



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

3Q & 9M 2019 RESULTS BRIEFING

8 November 2019

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

Our Company

About China Sunshine Chemical

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



Our Products - Rubber Chemicals



Rubber Accelerators

MBT MBTS CBS TBBS TMTD
DPG DCBS



Insoluble Sulphur

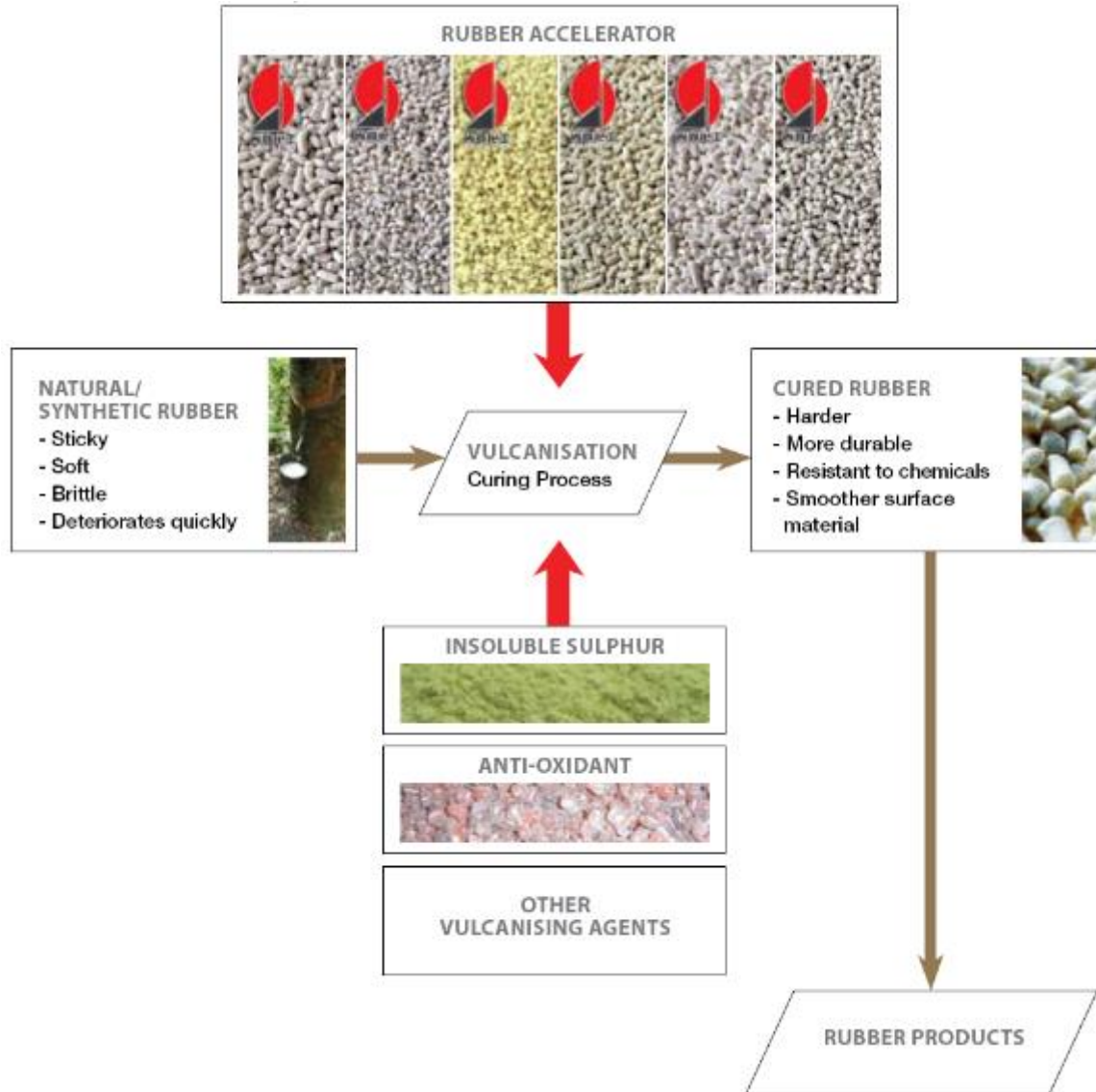


Anti-Oxidants

TMQ
6PPD
4010NA



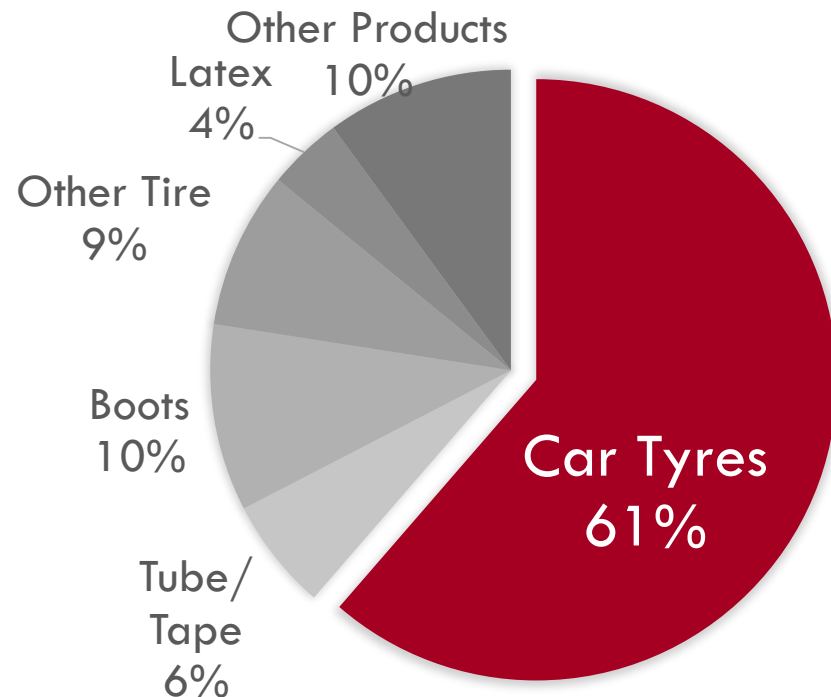
Our Products: Rubber Chemicals



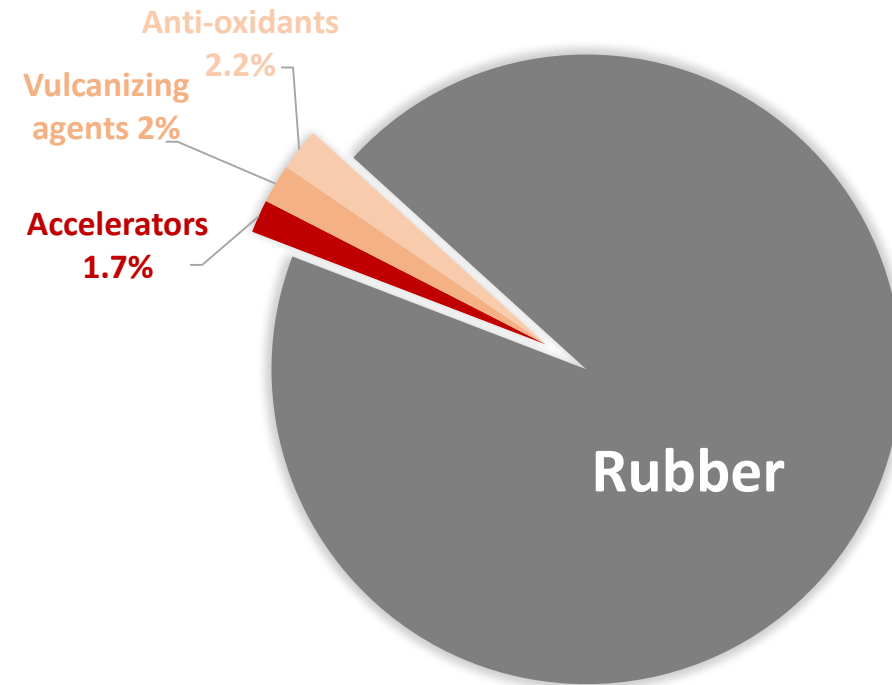
Rubber Chemicals are **Essential Additives** in the production of rubber products



Global Consumption of Rubber



<http://www.chemn.com>



Global rubber consumption in 2018:
29.2 million tons

--www.statista.com

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



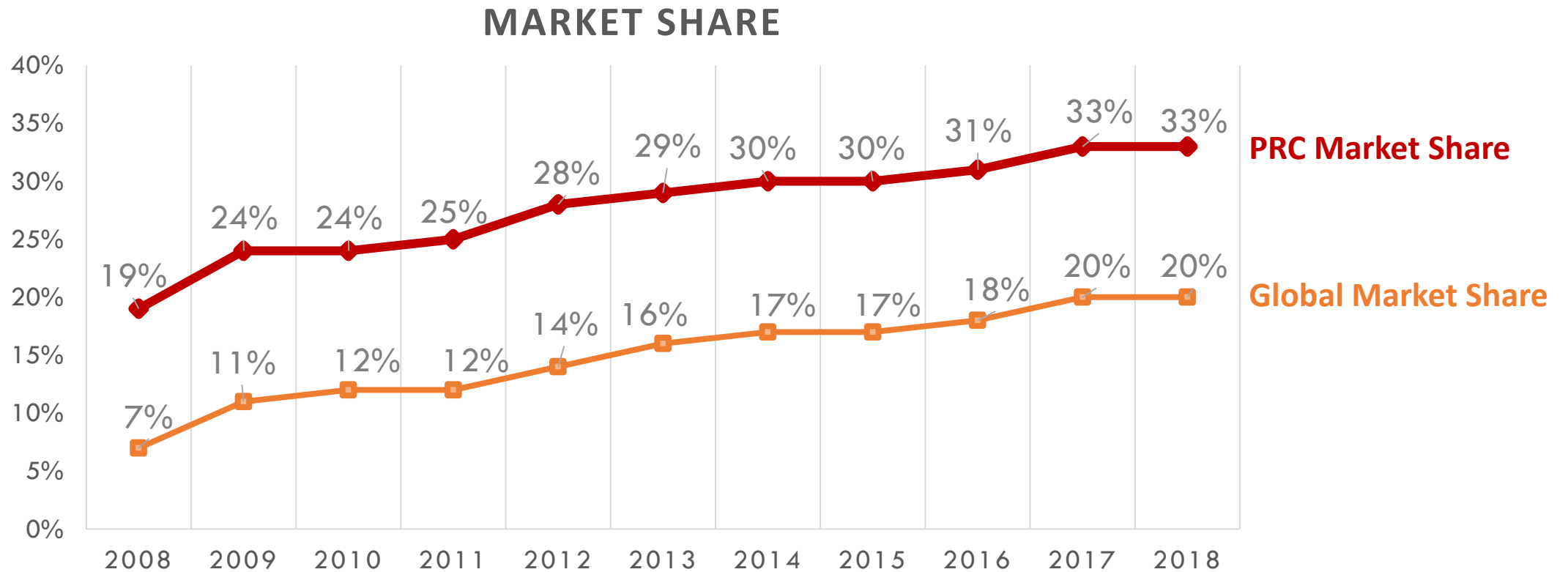
Our Strong Customer Base



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



Market Share: Rubber Accelerators



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

5 production bases in three locations



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



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



Weifang Plant
• 26,000-ton accelerators



Financial Overview

Financial Highlights (9M19 vs 9M18)

