



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

1H2020 RESULTS BRIEFING

13 August 2020

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
- ✓ **World's 2nd and PRC's biggest** producer of Insoluble Sulphur
- ✓ Superior product-quality and economies of scale
- ✓ Accredited by a strong customer base of top tire makers
- ✓ Beneficiary of stringent environmental protection standards



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

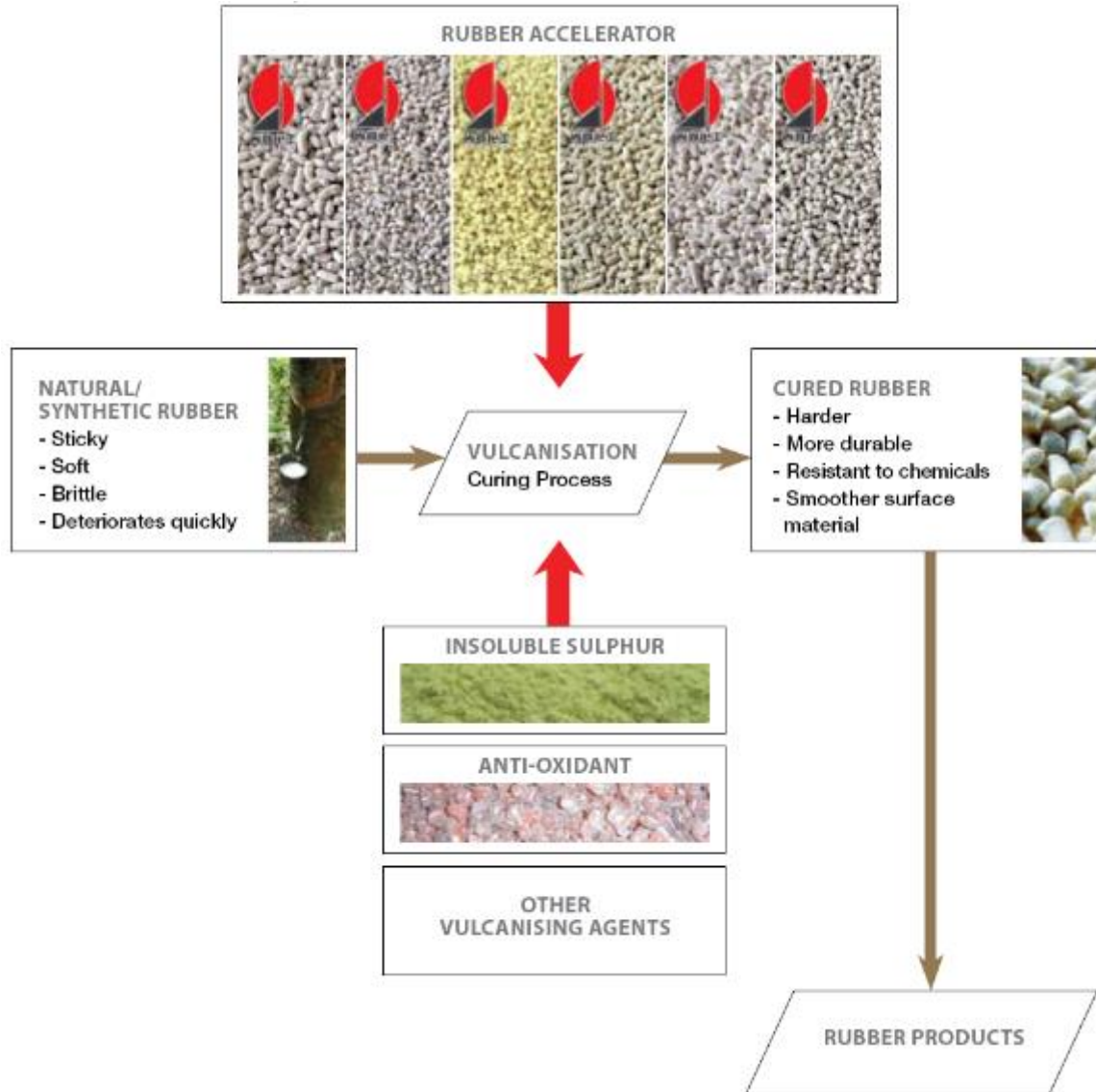


Anti-Oxidants

TMQ
6PPD
4010NA



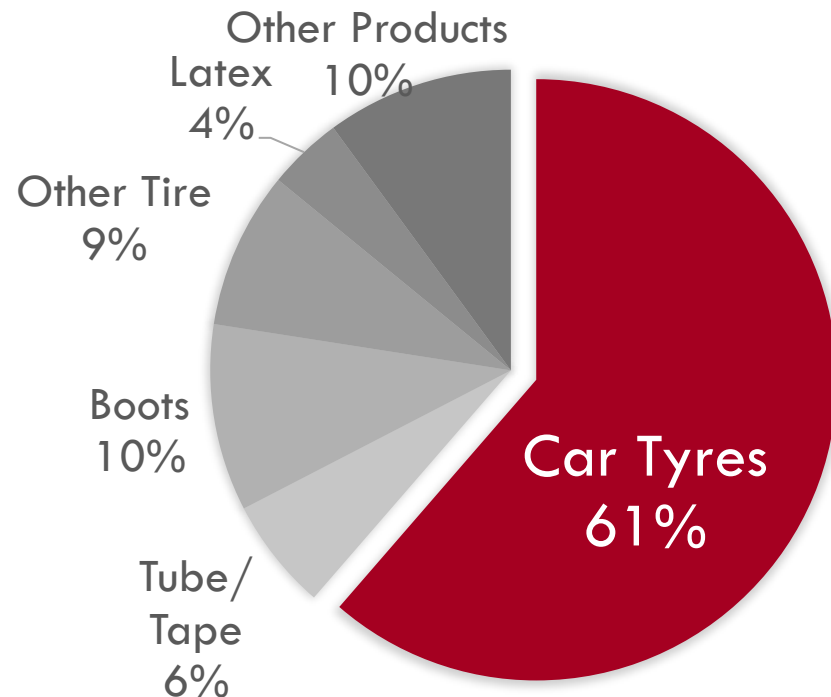
Our Products: Rubber Chemicals



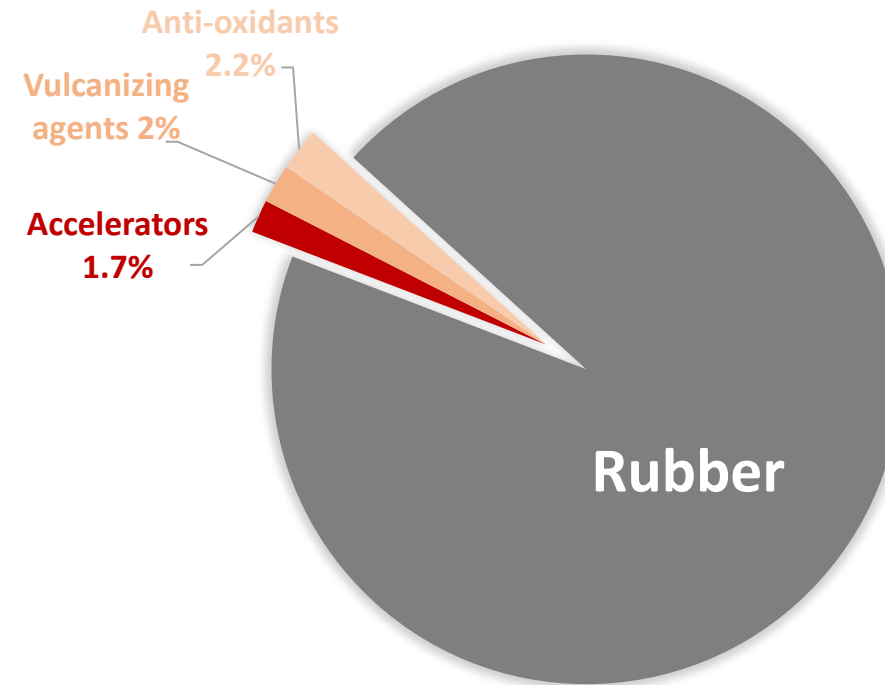
Rubber Chemicals are ***Essential Additives*** in the production of rubber products



