial Highlights

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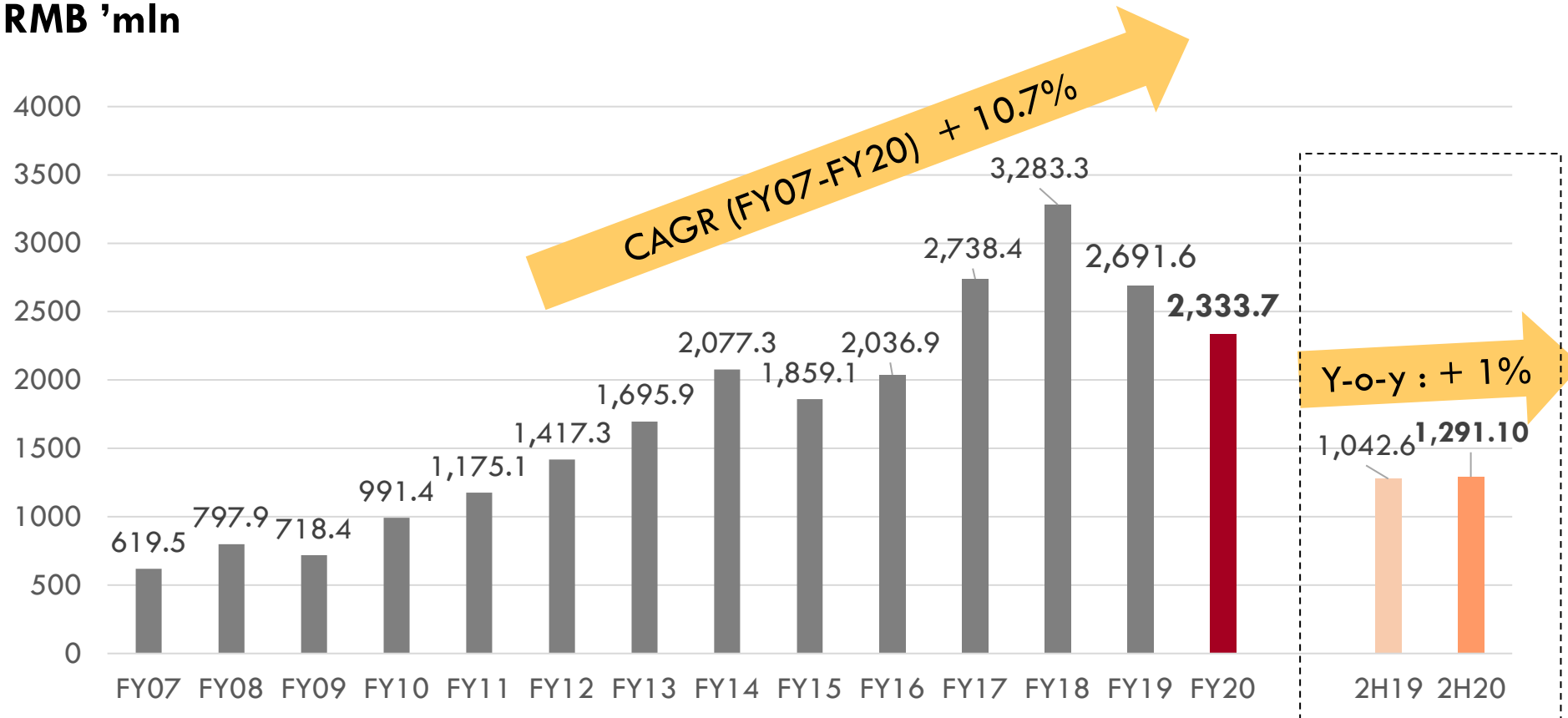
RMB 'mln	2 nd half year Ended			12 Months Ended		
	31/12/20	31/12/19	Change	31/12/20	31/12/19	Change
Group Revenue	1,291.1	1,278.0	1%	2,333.7	2,691.6	(13%)
Gross Profit	358.4	292.8	22%	600.3	780.8	(23%)
Gross Profit Margin	27.8%	22.9%	4.9 pts	25.7	29.0%	(3.3 pts)
Profit Before Tax	185.6	132.5	40%	300.5	452.6	(34%)
Profit After Tax	136.4	123.0	11%	218.8	388.9	(44%)
EPS (RMB/SGD Cents*)	14.04/ 2.85	12.59/ 2.55	12%	22.50/ 4.56	39.72/ 8.05	(43%)
NAV per share (RMB/SGD Cents*)				280.28/ 56.84	262.56/ 53.24	

* Singapore Dollars to RMB at the exchange rate of 4.9314 as at 31 Dec 2020



Revenue Growth

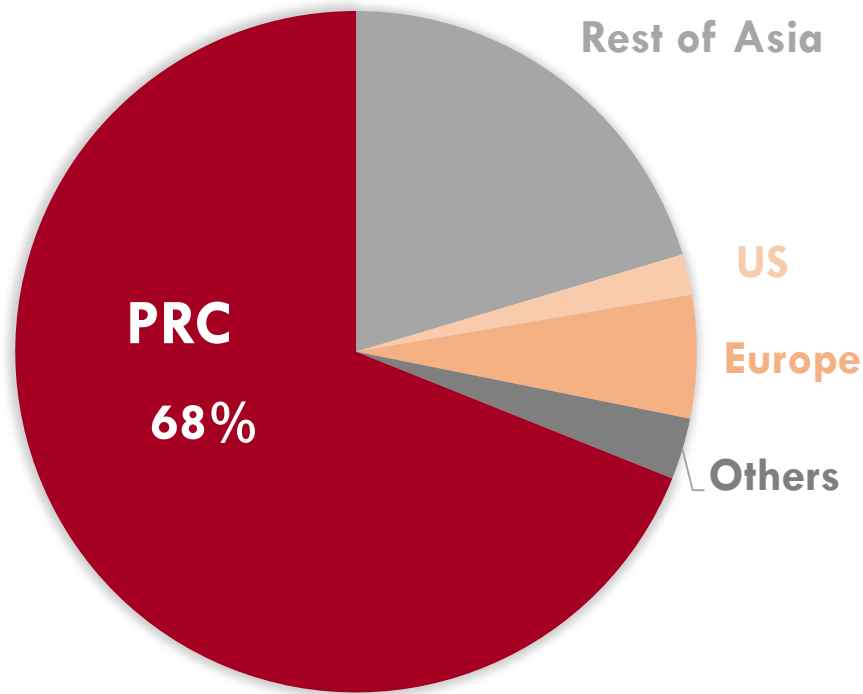
RMB 'mln



2H20 Revenue increased marginally, higher sales volume but offset by lower ASP



Sales Contribution (By Region)