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RMB 'mln	3 rd Quarter Ended			9 Months Ended		
	30/09/19	30/09/18	Change	30/09/19	30/09/18	Change
Group Revenue	652.0	775.6	(16%)	2,065.6	2,513.1	(18%)
Gross Profit	186.0	254.0	(27%)	674.0	876.4	(23%)
Gross Profit Margin	28.5%	32.7%	(4.2 pts)	32.6%	34.9%	(2.3 pts)
Profit Before Tax	98.8	172.8	(43%)	418.8	569.2	(26%)
Profit After Tax	79.9	143.4	(44%)	345.8	532.6	(35%)
EPS (RMB cents/SGD Cents*)	16.34/ 3.18	29.18/ 5.68	(44%)	70.57/ 13.74	108.34/ 21.10	(35%)
NAV per share (RMB cents/SGD Cents*)				515.99/ 100.48	450.28/ 87.68	

* Singapore Dollars to RMB at the exchange rate of 5.1355 as at 30 Sept 2019



Financial Highlights (9M19 vs 9M17)

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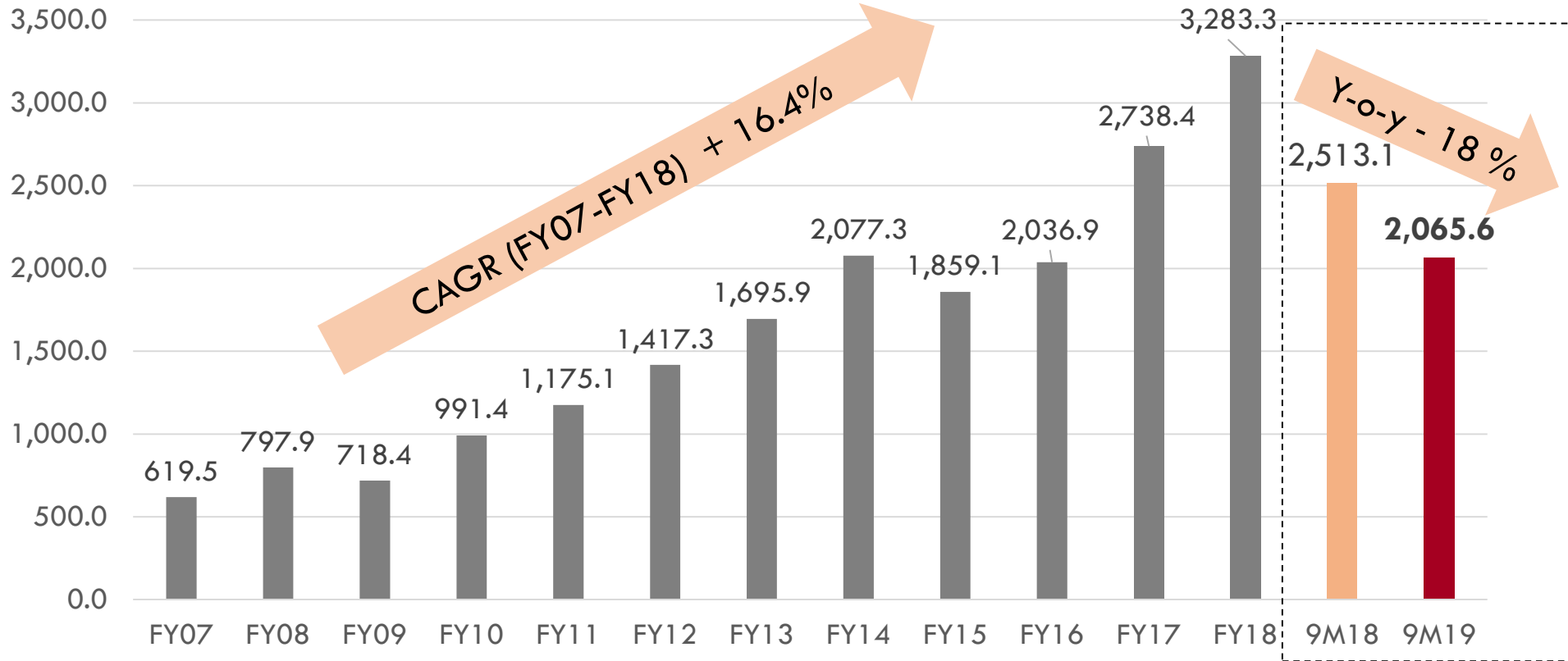
RMB 'mln	3 rd Quarter Ended			9 Months Ended		
	30/09/19	30/09/17	Change	30/09/19	30/09/17	Change
Group Revenue	652.0	634.4	3%	2,065.6	1,865.1	11%
Gross Profit	186.0	169.8	10%	674.0	496.9	35%
Gross Profit Margin	28.5%	26.8%	1.7 pts	32.6%	26.6%	6 pts
Profit Before Tax	98.8	103.6	(5%)	418.8	281.2	49%
Profit After Tax	79.9	77.6	3%	345.8	209.3	65%
EPS (RMB cents/SGD Cents*)	16.34/ 3.18	15.79/ 3.07	4%	70.57/ 13.74	43.74/ 8.5	62%
NAV per share (RMB cents/SGD Cents*)				515.99/ 100.48	327.58/ 63.78	

* Singapore Dollars to RMB at the exchange rate of 5.1355 as at 30 Sept 2019



Revenue Growth

RMB 'mln

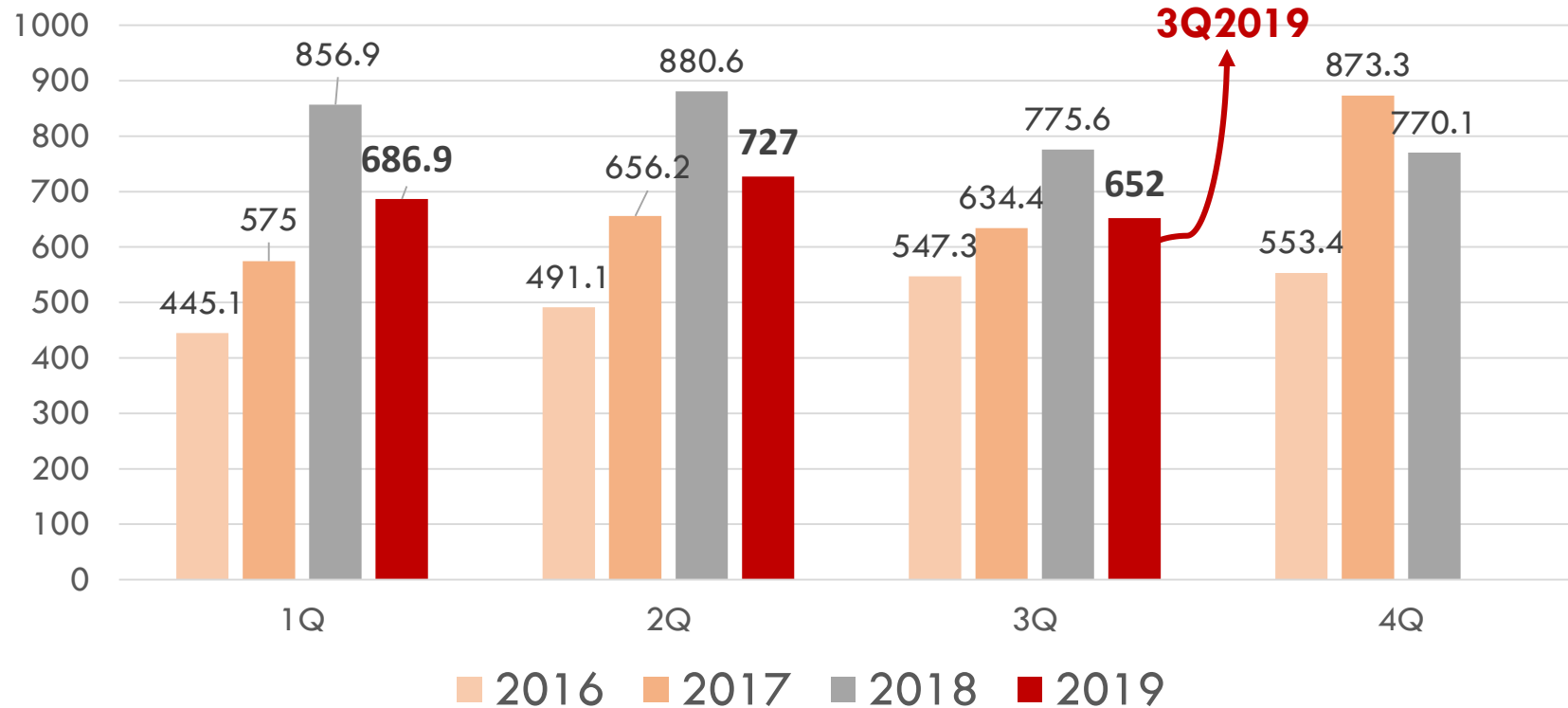


9M19 Revenue down 18% y-o-y mainly due to the decrease in overall average selling price (ASP)