Global Consumption of Rubber



<http://www.chemn.com>



Global rubber consumption in 2019:
28.7 million tons

<https://www.rubbernews.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

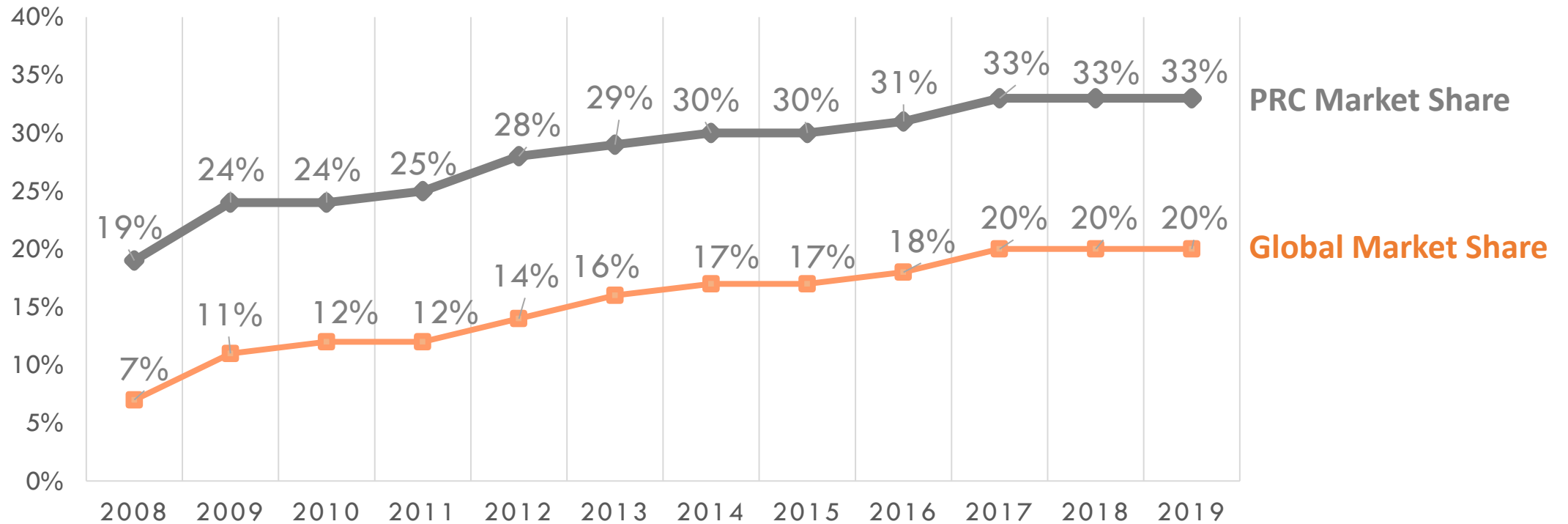


- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tire makers
- **1/3** output exported



Rubber Accelerators' Market Share

MARKET SHARE



Our Market Leadership Position

GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2019
China Sunsine 中国尚舜	97,000 tons
Tianjin Kemai 天津科迈	51,000 tons
Yanggu Huatai 阳谷华泰	45,000 tons

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2019
China Sunsine 中国尚舜	30,000 tons
Yanggu Huatai 阳谷华泰	20,000 tons
Sennics 圣奥化学	15,000 tons



Our Production Bases



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



Shanxian
• Home base: 116,000-ton

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



Weifang Plant
• 26,000-ton accelerators



Financial Overview

Financial Highlights

13

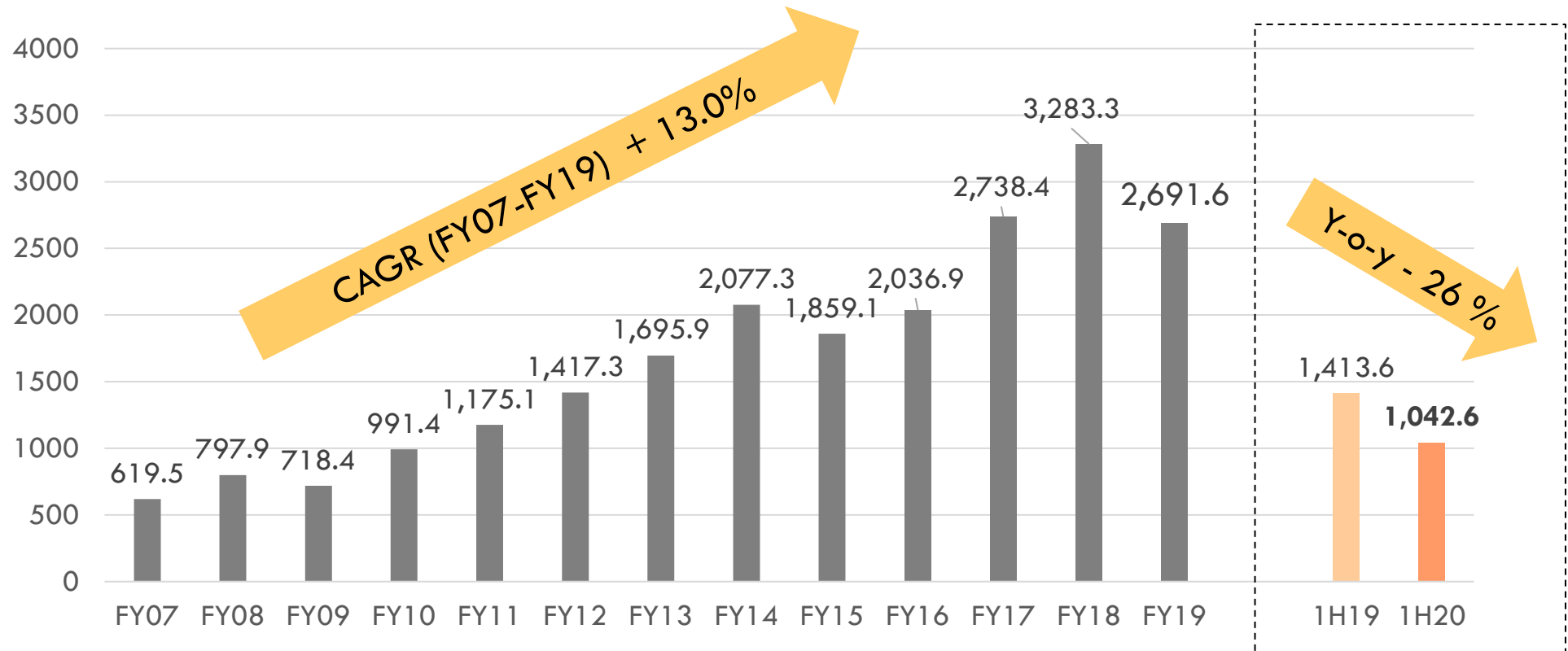
RMB 'mln	First Half Year Ended		
	30/06/20	30/06/19	Change
Group Revenue	1,042.6	1,413.6	(26%)
Gross Profit	241.9	488.0	(50%)
Gross Profit Margin	23.2%	34.5%	(11.3 pts)
Profit Before Tax	114.9	320.0	(64%)
Profit After Tax	82.4	265.9	(69%)
EPS	8.46/	27.09/	(69%)
(RMB cents/SGD Cents*)	1.66	5.33	
NAV per share	266.19	249.80/	
(RMB cents/SGD Cents*)	52.39	49.16	