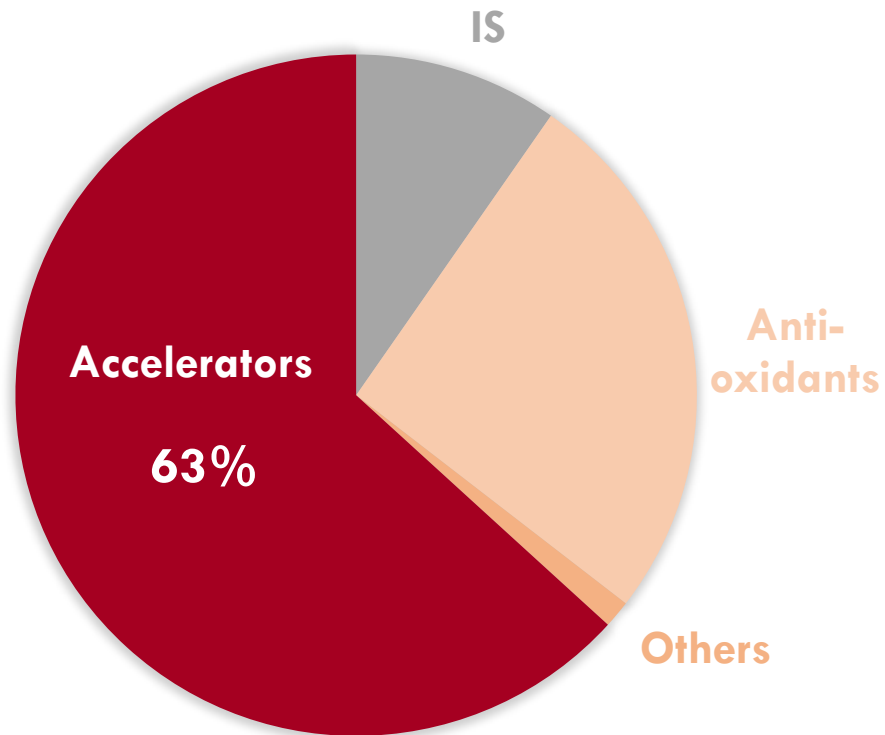


Region	FY2020	FY2019	FY2018
China	68%	62%	62%
Rest of Asia	21%	22%	24%
US	2%	3%	2%
Europe	6%	11%	9%
Others	3%	2%	2%
Total	100%	100%	100%



- International sales affected by a decline in demand due to the COVID-19;
- China's domestic sales ramped up quickly in 2H20 as the demand recovery trend firmed

Sales Contribution (By Products)

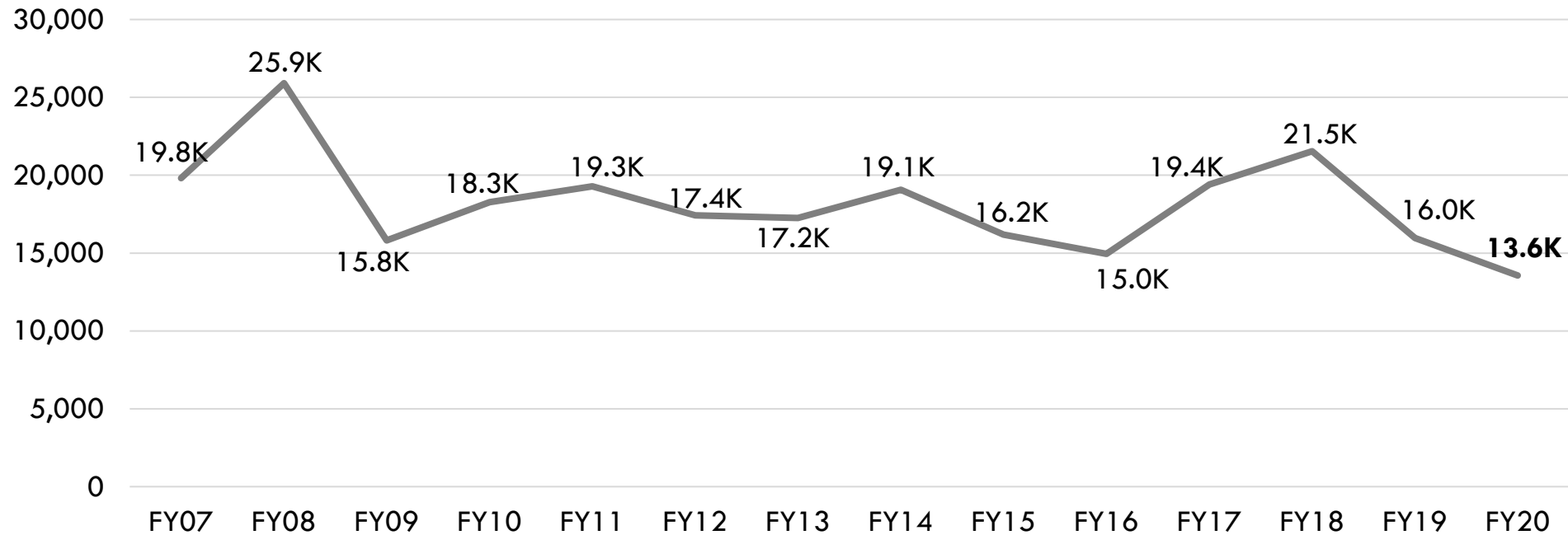


Product	FY2020	FY2019	FY2018
Accelerators	63%	66%	70%
IS	10%	10%	9%
Anti-oxidants	26%	23%	20%
Others	1%	1%	1%
Total	100%	100%	100%



Overall Average Selling Price (ASP)