Revenue By Quarter

RMB 'mln



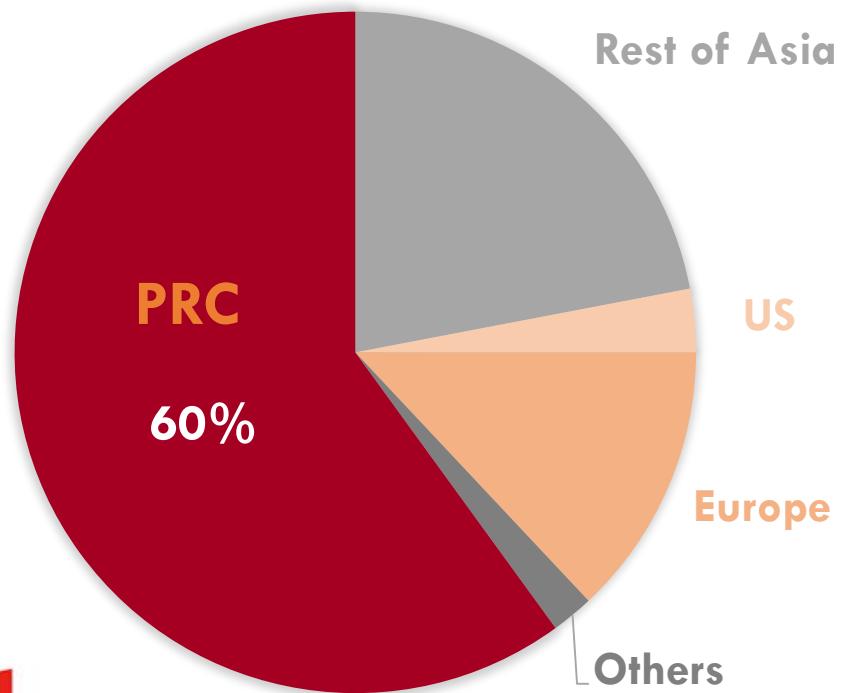
3Q19 vs 3Q18 : - 16%
3Q19 vs 2Q19 : - 10%



- 3Q19 Revenue down 16% y-o-y mainly due to the decrease in ASP (-26% yoy)
- 3Q19 Revenue down 10% q-o-q mainly due to the decrease in ASP (-8% qoq)

Sales Contribution (By Region)

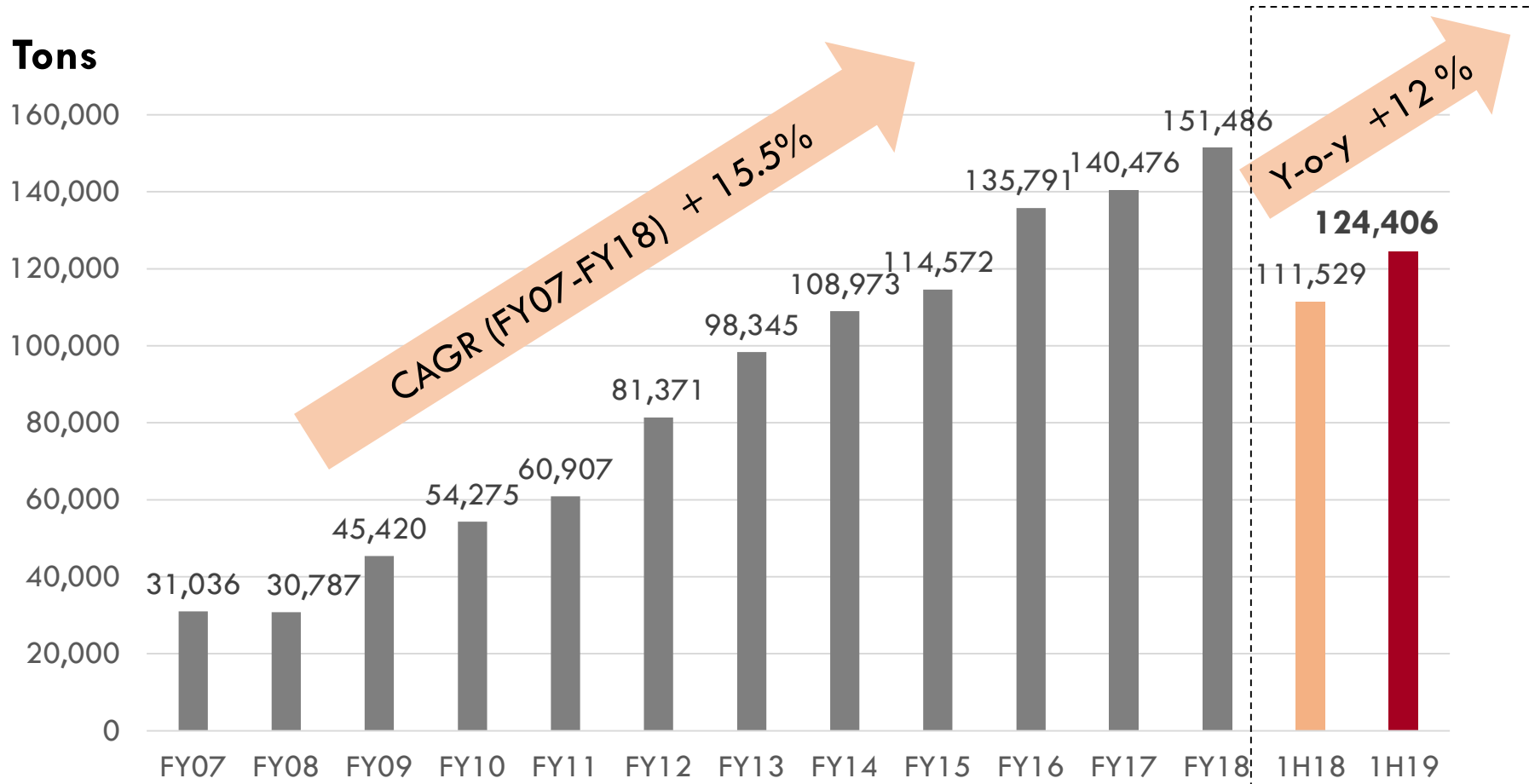
9M2019 Sales Contribution



Region	9M2019	FY2018	FY2017
China	60%	62%	64%
Rest of Asia	22%	25%	24%
US	3%	2%	5%
Europe	13%	9%	5%
Others	2%	2%	2%
Total	100%	100%	100%



Sales Volume

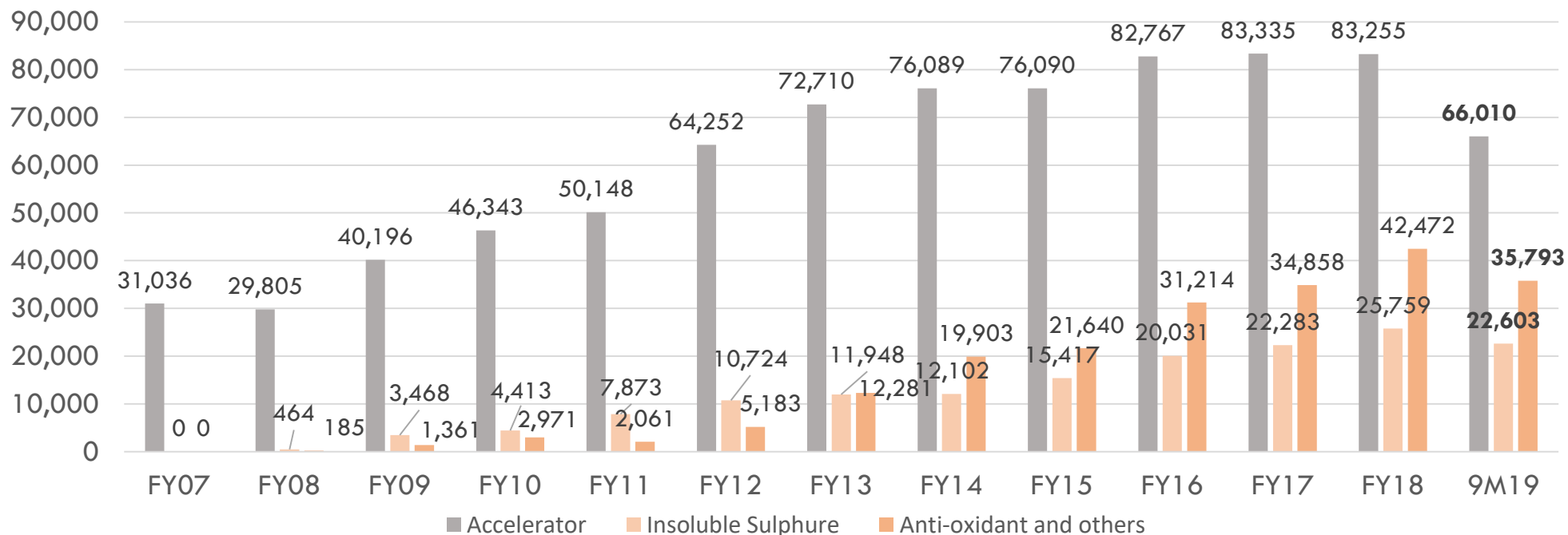


9M19 sales volume up 12% y-o-y mainly due to the expanded capacity from two new production lines: 10,000-ton TBBS and 10,000-ton Insoluble sulphur