* Singapore Dollars to RMB at the exchange rate of 5.0813 as at 30 June 2020



Revenue Growth

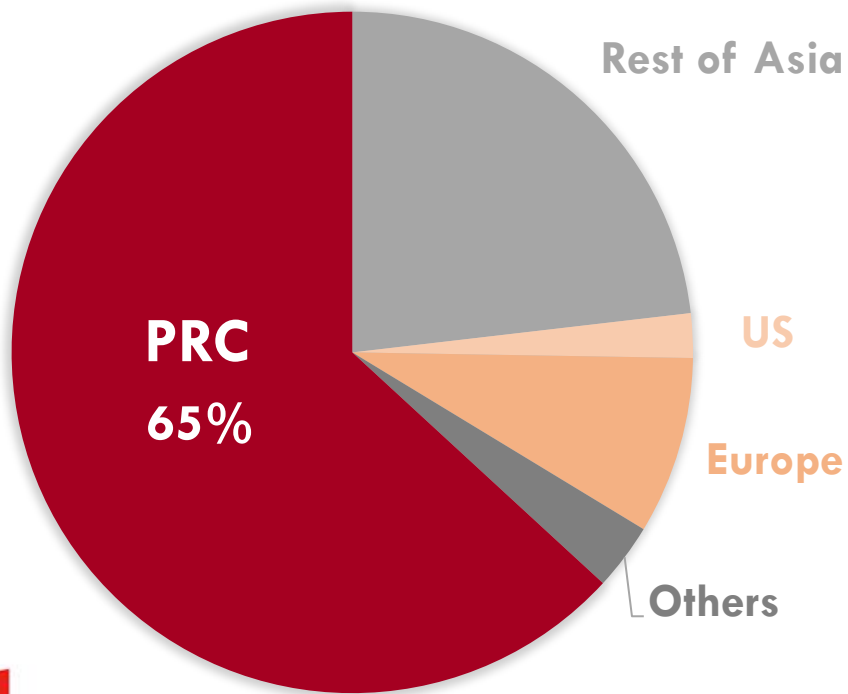
RMB 'mln



1H20 Revenue down 26% y-o-y mainly due to the decrease in overall average selling price (ASP) and sales volume



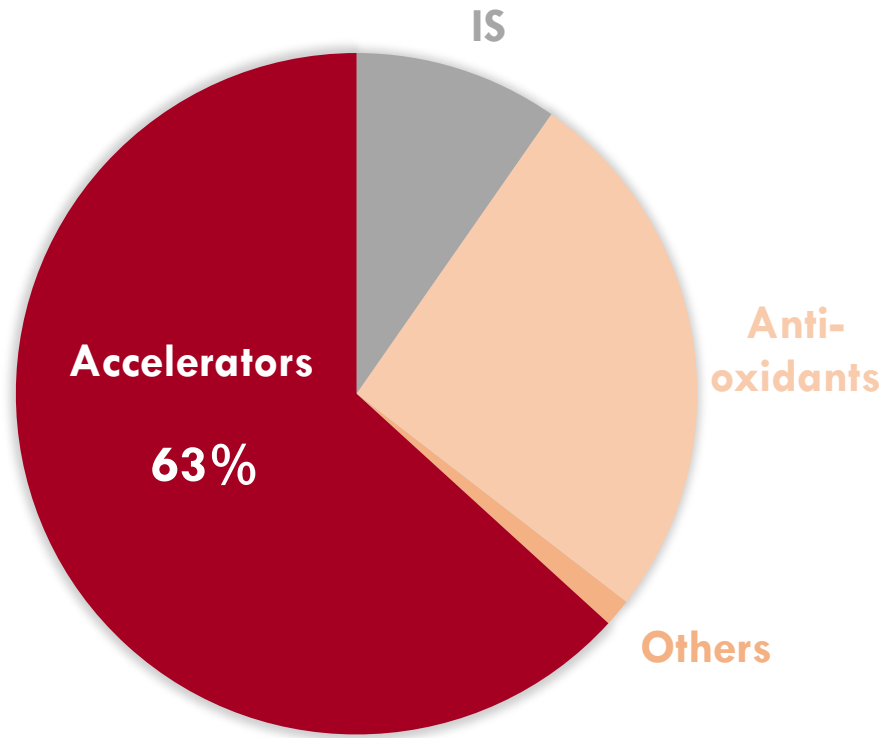
Sales Contribution (By Region)



Region	1H2020	FY2019	FY2018
China	65%	62%	62%
Rest of Asia	22%	22%	54%
US	2%	3%	2%
Europe	8%	11%	9%
Others	3%	2%	2%
Total	100%	100%	100%



Sales Contribution (By Products)

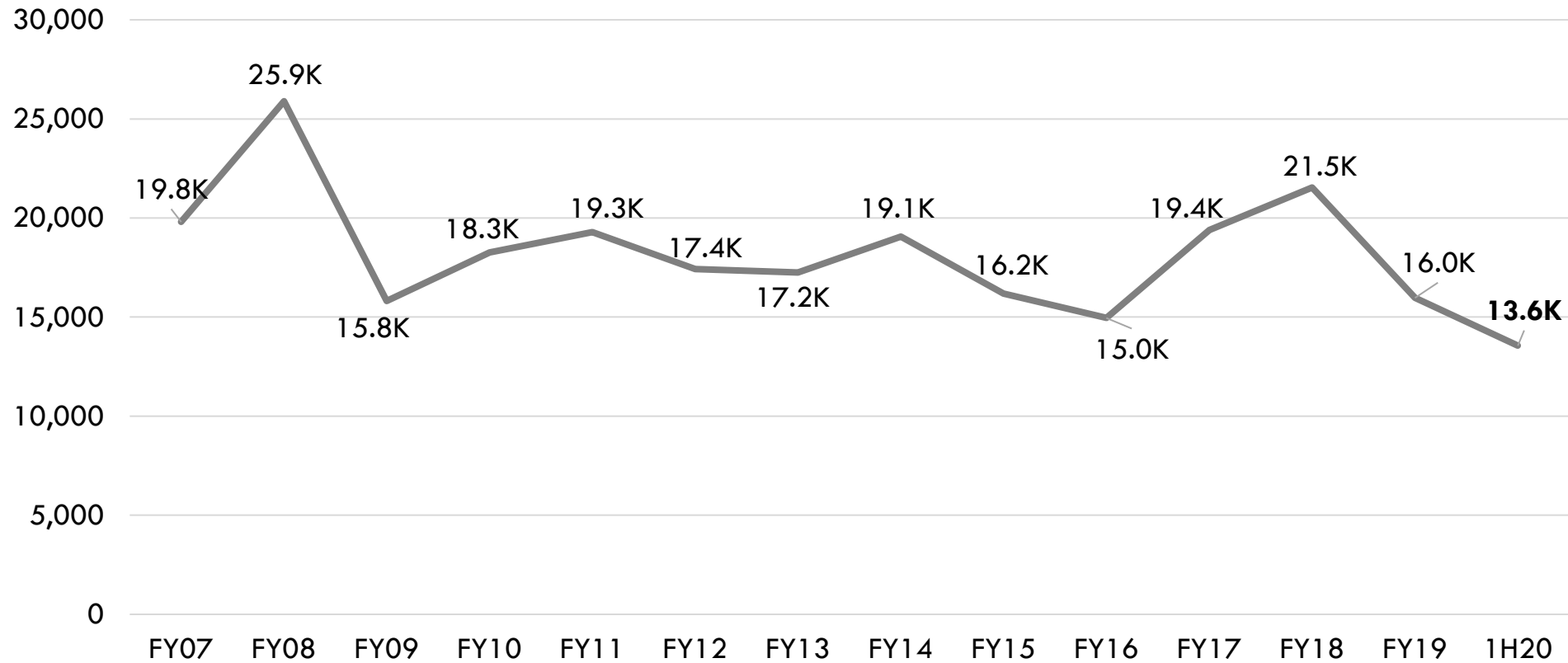


Product	1H2020	FY2019	FY2018
Accelerators	63%	66%	70%
IS	10%	10%	9%
Anti-oxidants	26%	23%	20%
Others	1%	1%	1%
Total	100%	100%	100%