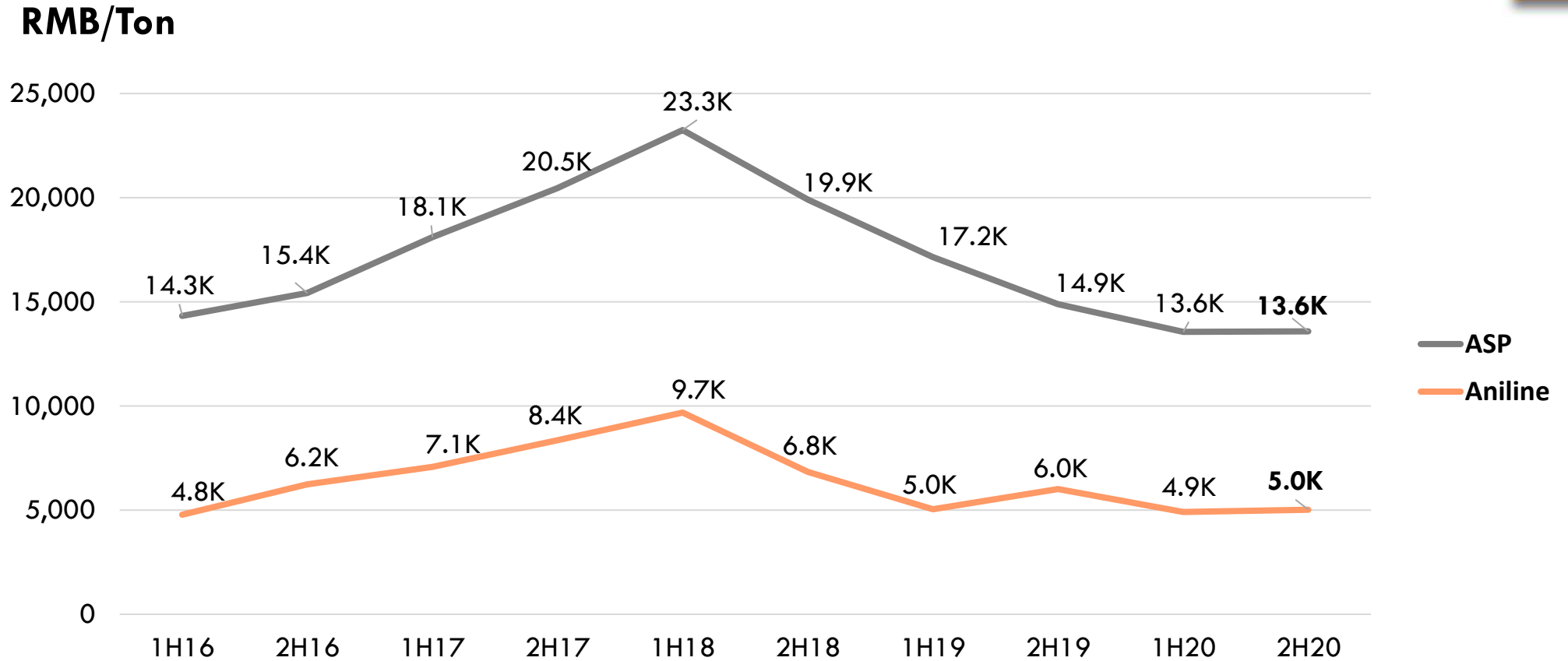
RMB/Ton



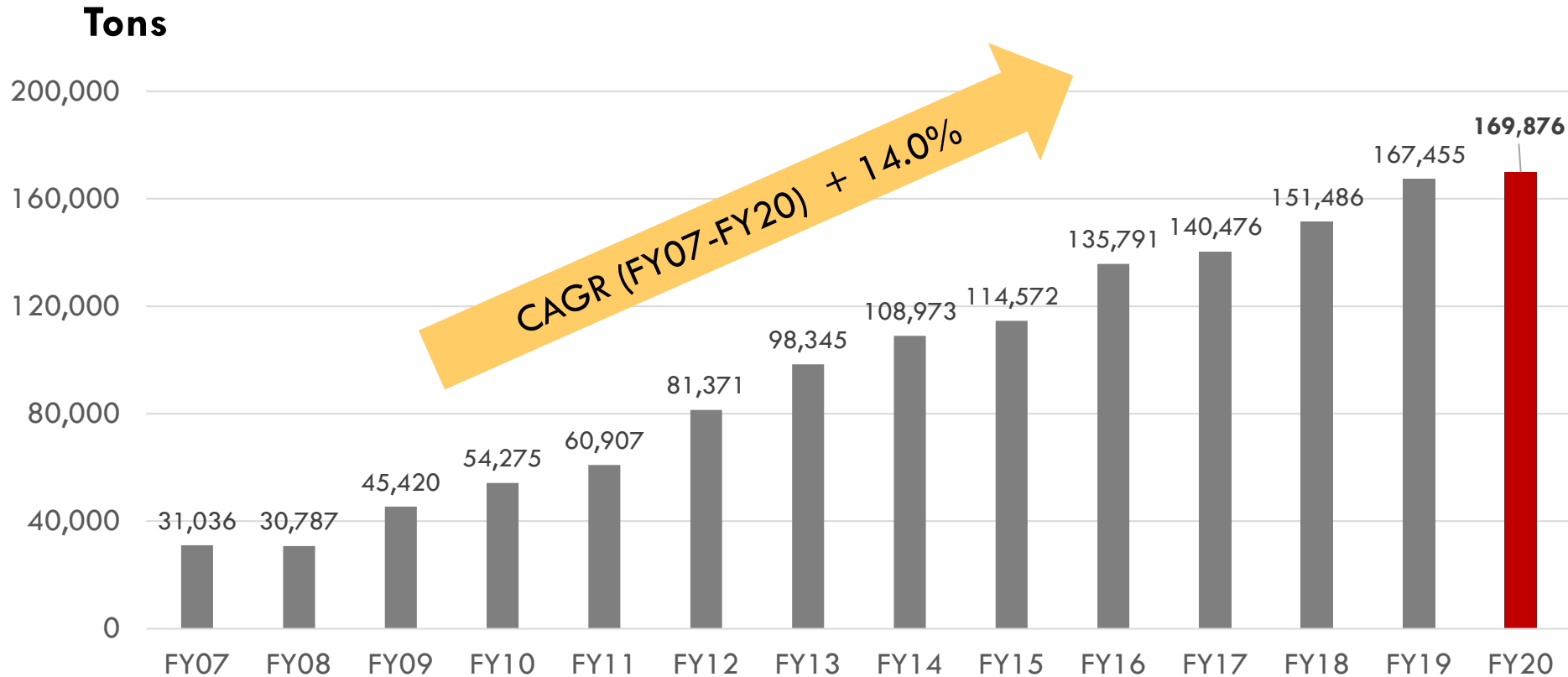
- FY20 ASP declined 15% y-o-y mainly due to the decrease in raw material prices as well as intensifying competition