Sales Volume by Products

Tons

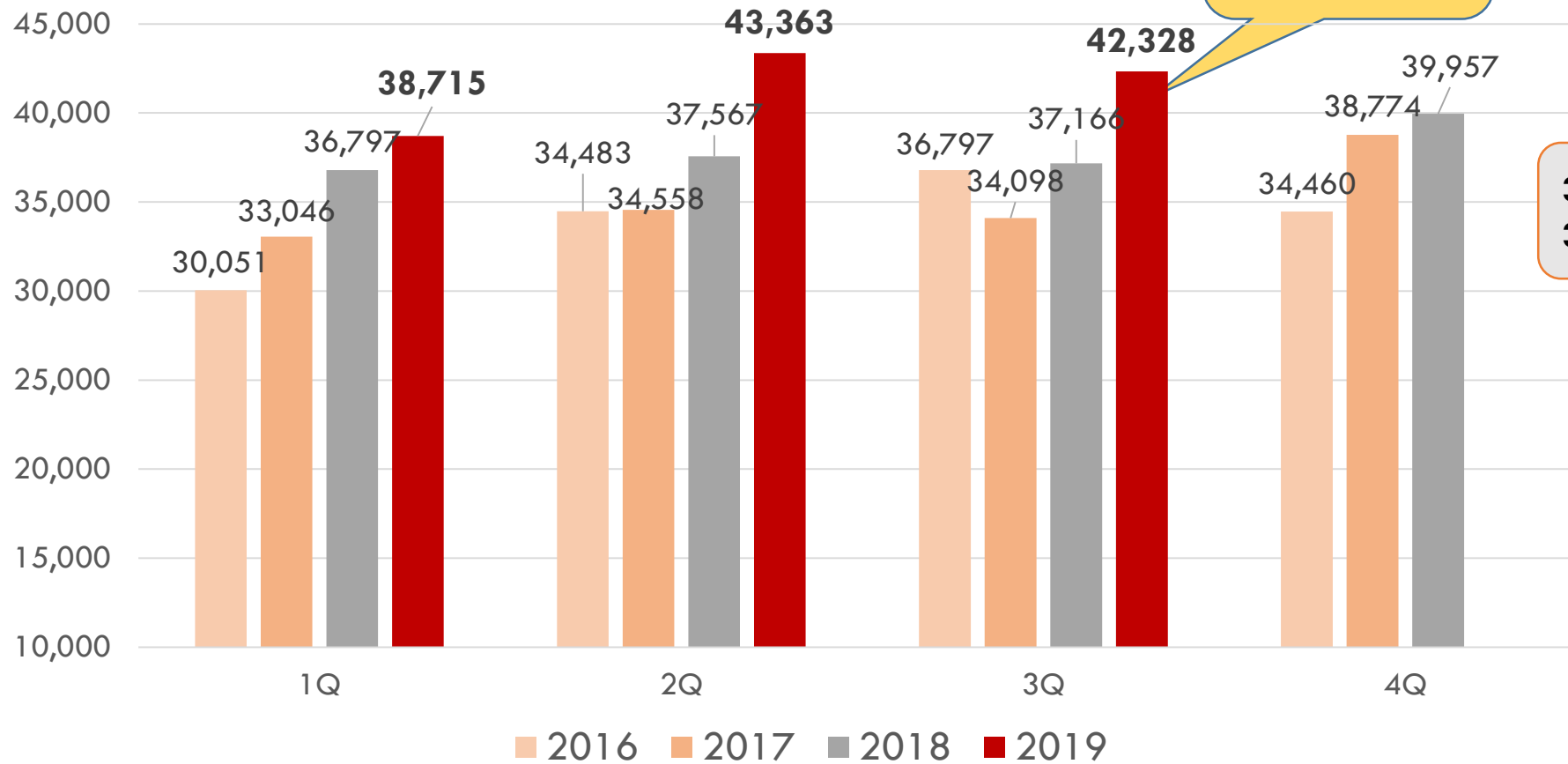


Sales Volume	9M2018	9M2019	Utilization Rate
Accelerators	62,294	66,010	Almost fully utilized
Insoluble Sulphur	19,034	22,603	Fully utilized
Anti-oxidants	29,245	34,290	Fully utilized



Sales Volume By Quarter

Tons



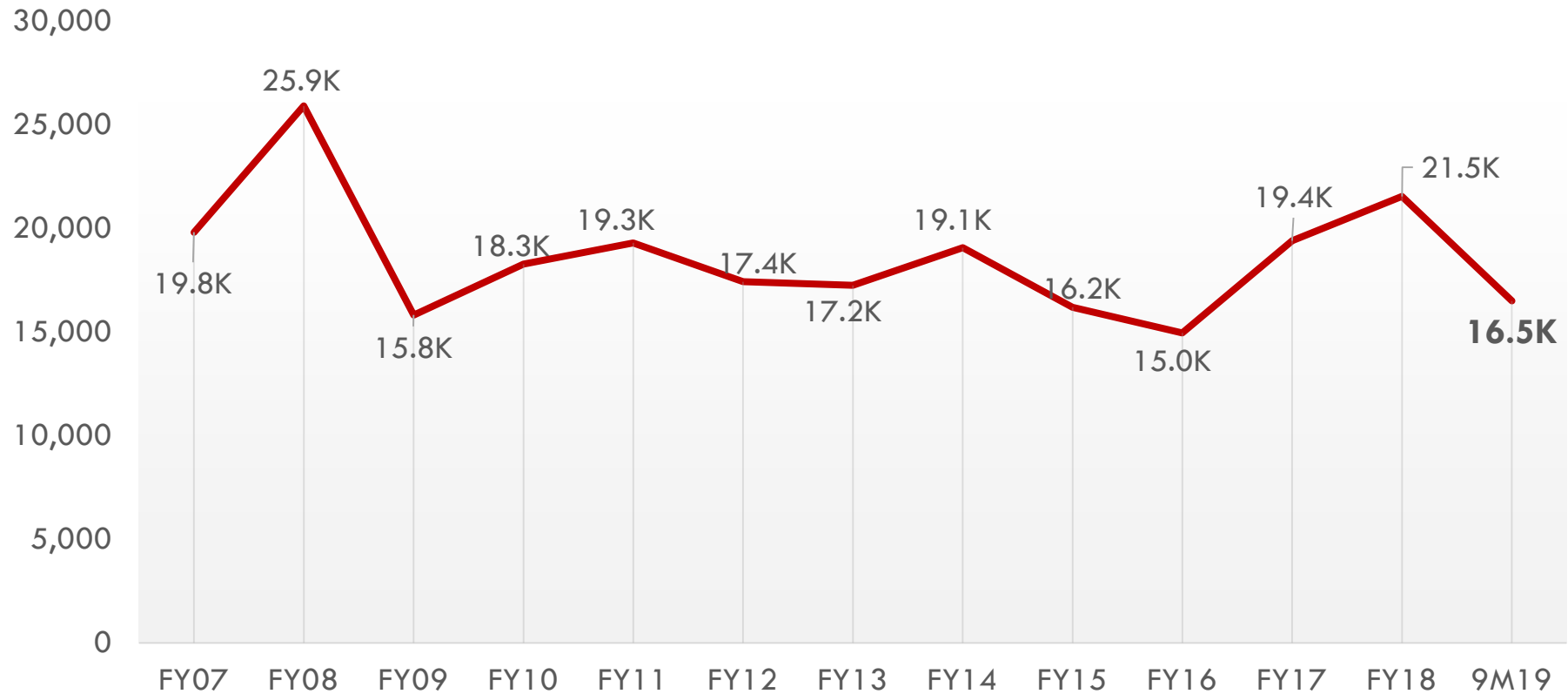
**3Q2019 Vol
2nd highest**

3Q19 vs 3Q18 : +14%
3Q19 vs 2Q19: -2%

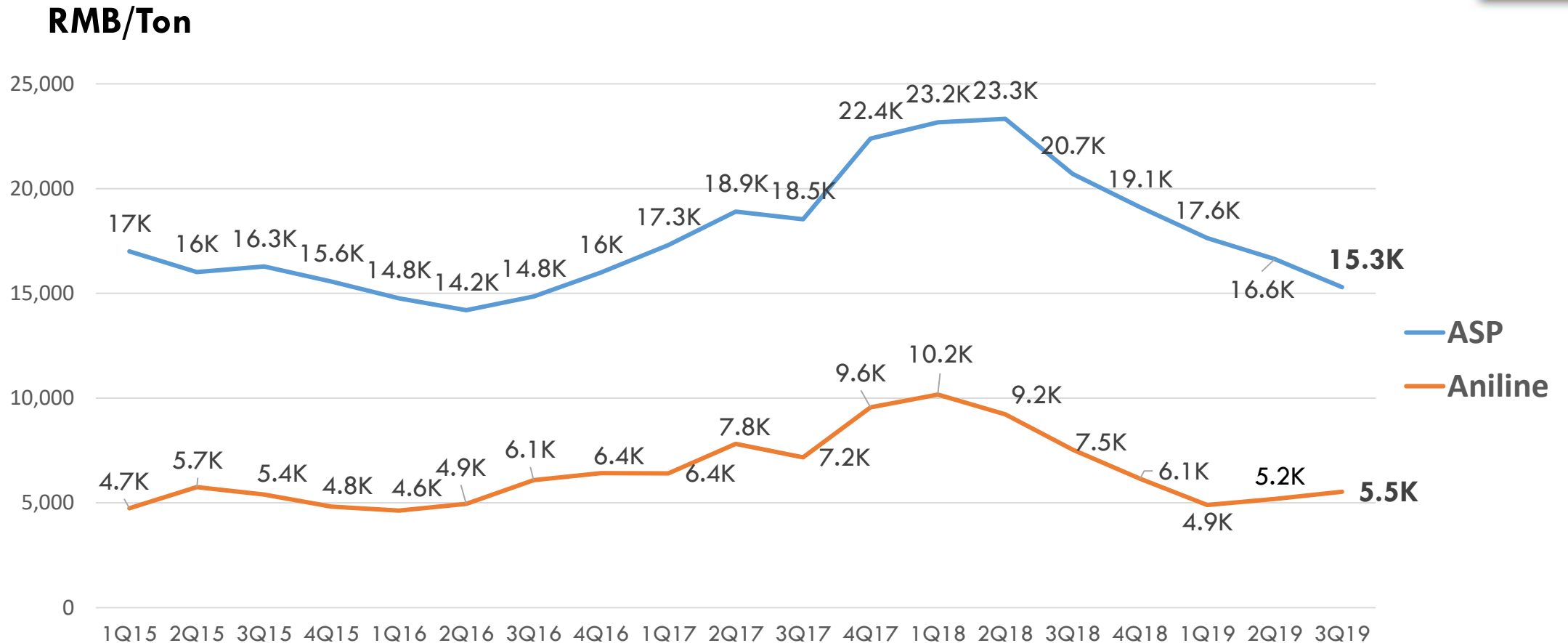


Overall Average Selling Price (ASP)