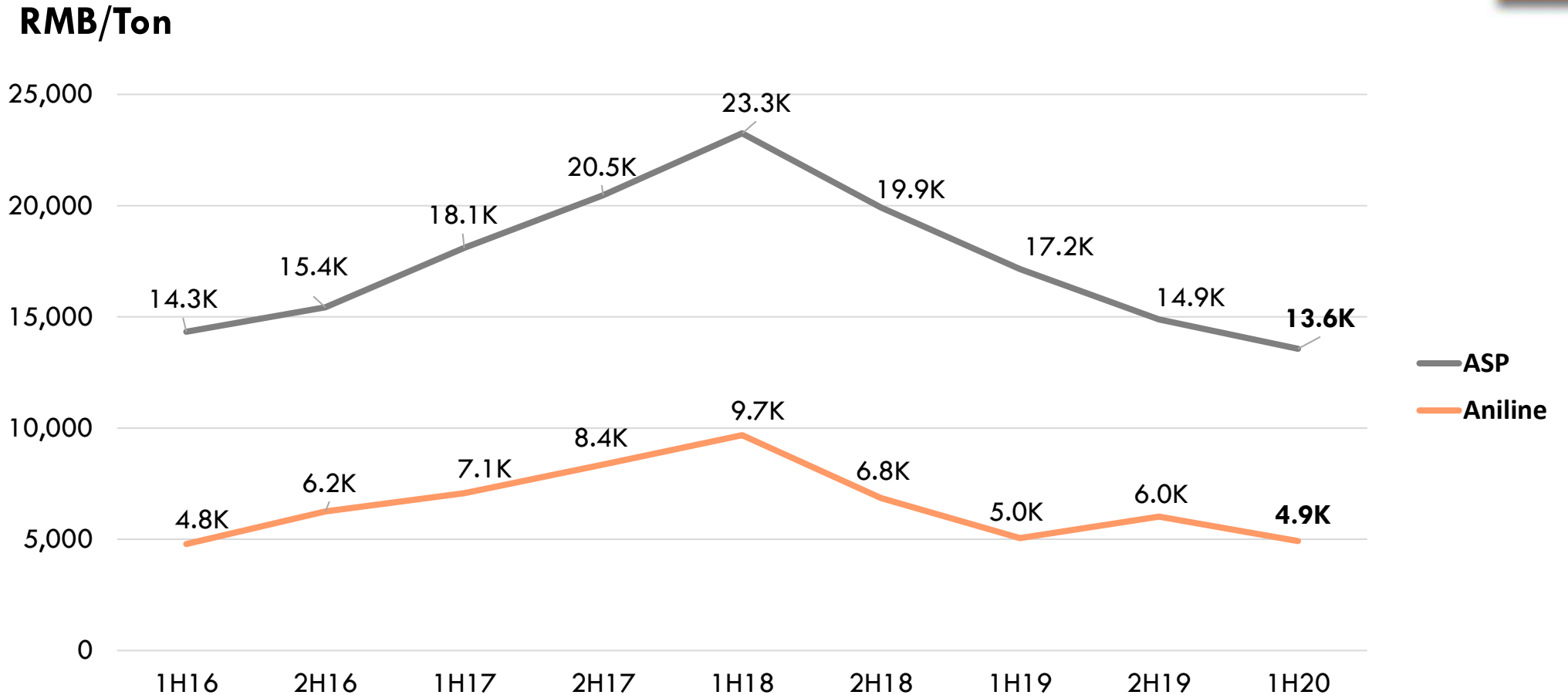


Overall Average Selling Price (ASP)

RMB/Ton



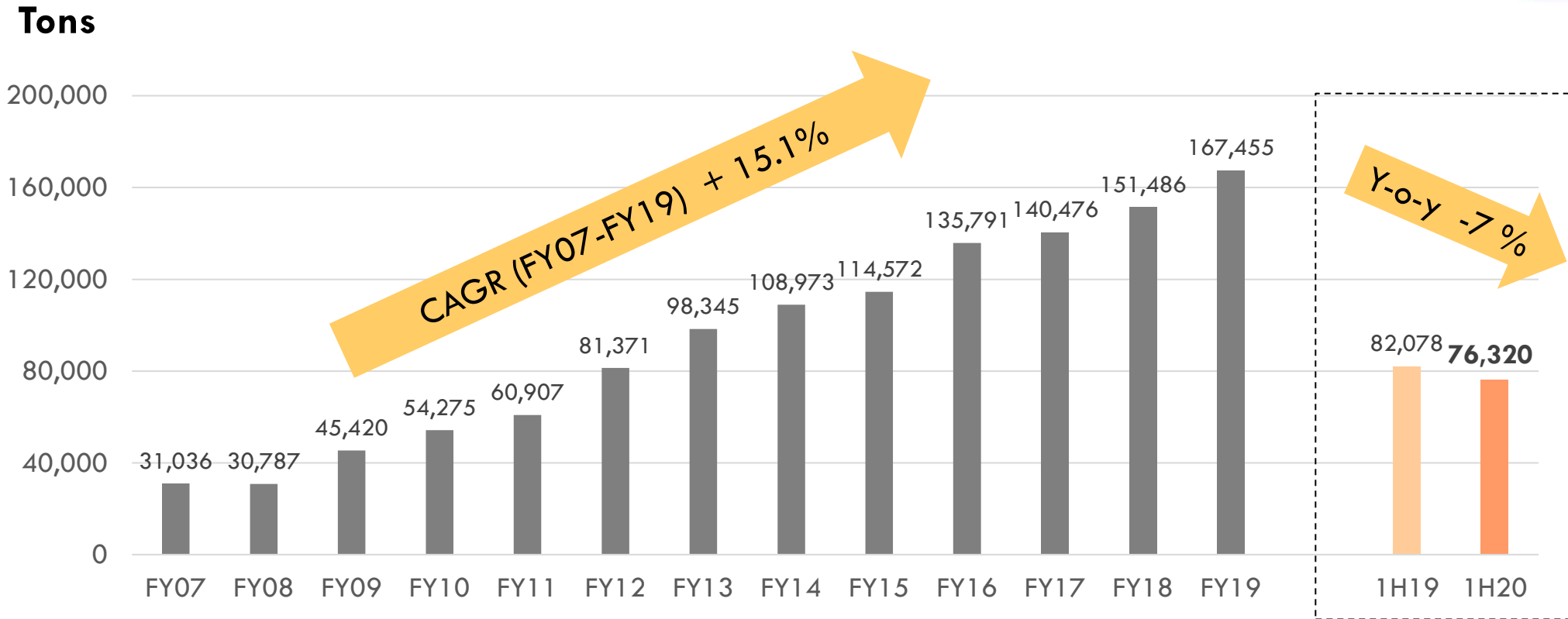
ASP vs Aniline Price (half-yearly)



- 1H20 ASP declined 21% y-o-y mainly due to the decrease in raw material prices as well as intensifying competition