ASP vs Aniline Price (half-yearly)



Sales Volume

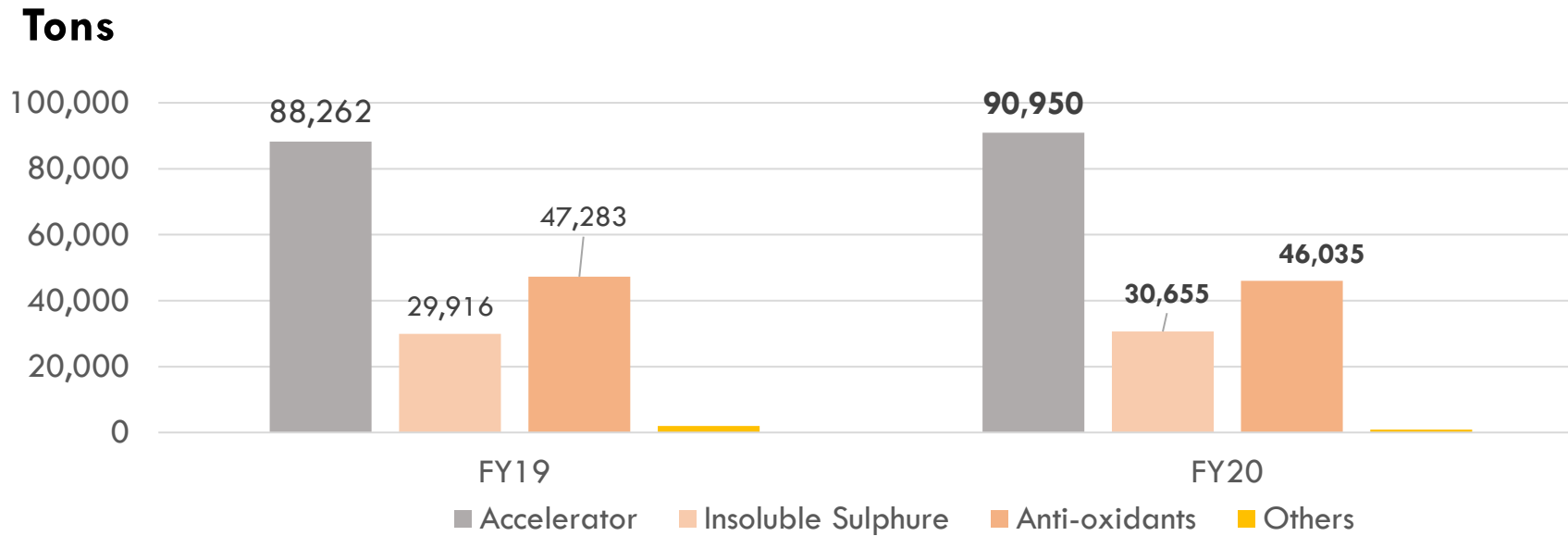


FY20 sales volume up 10% y-o-y mainly due to:

- Chinese market recovered rapidly from COVID-19 pandemic, and the Group was able to increase production to meet the increased demand; and
- Our continued marketing efforts



Sales Volume by Products

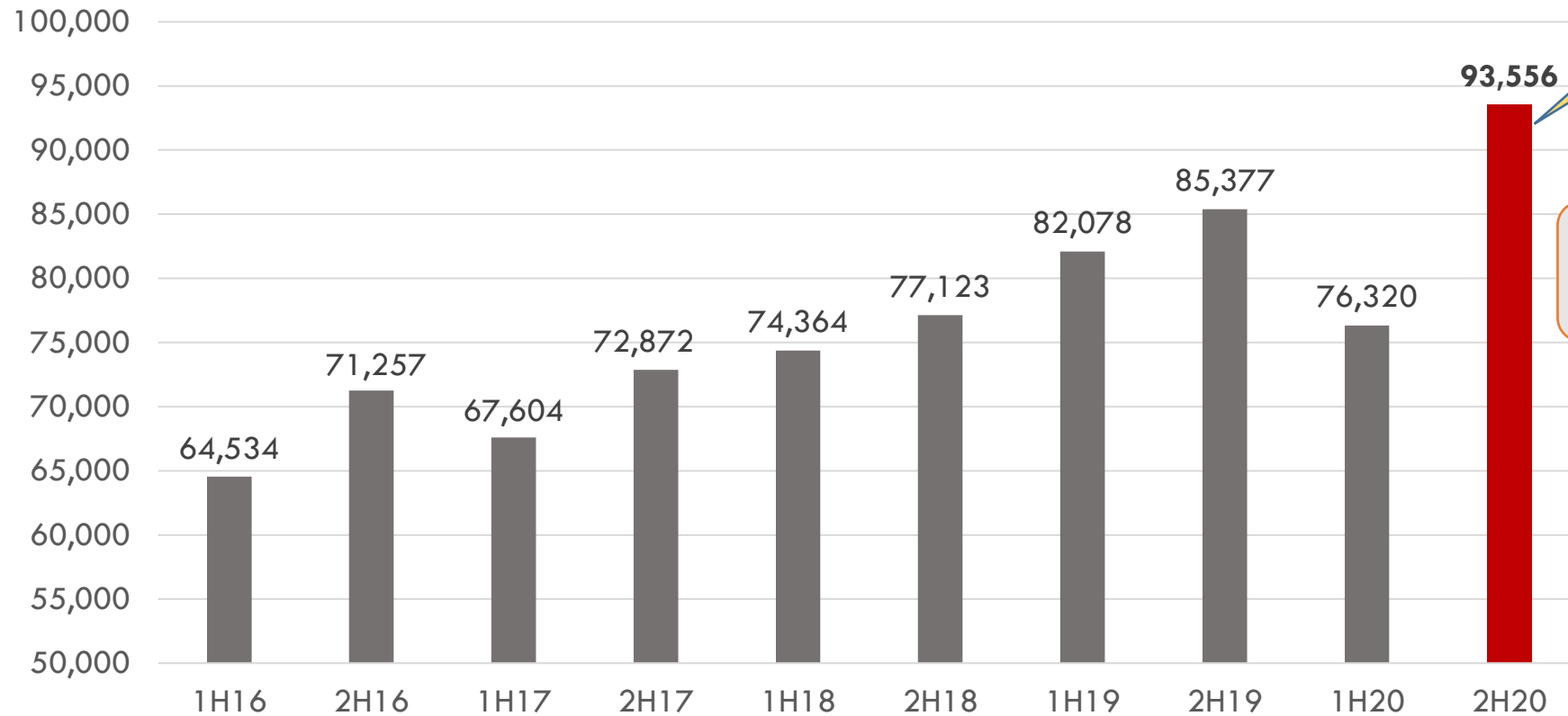


Sales Volume	FY2019	FY2019 Utilization Rate	FY2020	FY2020 Utilization Rate
Accelerators	88,262	91%	90,950	78%
Insoluble Sulphur	29,916	100%	30,655	102%
Anti-oxidants	47,283	105%	46,035	102%