RMB/Ton



ASP vs Aniline Price

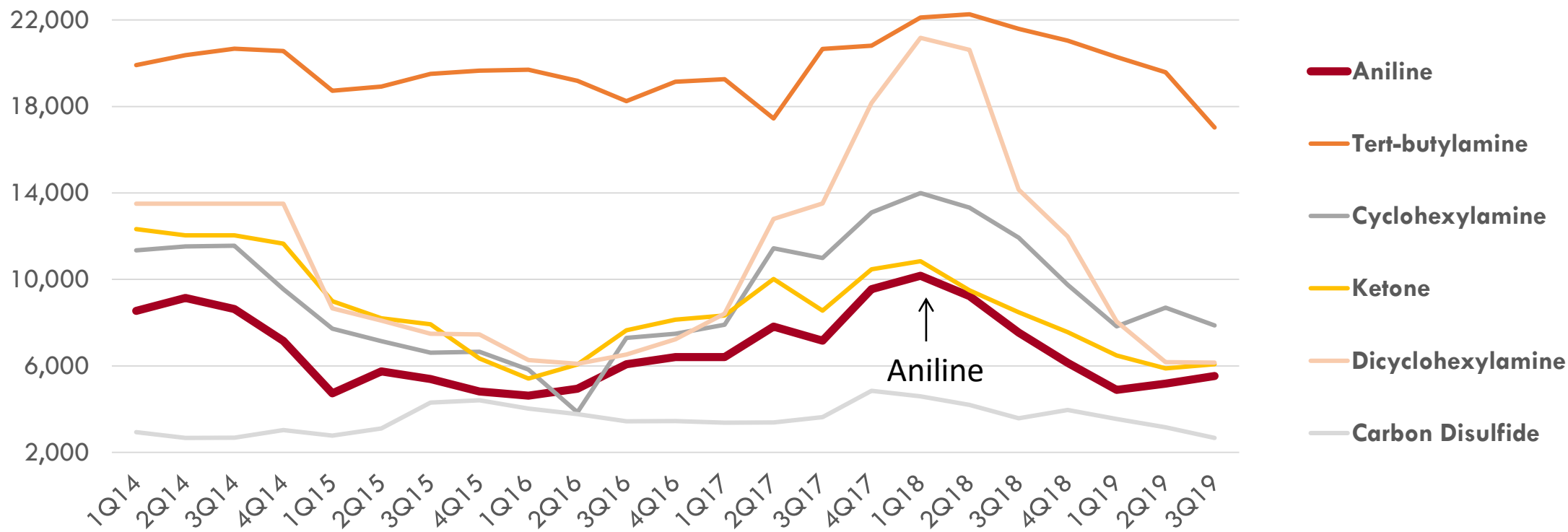


- 3Q19 ASP declined 26% y-o-y mainly due to the decrease in raw material prices



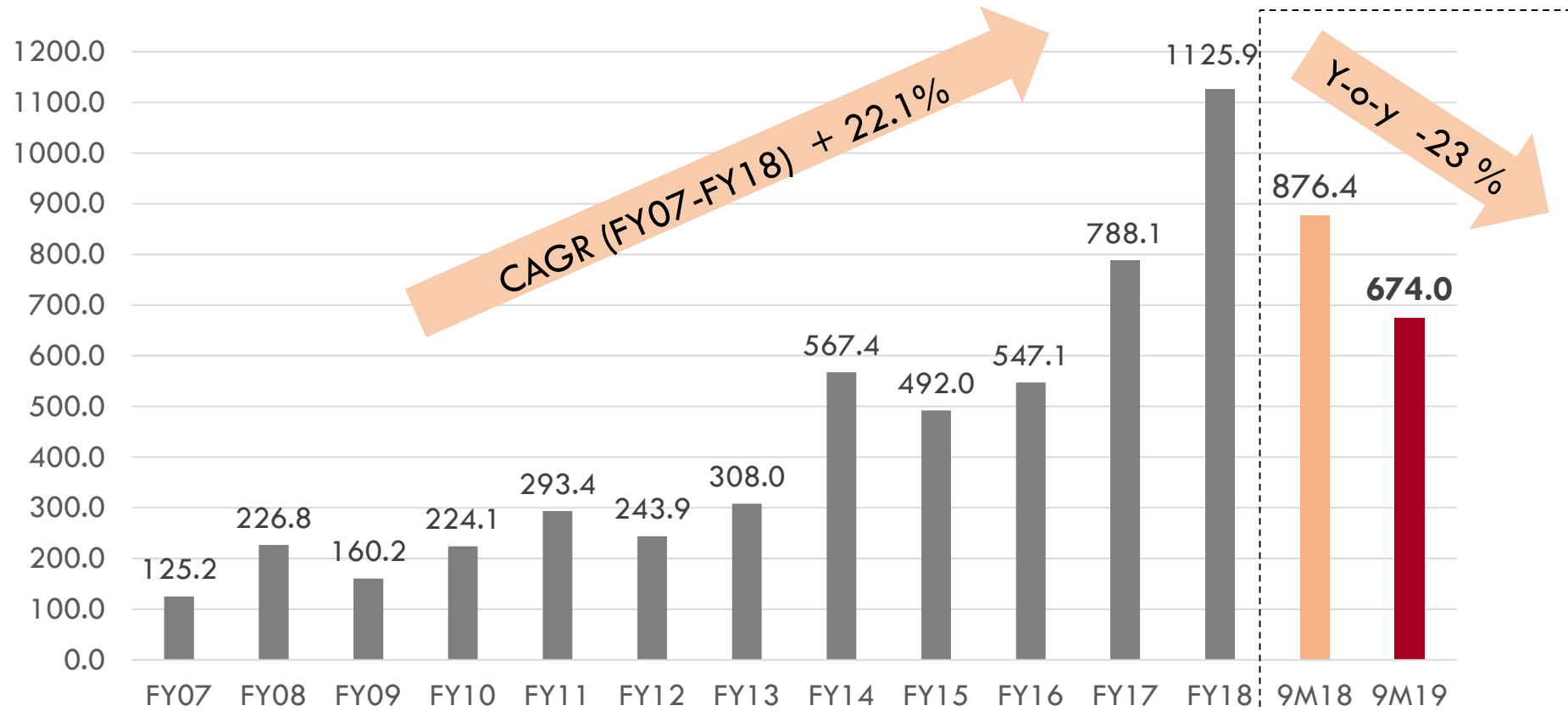
Main Raw Materials Price Trend

RMB/ Ton



Gross Profit

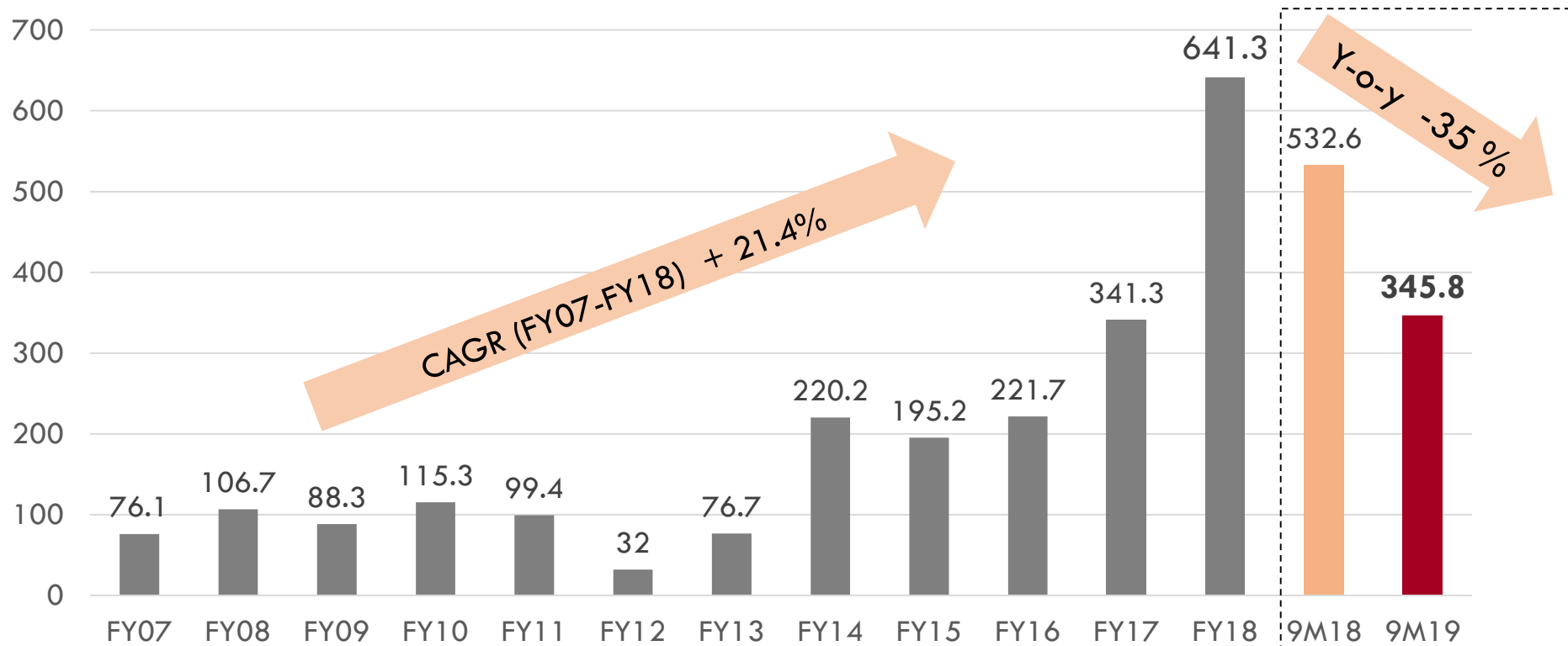
RMB 'mln



Net Profit

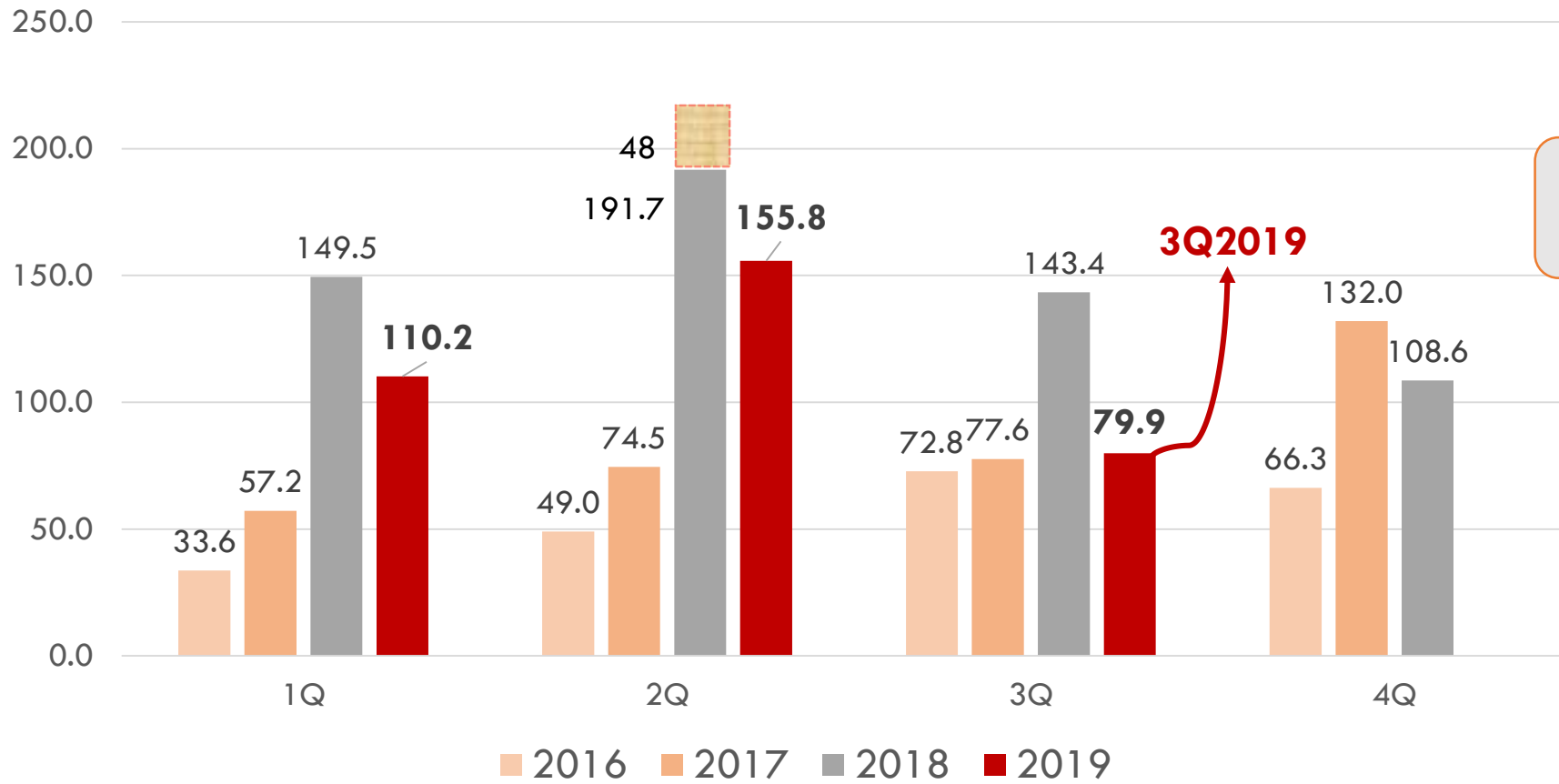
RMB 'mln

Net Profit



Net Profit By Quarter

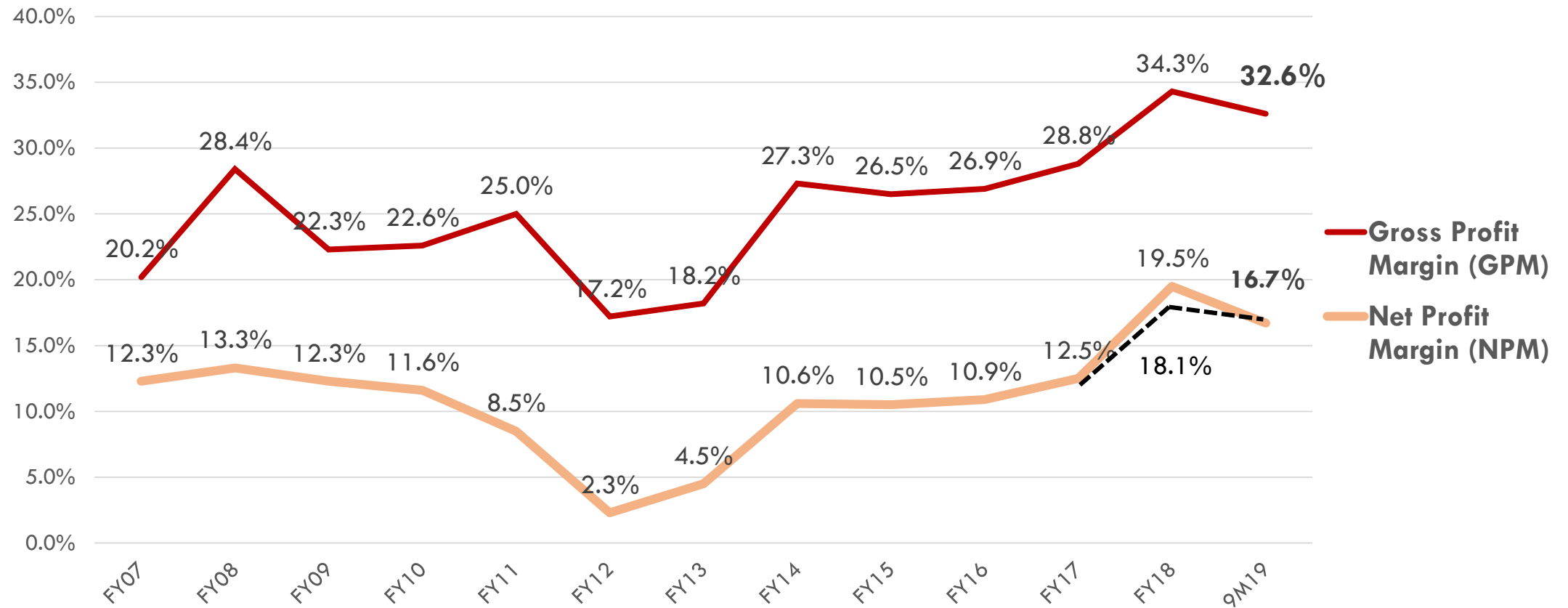
RMB 'mln



3Q19 vs 3Q18: -44%
3Q19 vs 2Q19: -49%



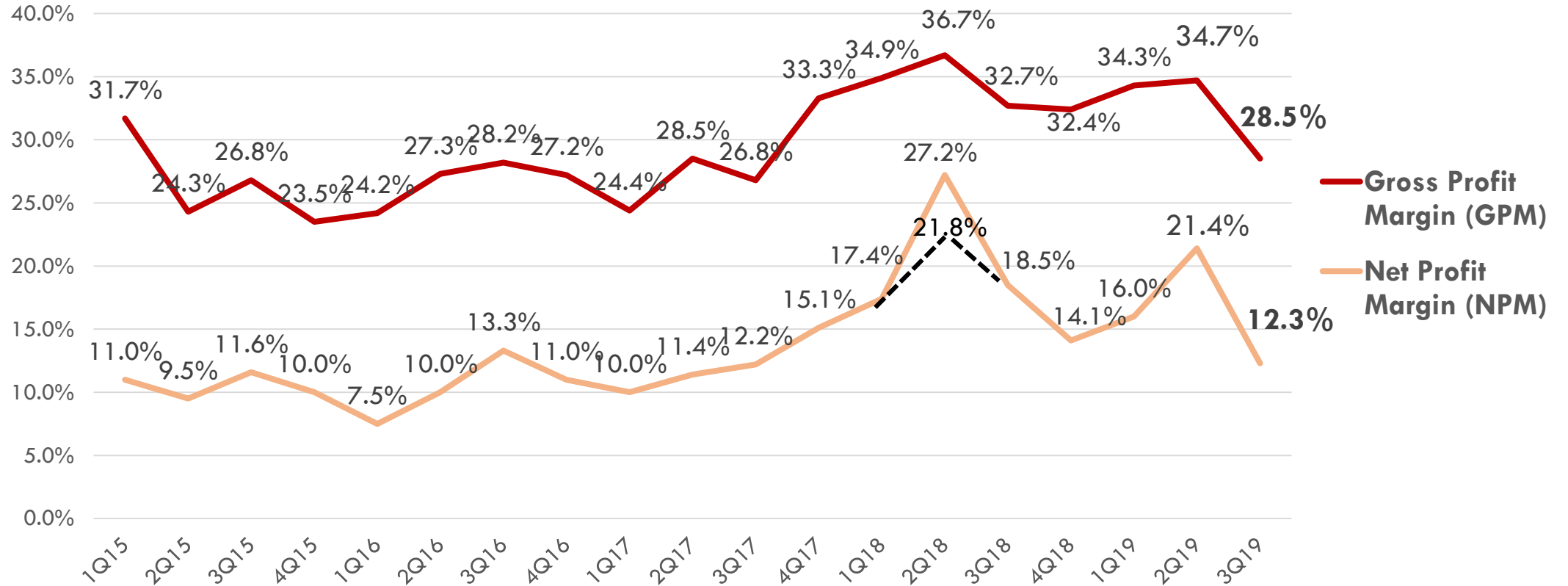
Margins Analysis



--- Adjusted by taking out the one-time tax credit of RMB 48 mln in 2Q2018



Margins Analysis By Quarter



--- Adjusted by taking out the one-time tax credit of RMB 48 mln in 2Q2018



Balance Sheet Highlight

	30/09/2019	31/12/2018	31/12/2017
Current Assets (RMB'mln)	2,193.9	2,016.4	1,424.6
Current Liabilities (RMB'mln)	372.1	421.8	385.3
Current Ratio	5.90	4.78	3.70
Shareholders' Equity (RMB'mln)	2,519.2	2,325.5	1,742.4
D/E ratio *	0	0	0
ROE**	18% (annualised)	27%	20%
NAV per share (RMB cents) (equivalent to SGD cents) **	515.99/ 100.48	421.14/ 82.89	354.37/ 69.75
Net Cash per share (RMB cents) (equivalent to SGD cents)**	260.0/ 50.6	211.4 41.2	101.6/ 19.8