Sales Volume

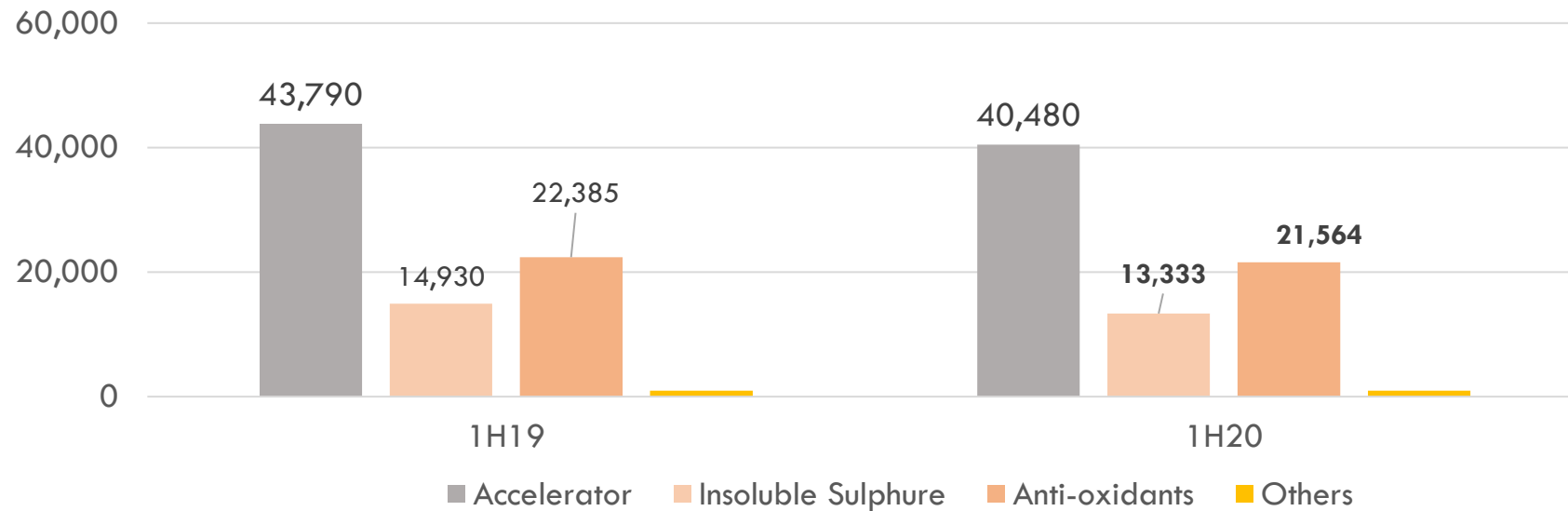


1H20 sales volume down 7% y-o-y mainly due to:
weaken demand from tire manufacturing impacted by the COVID-19 and slowing down economies, however, our capacity utilization rate was higher than the average lever in the industry



Sales Volume by Products

Tons

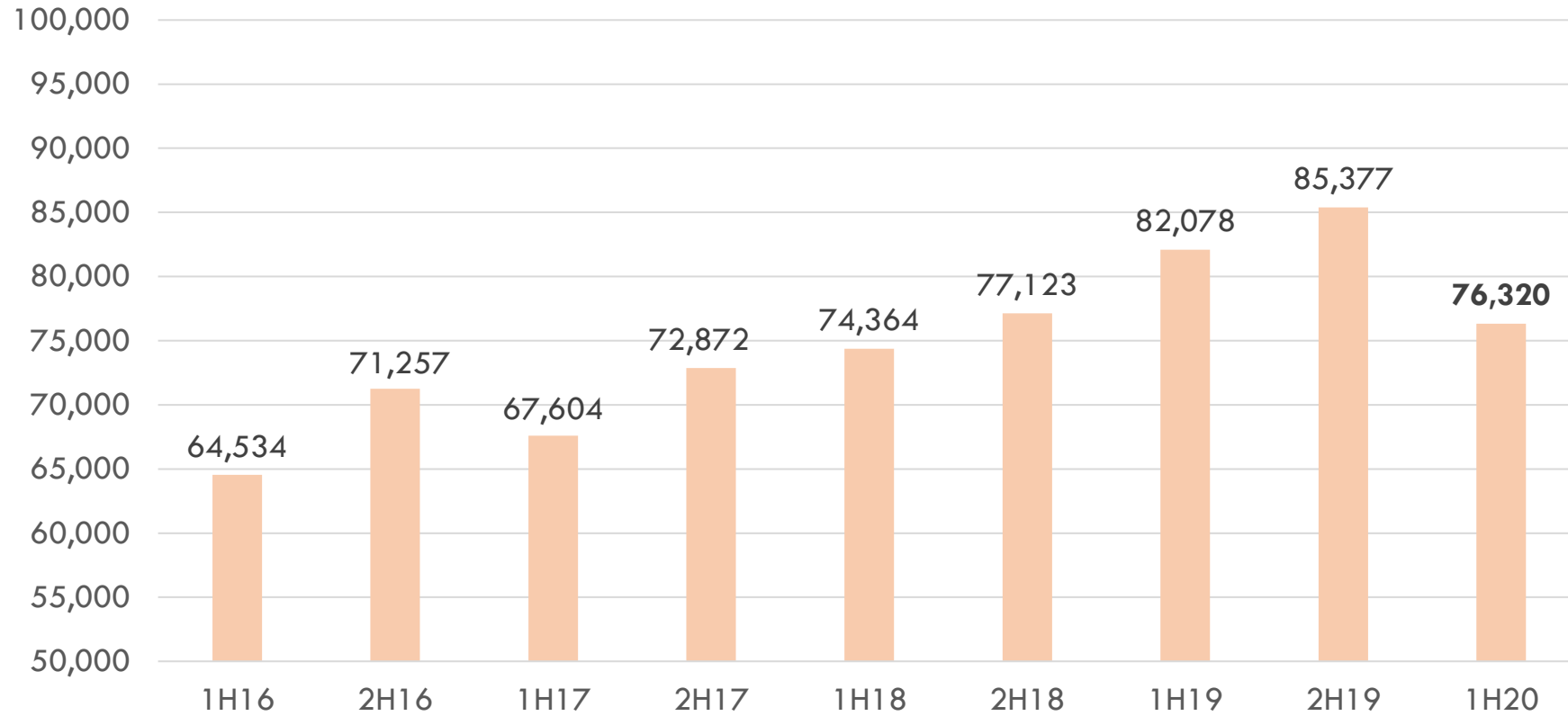


Sales Volume	1H2019	1H2019 Utilization Rate	1H2020	1H2020 Utilization Rate
Accelerators	43,790	92%	40,480	83%
Insoluble Sulphur	14,930	99%	13,333	89%
Anti-oxidants	22,385	99%	21,564	96%



Sales Volume (half-yearly)