Sales Volume (half-yearly)

Tons



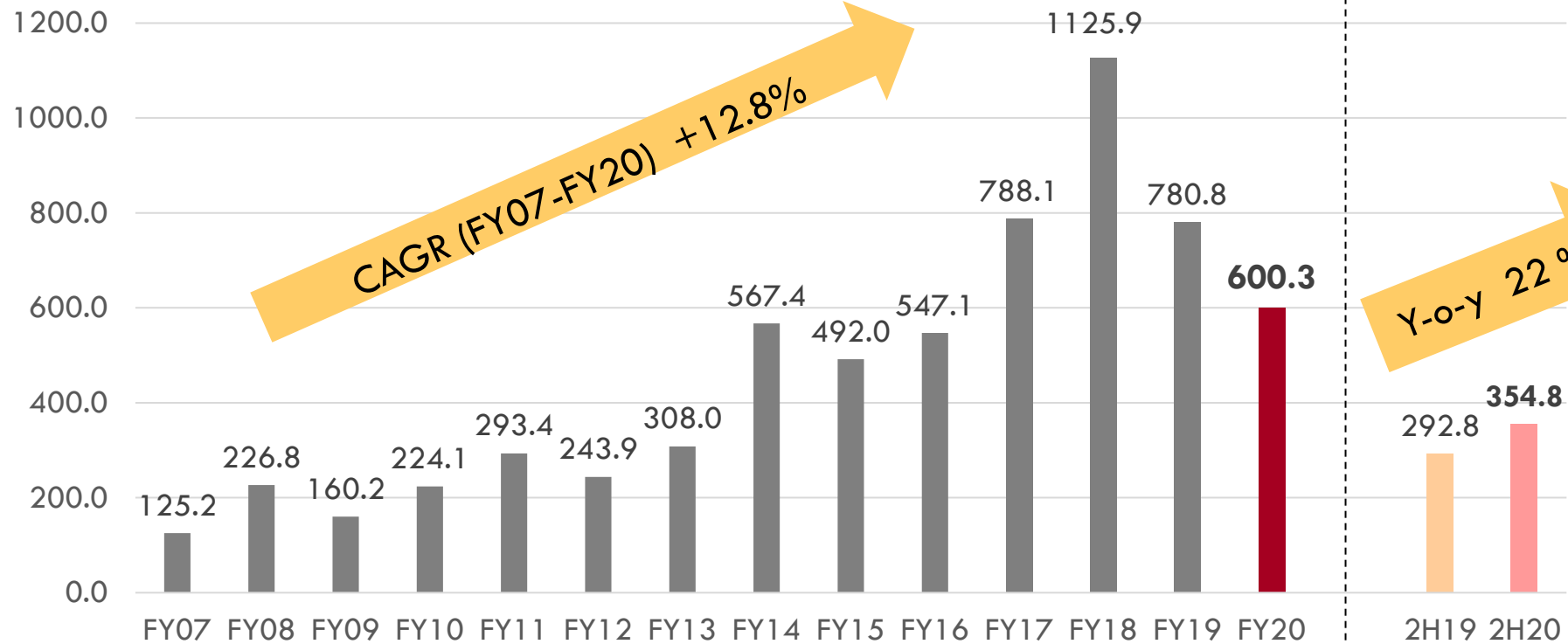
Record High

2H20 vs 2H19 : +10%
2H20 vs 1H20 : +23%



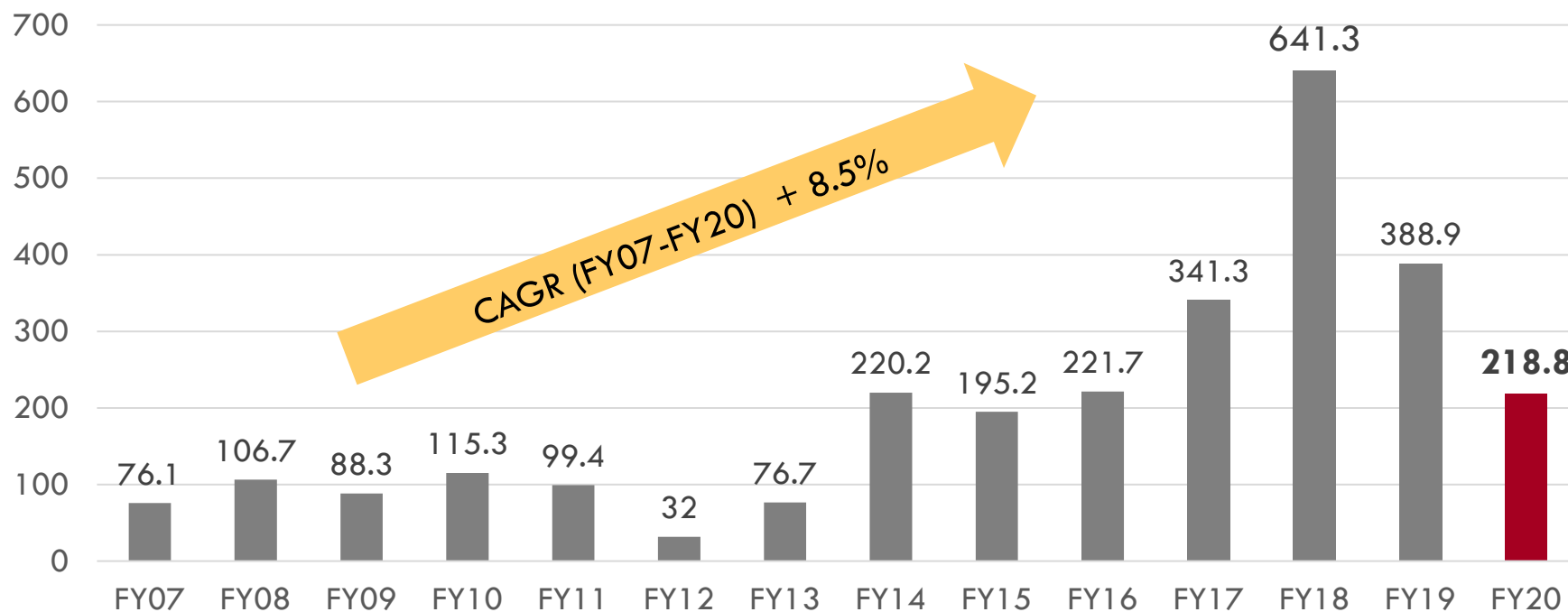
Gross Profit

RMB 'mln



Net Profit

RMB 'mln