* SGD vs RMB exchange rate at 1: 5.1355

** Equity including cash of RMB 1,269.5 mln



Key Developments

Expansion Projects

Project	Status	CapEx
<u>30,000-ton fully-automated, high-end Accelerator TBBS at Shanxian:</u>	Whole project was approved in Jan 2019	
1. Phase I of 10,000-ton capacity	Commercial production started in Jan 2019	RMB 100 mln
2. Phase II of 20,000-ton capacity	New production line to be installed in 2020	RMB 60 mln
Sunsine Chemical Zone With land area of 680 mu	Set aside about 300 mu to build a 60,000-ton IS plant in 2 phases over next few years	Not finalized yet



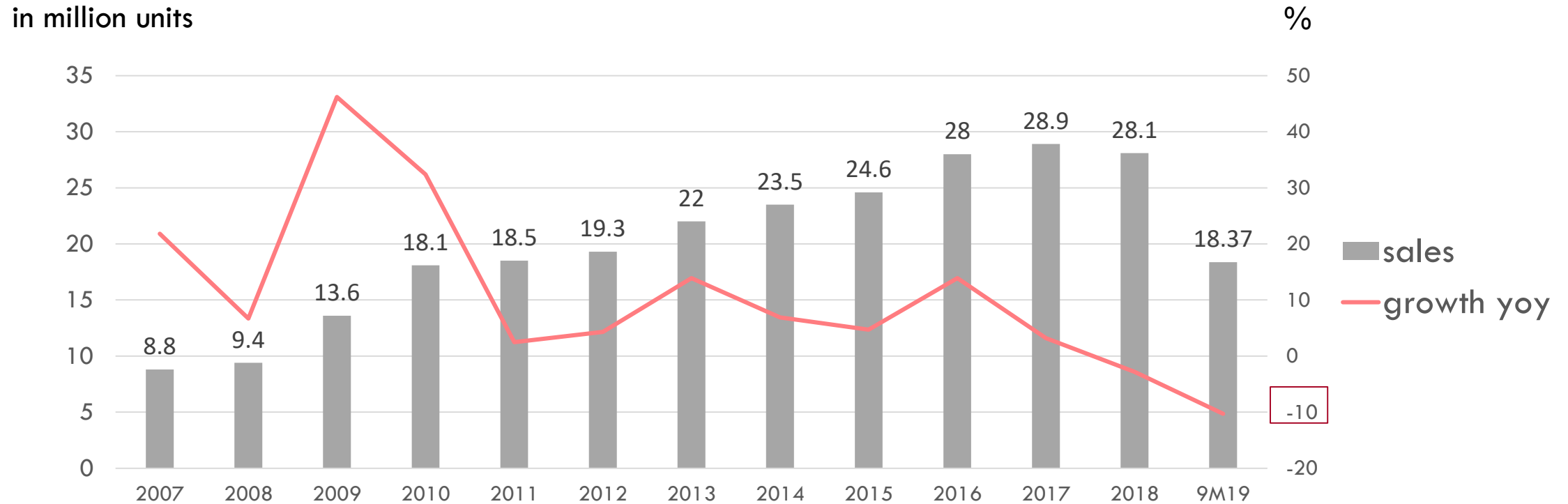
Annual Capacity

	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



Industry Info and Outlook

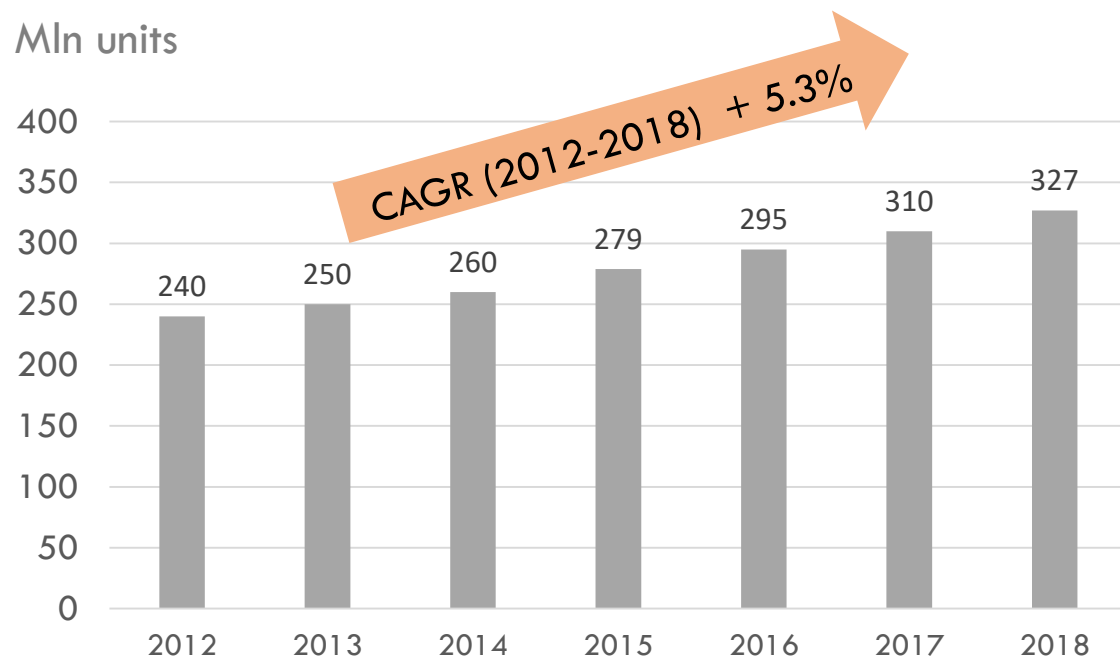
China's New Car Sales



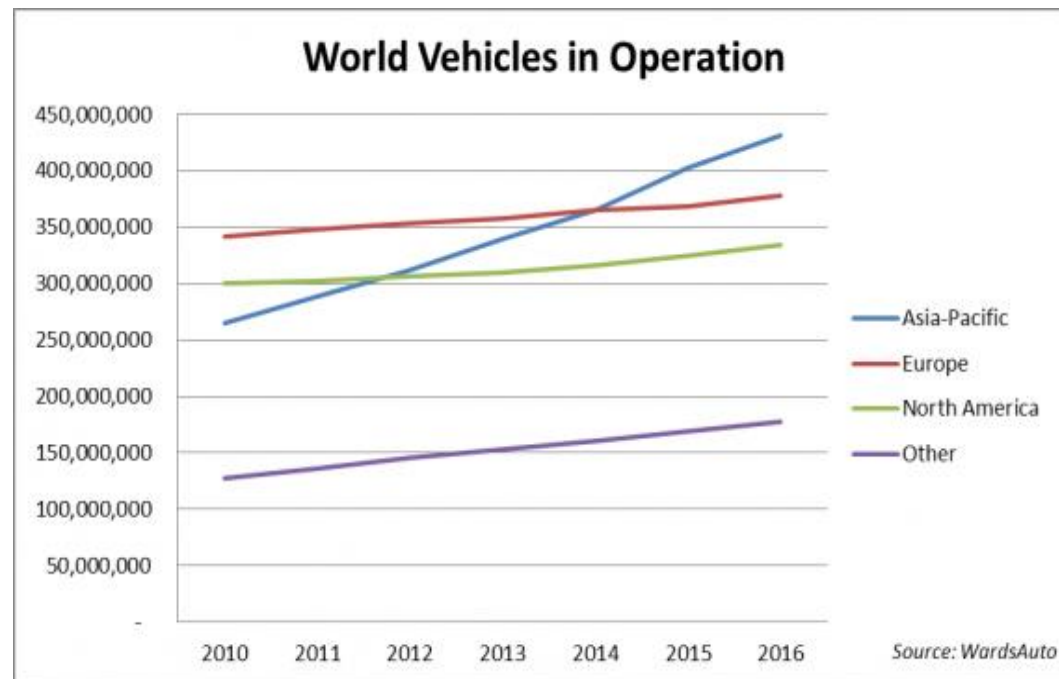
- 18.37 mln cars sold in China in 9M2019, down 10.3% y-o-y
- China's new car sales expected to be slower after 28 consecutive years of expansion