Tons

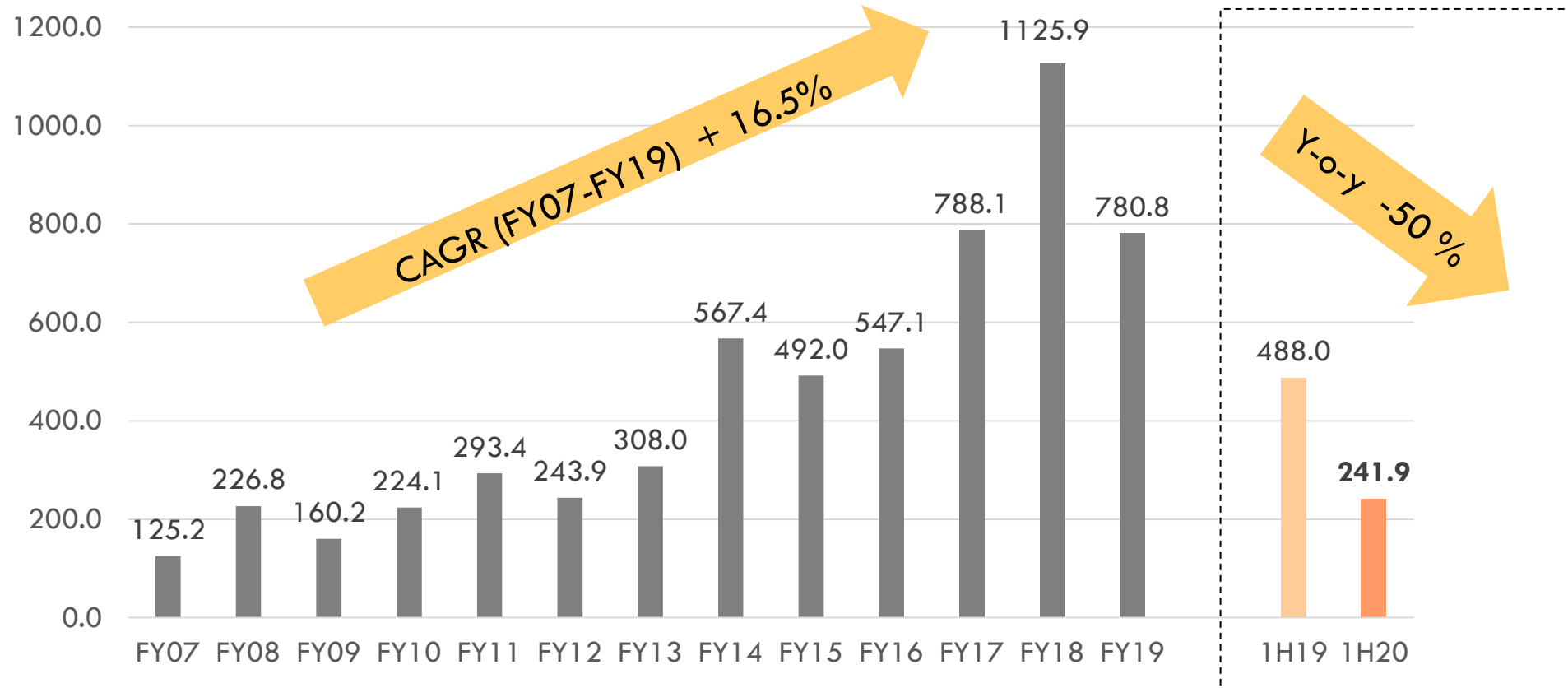


1H20 vs 1H19 : -7%
1H20 vs 2H19 : -11%



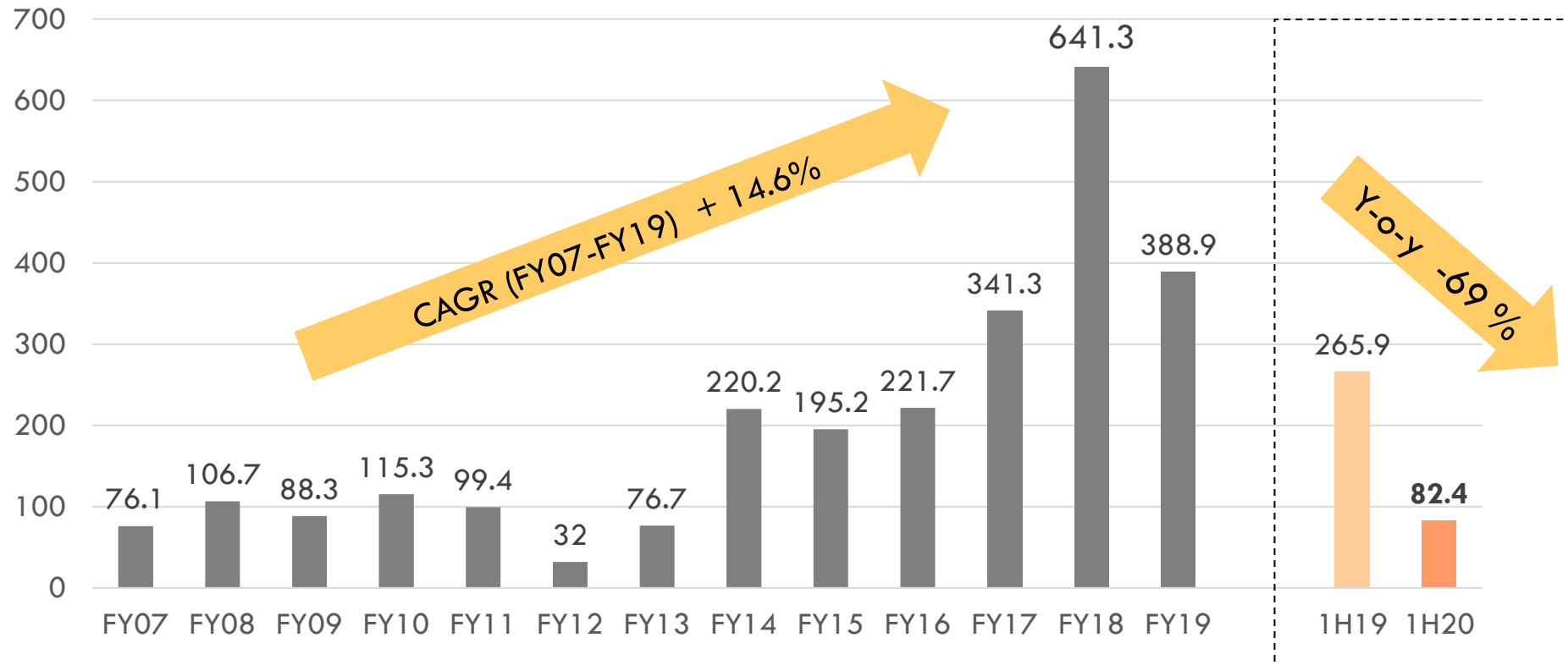
Gross Profit

RMB 'mln



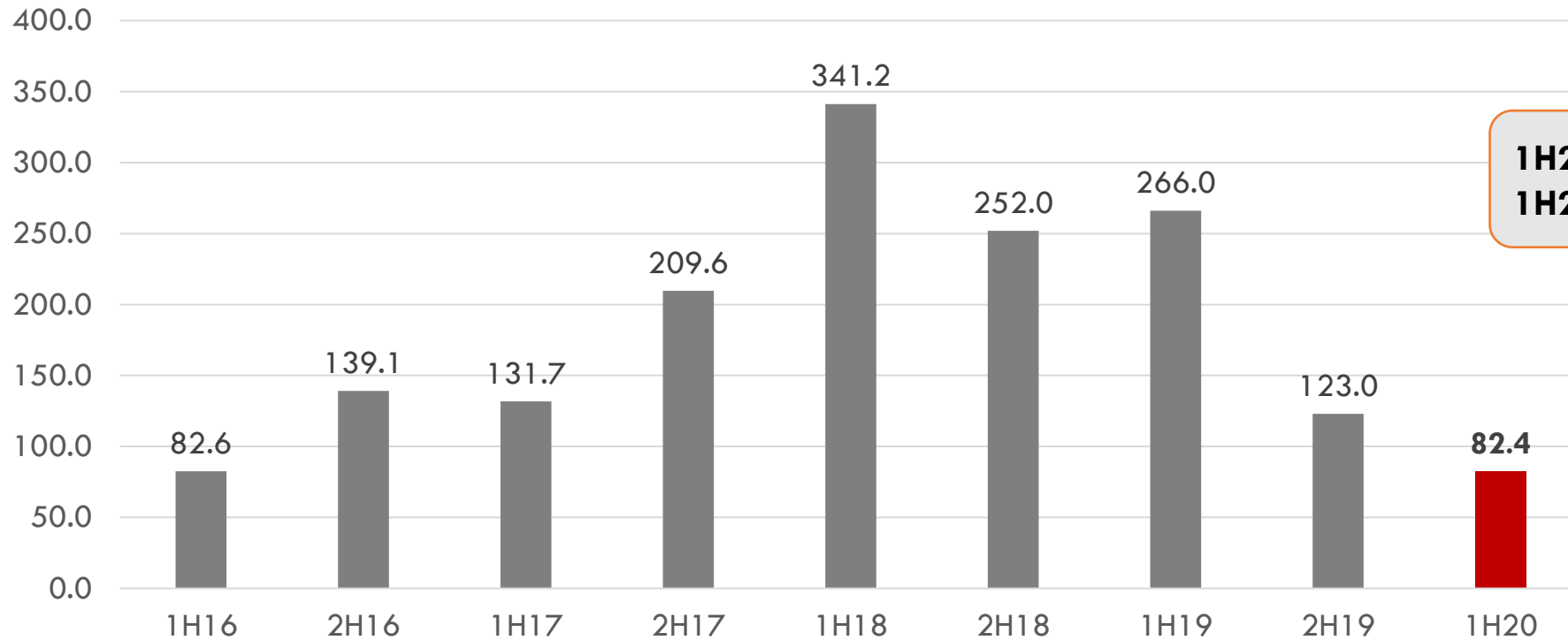
Net Profit

RMB 'mln