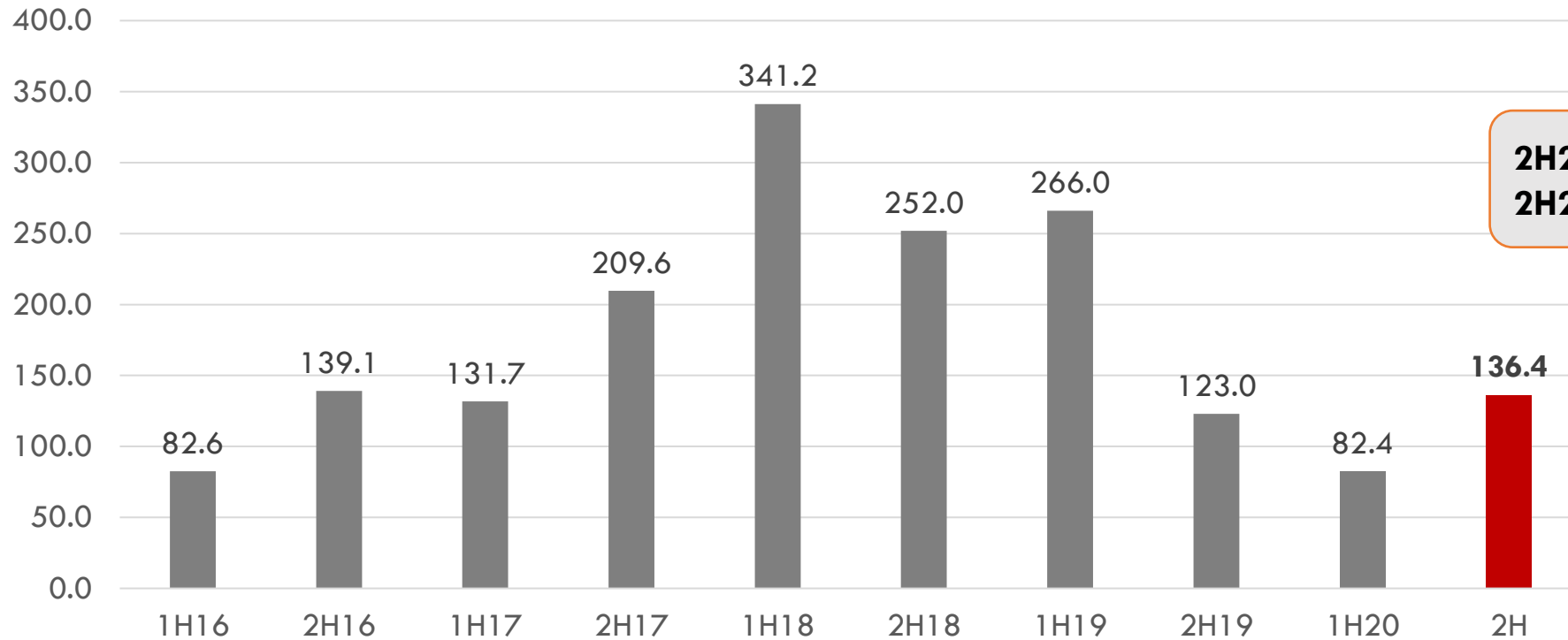


From FY2020, our main subsidiary's income tax rate adjusted back to the statutory rate of 25% due to the expiration of the "High-tech Enterprise" status at the end of 2019



Net Profit (half-yearly)