Global Vehicle Population

PRC Motor Vehicle Population



http://www.sohu.com/a/289093749_390500



Source: WardsAuto

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

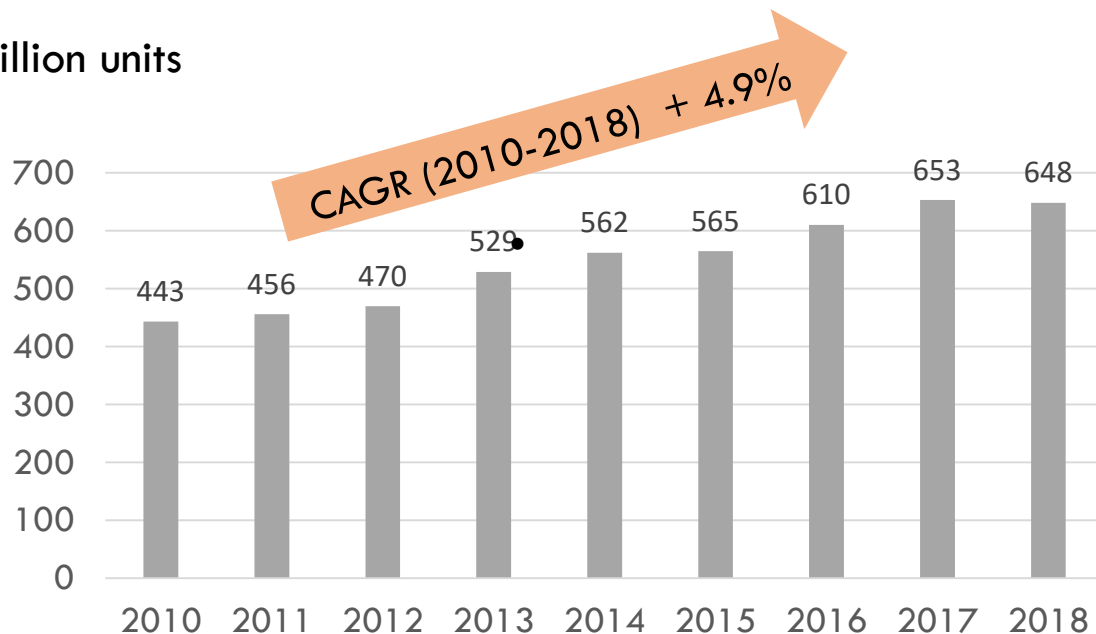


- Global vehicle population is growing, mainly driven by rising car ownership in developing countries

Riding on Rising Tire Consumption

PRC Tire Production Volume

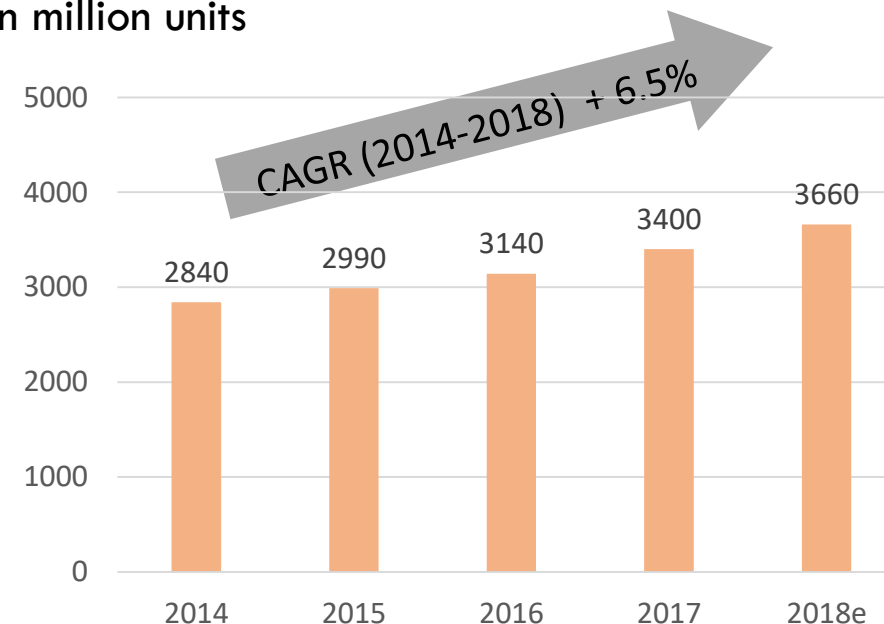
in million units



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

Projected worldwide tire market volume from 2014 to 2018

in million units



www.statista.com



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

Rising Consumption of Large Tyres

Tyres (million pieces)	2010	2015	2020 (projected)
Large tyres (≥ 17 inches)	98 (6.8%)	222 (12.6%)	444 (19.5%)
Small tyres (< 17 inches)	1,352 (93.2%)	1,544 (87.4%)	1,838 (80.5%)
Total	1,450 (100%)	1,766 (100%)	2,282 (100%)

Source: (Goodyear [2016 annual report](#), page 3)



- By 2020, 19.5% of tyres are expected to be large. They will consume more rubber chemicals

Competitive Strengths

Market Leadership

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

Products & Economy of Scale

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

Strong Customer Base

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

Environmental Protection advantage

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

R&D Capability

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

Ready Resources for Future Expansion

- Strong cash position
- Built-up infrastructures



Q : Are rubber chemicals commodities?

A : No. They are products in the niche market.

Reasons:

1. Commodity companies cannot have sustained high profits and good returns on capitals. China Sunshine has been profitable since 1998. Its ROE has been between 15-25% since 2014
2. Rubber chemicals are not produced on a large scale
3. Renowned tire makers, which account for the bulk of the global tire productions, require rubber chemicals to satisfy their stringent and special requirements.



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

A : Yes.

Reasons:

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



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

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

Reasons:

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

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

https://en.wikipedia.org/wiki/List_of_countries_by_vehicles_per_capita



Q : Will weakening ASP affect the Group's performance?

A : Our ASP moves in tandem with the price movements of raw materials. In the long run, growing sales volume is what we are pursuing for sustainable growth

Reasons:

1. ASP depends on the demand & supply situation and raw material prices. The Group is able to gain a reasonable margin due to its comprehensive competitive advantage.
2. Growing sales volume to further strengthen our market leadership position.
3. Robust financial position to support future capacity expansion



Q : Will the US Tariffs against Chinese good affect the Group's performance?

A : The Group expects the impact to be minimal and manageable.

Reasons:

1. Our sales to US accounts for about 2-4% of our total revenue.
2. The Group is the world largest accelerators producer. US tire companies need our products.
3. The US's import restrictions on tires from China started in 2014; many tire companies had set up their production outside China to avoid the restrictions since then



Turning Challenges into Opportunities

Challenges

Opportunities

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



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

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



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

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



Group's sales to US are small, about 2-4%. Wherever they are located, tire factories all over the world need rubber chemicals



Listed On SGX Mainboard

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SHARE PERFORMANCE

China SunSine Chemical Holdings Ltd. (CH8.SI)

SES - SES Delayed price. Currency in SGD

[Add to watchlist](#)

[Quote lookup](#)

1.05 +0.03 (+2.9412%)

As of 5:13PM SGT. Market open.

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



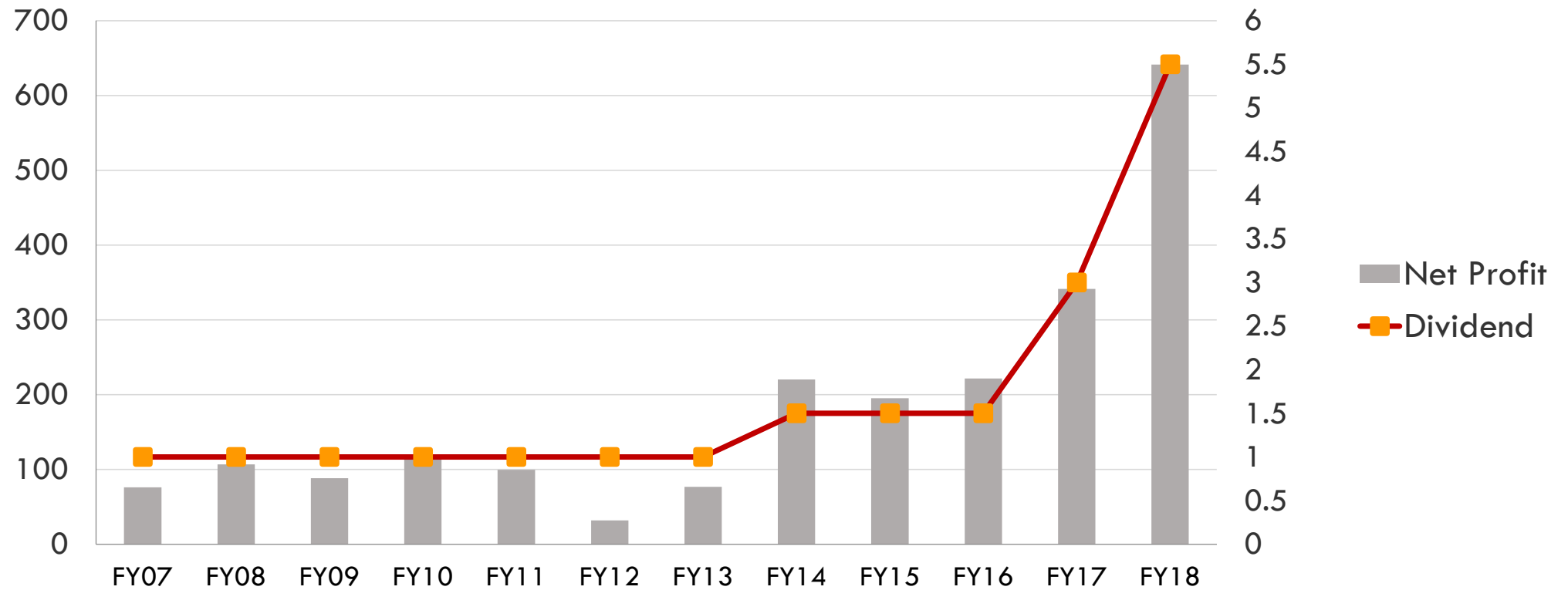
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



Investment Merits

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- ✓ **Market leadership position and largest market share in rubber accelerators**
- ✓ **Strong customer base**
- ✓ **Further capacity expansion with acquired a pcs of land, strong cash position and the build-up of infrastructures, etc.**
- ✓ **Strong operating cashflows, RMB1.27 billion cash on hand with no bank loan. Cash per share SGD0.50**
- ✓ **11-year track record & annual dividend payment since IPO**
- ✓ **High ROE between 15-25% since 2014**
- ✓ **P/E at about 5-6 times, Price/NTA is 1X only**



Chairman's Message

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“As stated in our previous quarterly announcements, the Group’s ASP has been under pressure due to the decrease in raw material prices and relatively low utilisation rate of tire makers. However, I am glad to see the Group’s sales volume continuing to grow and achieving production-sales equilibrium.

The Group will maintain its strategy of ‘higher production leads to higher sales volume, which in turn will stimulate even higher production’, and to further strengthen its market leadership position.

With our strong competitive advantages, we are cautiously optimistic about the Group’s performance, and remain confident of our sustainable and long-term growth.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

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