Net Profit (half-yearly)

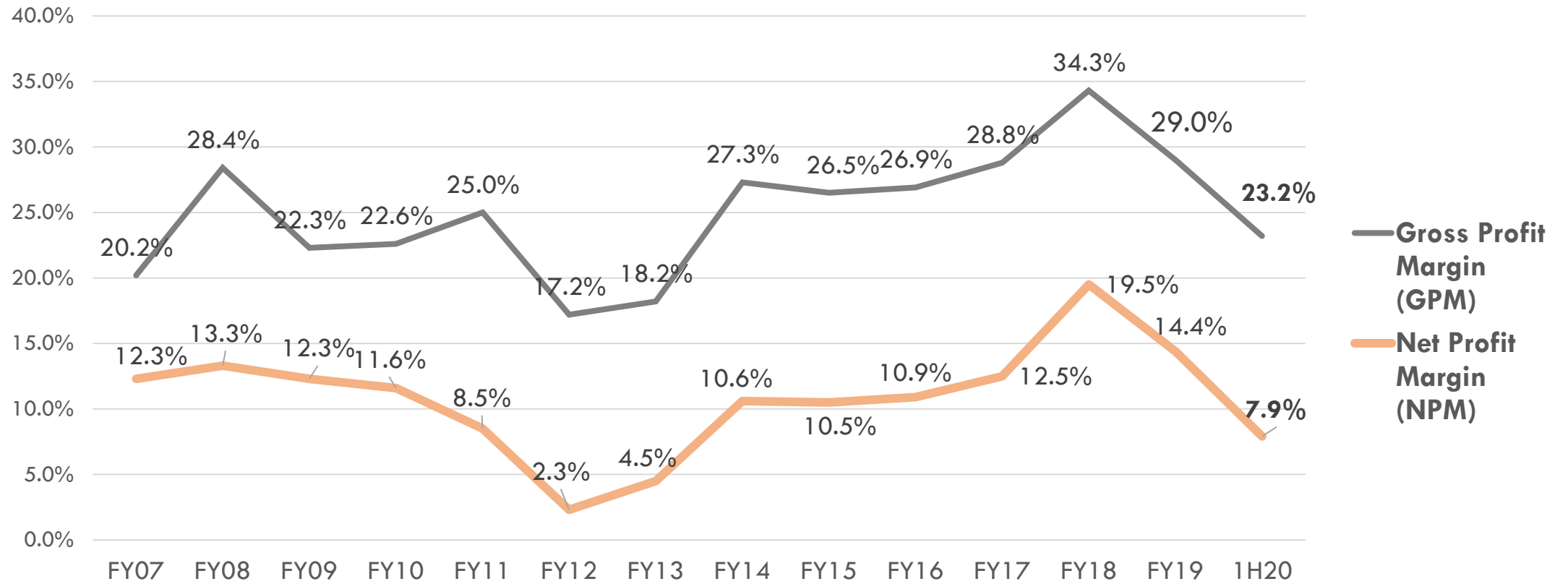
RMB 'mln



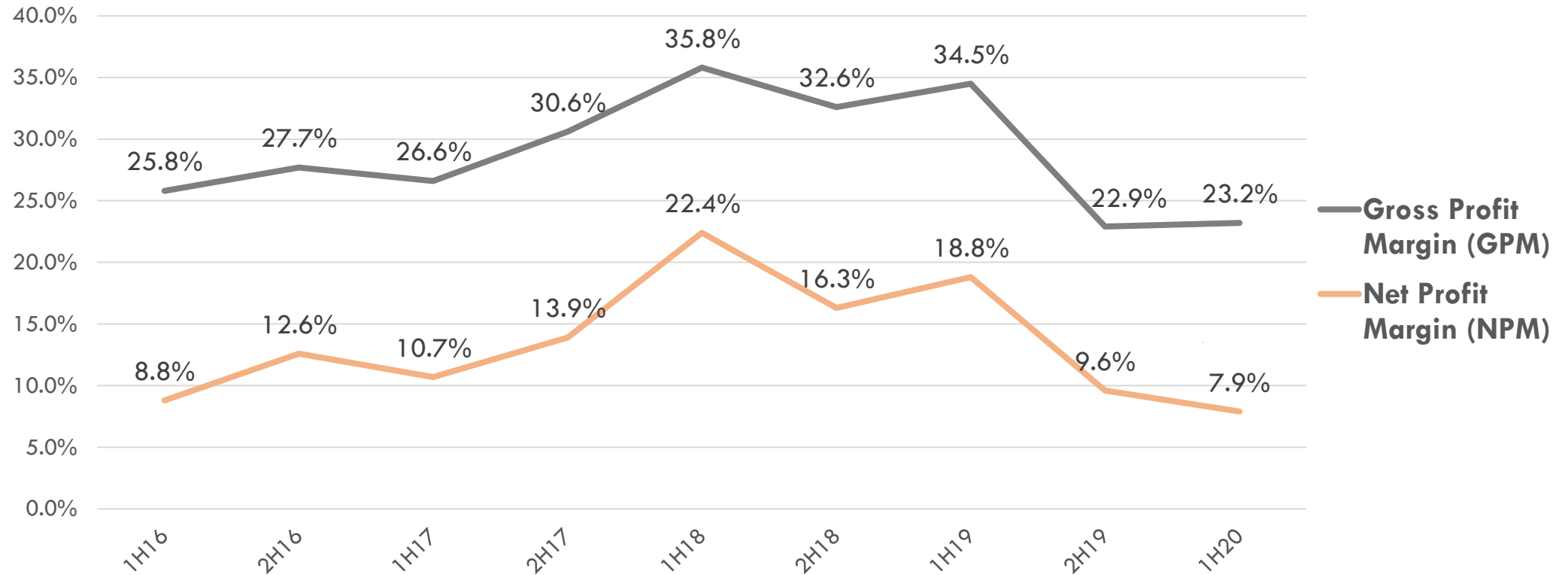
1H20 vs 1H19: - 69%
1H20 vs 2H19: - 33%



Margins Analysis



Margins Analysis (half-yearly)