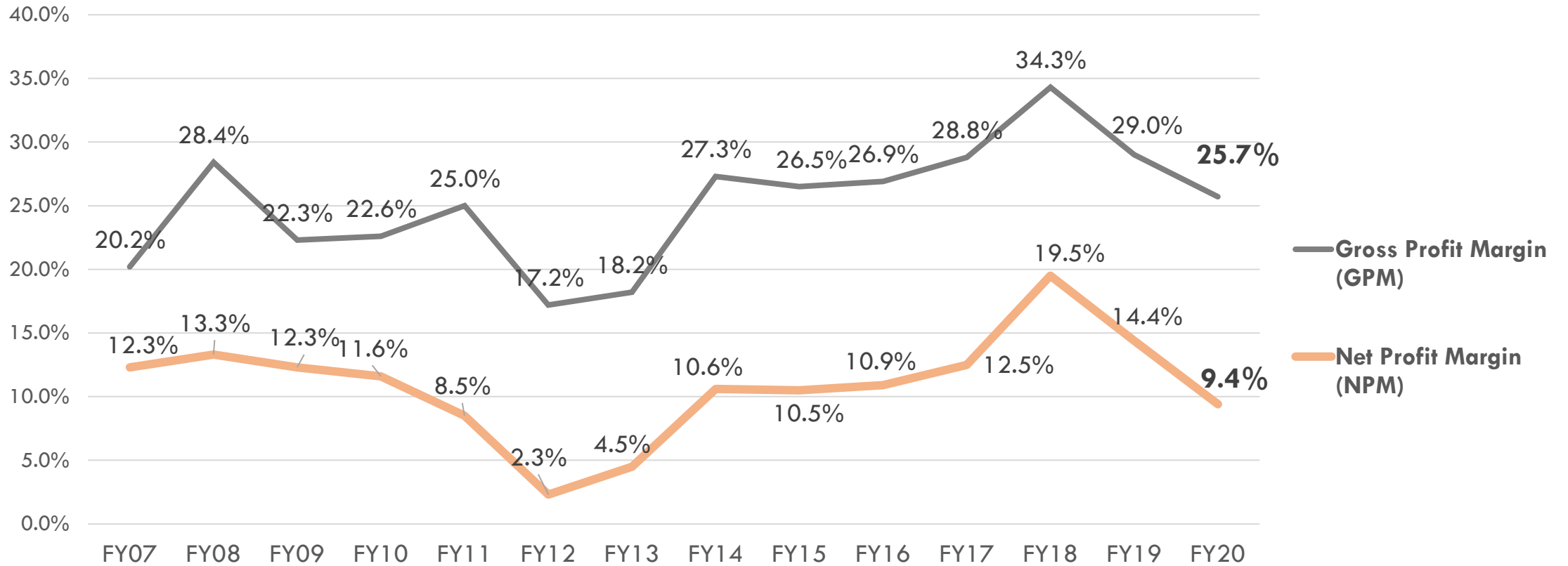
RMB 'mln



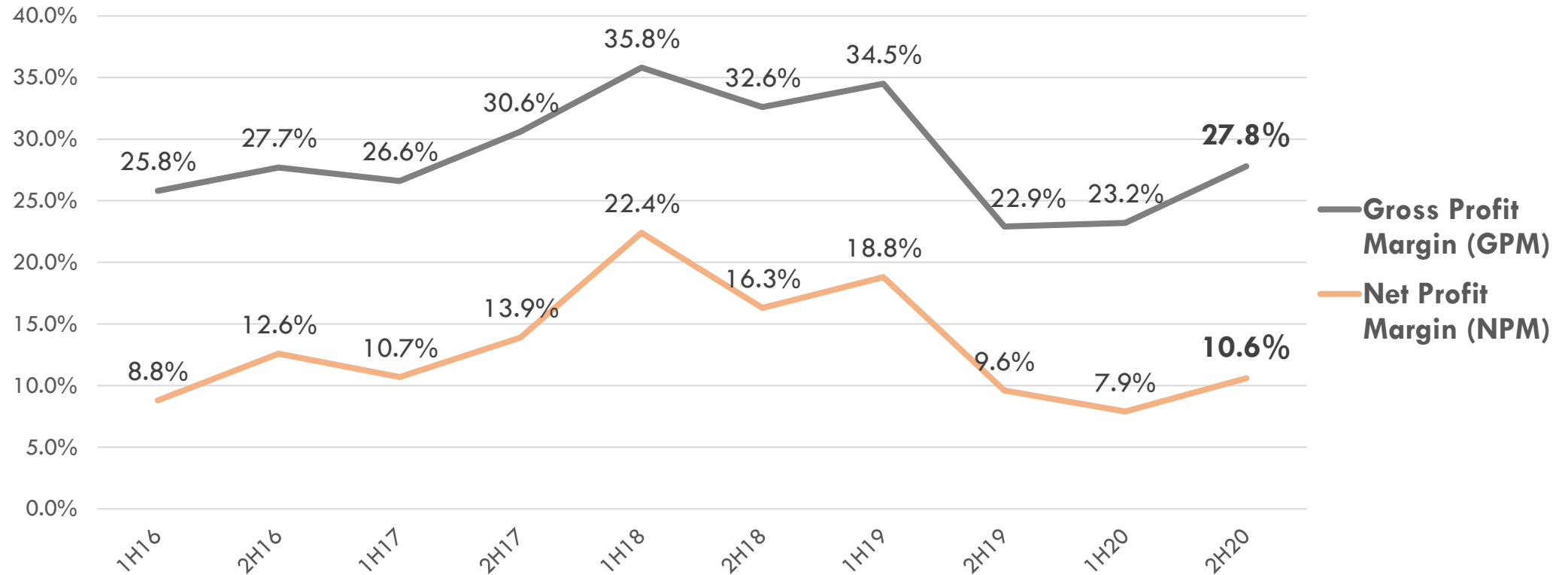
2H20 vs 2H19: +11%
2H20 vs 1H19: +66%



Margins Analysis



Margins Analysis (half-yearly)



2H20 GPM improved y-o-y due mainly to lower raw materials prices and our advantage in economies of scale



Balance Sheet Highlight

	31/12/2020	31/12/2019	31/12/2018
Current Assets (RMB'mln) *	2,239.2	2,219.6	2,016.4
Current Liabilities (RMB'mln)	451.4	347.4	421.8
Current Ratio	4.96	6.39	4.78
Shareholders' Equity (RMB'mln)	2,720.7	2,561.6	2,325.5
D/E ratio *	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents) **	280.28/ 56.84	262.56/ 53.24	236.66/ 47.99
Cash per share (RMB cents) (equivalent to SGD cents)**	137.26/ 27.83	131.19/ 26.60	105.7/ 21.43

* Current Assets including cash of RMB 1,326.2 mln

** Figures adjusted after the 1: 2 share split in Nov 2019



Key Developments

Expansion Projects-1

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Project	Status	CapEx
<u>30,000-ton fully-automated Accelerator TBBS at Shanxian:</u>	Whole project was approved in Jan 2019	total RMB160 mln
Phase II of 20,000-ton capacity	Completed in 1H2020 Commercial production started	RMB 60 mln
<u>Comprehensive Chemical Zone (Hengshun New Materials Co.)</u>		
30,000-ton Insoluble Sulphur	Completed, Testing Stage Commercial production: 2H2021	RMB270 mln
<u>30,000-ton Anti-oxidant TMQ (Yongshun New District)</u>	Construction stage, commercial production: 2H2021	RMB 150 mln



Expansion Projects-2

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Project	Status	CapEx
<u>700,000-ton Controlled Landfill</u>		total RMB 600 mln (funded by internal resources)
Phase I 50,000-ton with land area of 50 mu	Start and complete in 2021	RMB 80 mln
Future phases	depending on the market condition	
<i>Rationale for the project:</i>		
<ul style="list-style-type: none">- Treat inorganic wastes and ashes to reduce the environmental risks faced by the Group- Cope with the increasing dangerous wastes generated in Heze area- Save cost and generate additional income		



Annual Capacity

	2007 (before IPO)	FY17	FY18	FY19	FY20	FY21e
Rubber Accelerators	32,000	87,000	87,000	97,000	117,000	117,000
Insoluble Sulphur	nil	20,000	30,000	30,000	30,000	60,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000	45,000	75,000
Total	32,000	152,000	162,000	172,000	192,000	252,000



Outlook and Strategy

- After a 3.5 percent contraction in 2020, the global economy is projected to grow 5.5 percent this year, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. – *IMF forecast*
- The Chinese economy shows strong resilience and a robust rebound. In 2020, GDP grew 2.3%, the first and only major economy to recover. It is likely to return to its normal growth trajectory this year.
- In 2020, China's auto production and sales were booming, achieving a nine consecutive month growth. China's auto sales could continue to grow with the new-energy vehicle segment expected to considerably outpace the mass market. - CAAM



- Strong growth forecast of global auto sales in 2021 after a heavy hit by COVID-19 in 2020
- The utilization rate of tire manufacturing is improving, driven by the economy recovery and robust auto market
- Raw material prices have steadily recovered from their trough in 2020, providing a strong support to our ASP
- Some players increased their capacity. Despite greater competition, we also see an industry consolidation amongst bigger players.