2H17-1H19 was a particularly good period. The Group enjoyed high GPM, benefited from its competitive advantages in environmental production and safety production. As mentioned previously, we expected that such high margin may not be sustainable and would eventually normalize



Balance Sheet Highlight

	30/06/2020	31/12/2019	31/12/2018
Current Assets (RMB'mln) *	2,175.6	2,219.6	2,016.4
Current Liabilities (RMB'mln)	331.2	347.4	421.8
Current Ratio	6.57	6.39	4.78
Shareholders' Equity (RMB'mln)	2,588.1	2,561.6	2,325.5
D/E ratio *	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents) **	266.19/ 52.39	262.56/ 51.67	236.66/ 46.57
Cash per share (RMB cents) (equivalent to SGD cents)**	137.26/ 27.01	131.19/ 25.82	105.7/ 20.80

* Current Assets including cash of RMB 1,334.5 mln

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



Key Developments

Expansion Projects

29

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</u> <u>With land area of 680 mu</u>		
30,000-ton Insoluble Sulphur	In installation of machinery To be completed by end of 2020 commercial production: 2021	RMB270 mln
<u>30,000-ton Anti-oxidant TMQ</u> <u>at Shanxian</u>	Construction just started, To be completed by 1H2021 commercial production: 2H2021	RMB 150 mln



Heze Yongshun Environmental Protection Technology Co., Ltd



- | | | |
|----------------|---|---|
| Located | : | Shanxian, near our factories |
| Land area | : | 215 mu |
| Capacity | : | 15,000 tons per annum |
| Net Book Value | : | RMB 36 mln |
| Consideration | : | RMB 43 mln |
| Rationale | : | <ul style="list-style-type: none">• Yongshun is the only qualified dangerous waste treatment company in Shanxian• The Group generates about 5,000 tons of dangerous waste materials and spends about RMB 25 mln for treatment and disposal• Cost saving and process control |



Annual Capacity

	2007 (before IPO)	FY17	FY18	FY19	FY20e
Rubber Accelerators	32,000	87,000	87,000	97,000	117,000
Insoluble Sulphur	nil	20,000	30,000	30,000	30,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000	45,000
Total	32,000	152,000	162,000	172,000	192,000



Outlook and Strategy

- The COVID-19 pandemic outside China still very severe. It may lead into the economic recession around the world
- Ongoing geopolitical tensions, particularly between the US and China, are causing economic uncertainties
- China's GDP grew by 3.2% in 2Q2020, up from -6.8% in 1Q2020, showing that China's overall economy is recovering



Industry Outlook

- China's new car sales in 1H2020 recorded 10.26 units, down 16.9% from a year ago. Global new car sales in 2020 expected to be hit by the COVID-19 pandemic
- The utilization rate of tire manufacturing remains low. The demand of tires is primarily categorized from two end-user segments - OEMs and the replacement segment. The replacement market currently dominates the tire market accounting for more than 70% of the total sales. Demand by the OEM segment is driven by new automobile sales trend. Whereas, the replacement market, linked to replacement cycles, is relatively stable
- Raw material prices are still hovering at low levels, thus Group's ASP for rubber chemicals are still under pressure.
- Some players increased their capacity. We expect greater competition in our industry



Group's Strategy

“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 to our products
- Focusing 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
- Capturing 20% of global and 33% of China's accelerators markets
- Listed in the first batch of "National Champion Manufacturing Enterprise"

Products & Economy of Scale

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



Listed On SGX Mainboard

37

SHARE PERFORMANCE



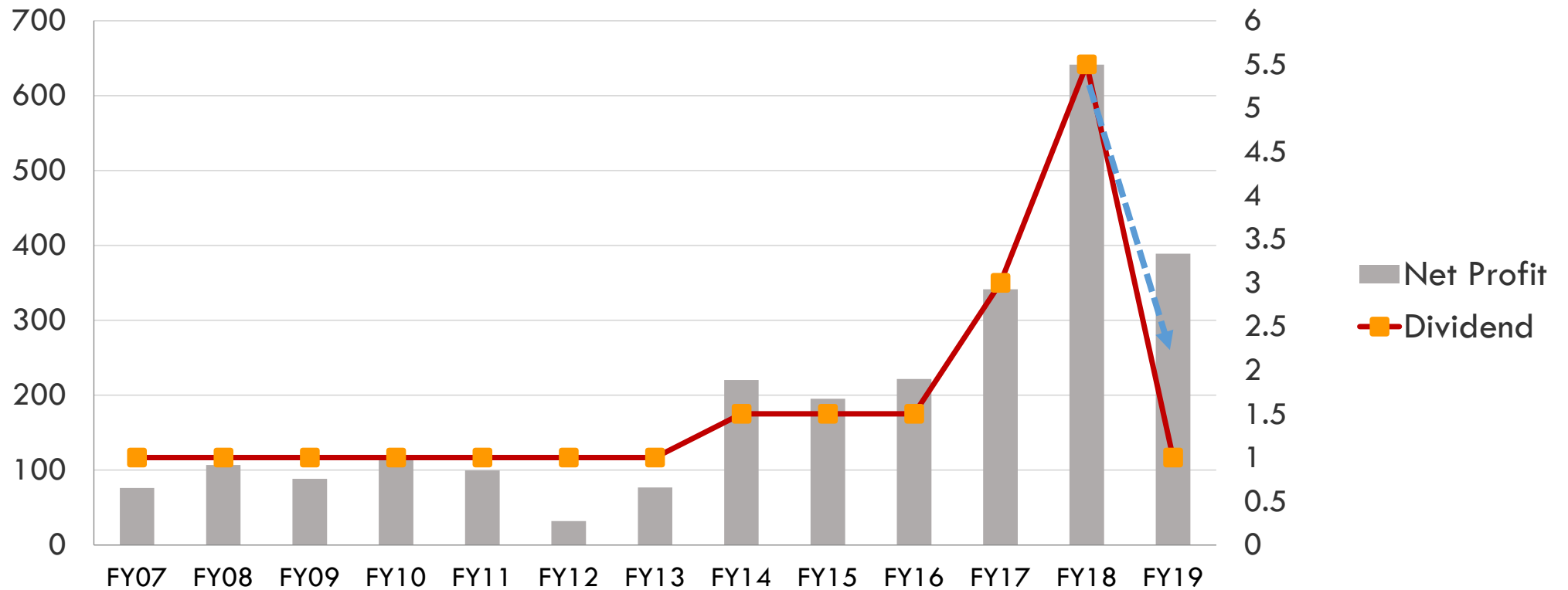
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



-- If there is no share split, the dividend would be SGD 2 cents per share



Investment Merits

39

- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Capacity expansion ongoing with acquired land of 680 mu
- ✓ Strong cash position (cash per share SGD0.27) with no bank loan
- ✓ 13-year track record & annual dividend payment since IPO
- ✓ Price/NTA only 0.6X



Chairman's Message

“The market sentiment remains bearish due to the impact of the COVID-19 pandemic and slowing down economies. The Group’s ASP is still under pressure, resulting from lower raw material costs and higher competition in our industry.

However, our strong balance sheet and other advantages such as market leadership position, quality products, economies of scale, full product range, competition edges in environmental protection will enable us to come through the current difficulties and emerge stronger in a long-run.

The Group will endeavour to improve its sales, focus on operational improvement, reduce raw material consumption, control cost, eliminate wastage, and strengthen cash flow management in order to achieve sustainable growth. We remain confident about the Group’s profitability in the next 12 months.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

MEDIA/INVESTOR CONTACT

Tong Yiping, CFO, tongyiping@ChinaSunsine.com
Jennie Liu, IR Manager, jennie@ChinaSunsine.com

112 Robinson Road #11-01
Singapore 068902
(+65) 6220-9070
www.ChinaSunsine.com