Production and Sales Equilibrium

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

- Our goal - Increase market share and strengthen our market leadership position
- Capacity expansion to meet the increased demand of our products
- Focus on operational improvement, cost control, elimination of wastage, cash flow management etc
- Poised for economy recovery and setting foundation for long-term growth of the Group



Competitive Strengths

Market Leadership

- World largest accelerators and China's biggest IS producer
- Our accelerator products capture 34% of PRC market and 22% of global market
- Listed in the first batch of "National Champion Manufacturing Enterprise"

Products & Economy of Scale

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

Strong Customer Base

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

Environmental Protection advantage

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

R&D Capability

- Academician R&D workstation in collaboration with Tsinghua and CAS
- R&D Centre partnered with Qingdao University of Science and Technology

Financial strength

- Strong cash position
- Ready resources such as fund, land and technologies for further expansion



Listed On SGX Mainboard

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SHARE PERFORMANCE

China Sunshin Chemical Holdings Ltd. (QES.SI)

SES - SES Delayed Price. Currency in SGD

☆ Add to watchlist

Quote Lookup



0.50 +0.015 (+3.0928%)

As of 4:54PM SGT. Market open.

Summary **Chart** Conversations Statistics Historical Data Profile Financials Analysis Options Holders Sustainability



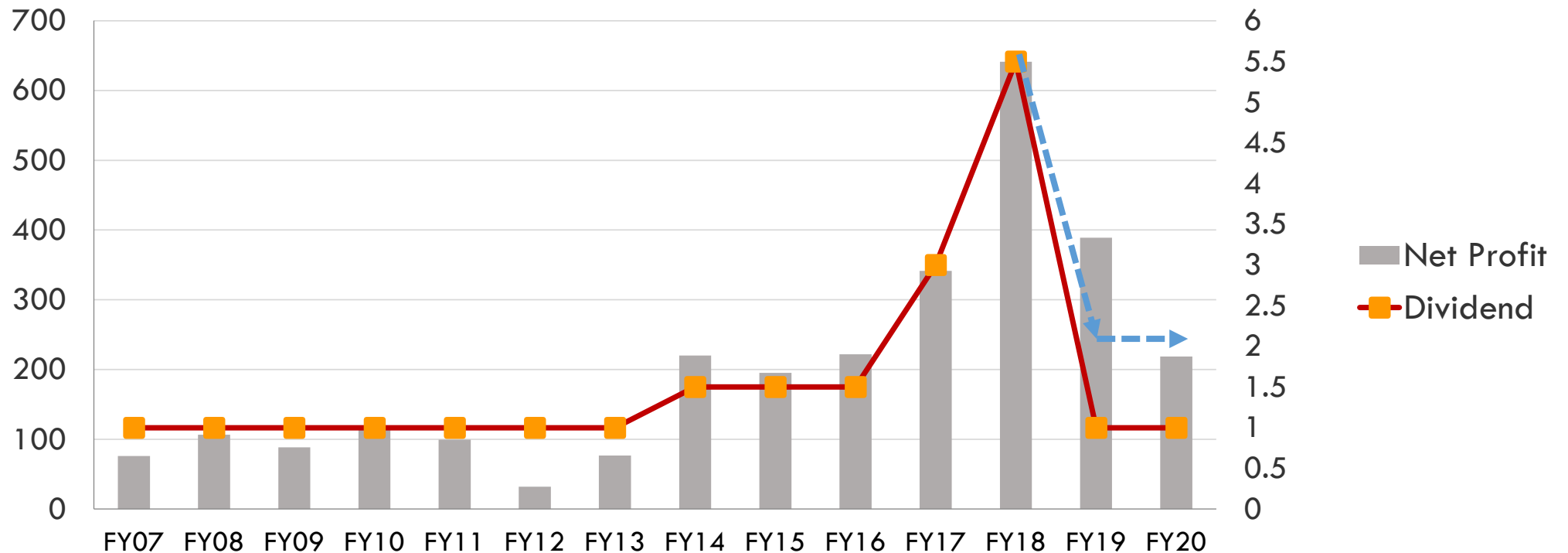
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



- 1: 2 share split in Nov 2019
- FY20 payout ratio 22%



Investment Merits

- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Capacity expansion ongoing, aiming to grow sales volume and market share
- ✓ Strong cash position (cash per share SGD0.277) with no bank loan
- ✓ 14-year track record & annual dividend payment since IPO
- ✓ Price/NAV only 0.8X

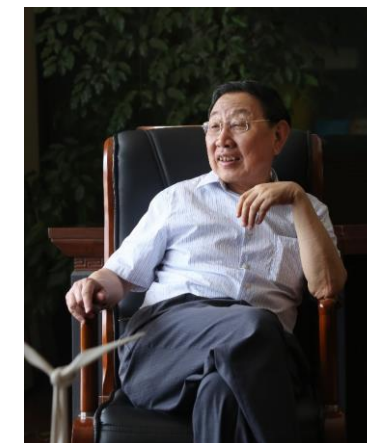


Chairman's Message

“Overall, I believe the Group achieved a set of satisfactory results during this difficult time, thanks to its strategy of ‘sales and production equilibrium’. I am pleased that we are on track for progressive capacity expansion, which allows us to produce more to meet the increased demand and further grow our market share.

As we enter 2021, we are seeing positive signs from the downstream demand; the rubber chemicals industry is further consolidating and raw material prices are increasing. All these factors will provide support for our ASP.

With our two major expansion projects slated for completion in 2021, we will be able to strengthen our market leadership position further. Coupled with our other competitive advantages, such as our strong financial position, high-quality products, economies of scale, variety of product range, and compliance with national environmental protection laws and regulations, we are confident about the Group's profitability in the next 12 months.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

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