



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

4Q & FY2019 RESULTS BRIEFING

4 March 2020

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

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

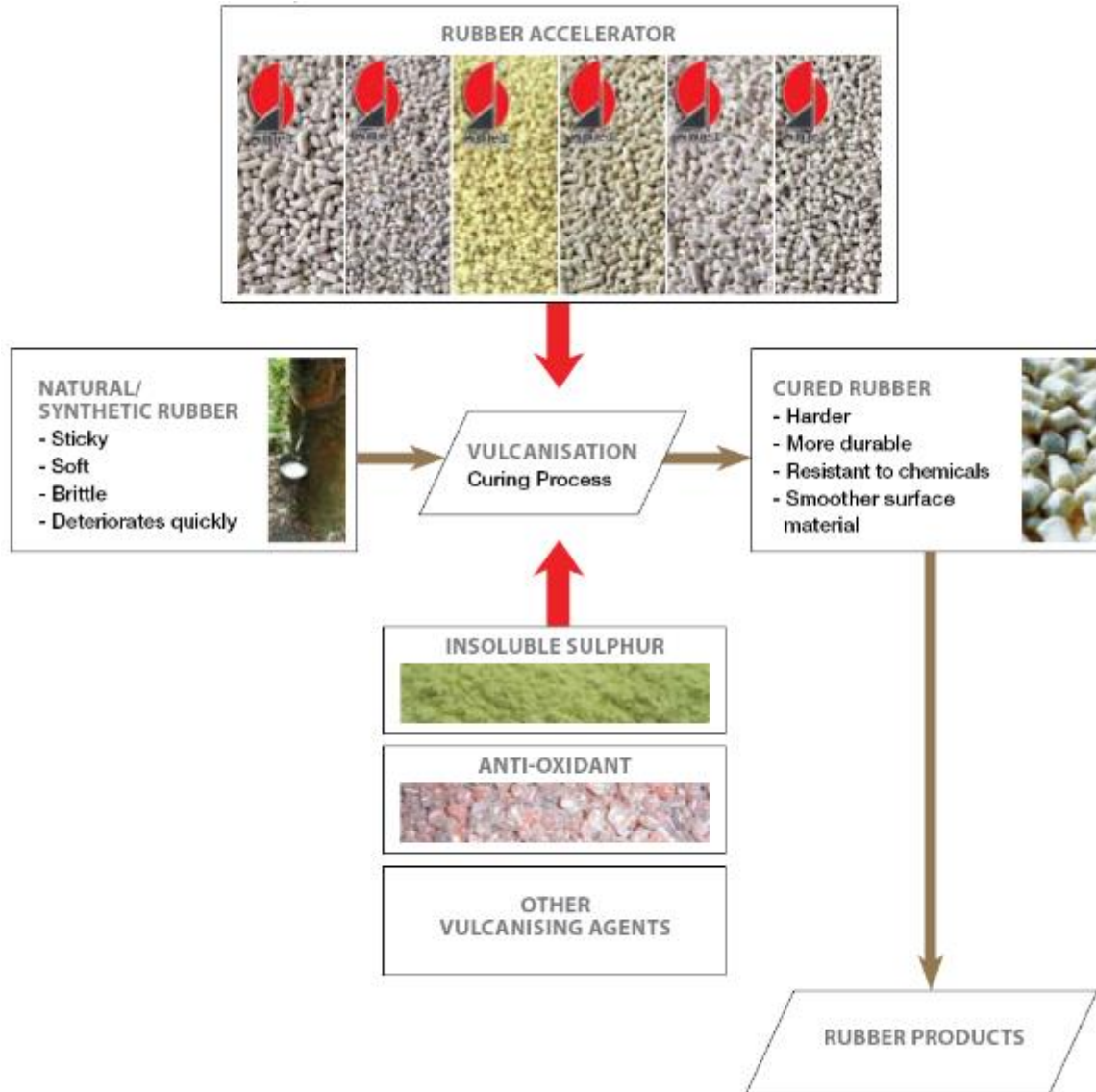


Anti-Oxidants

TMQ
6PPD
4010NA



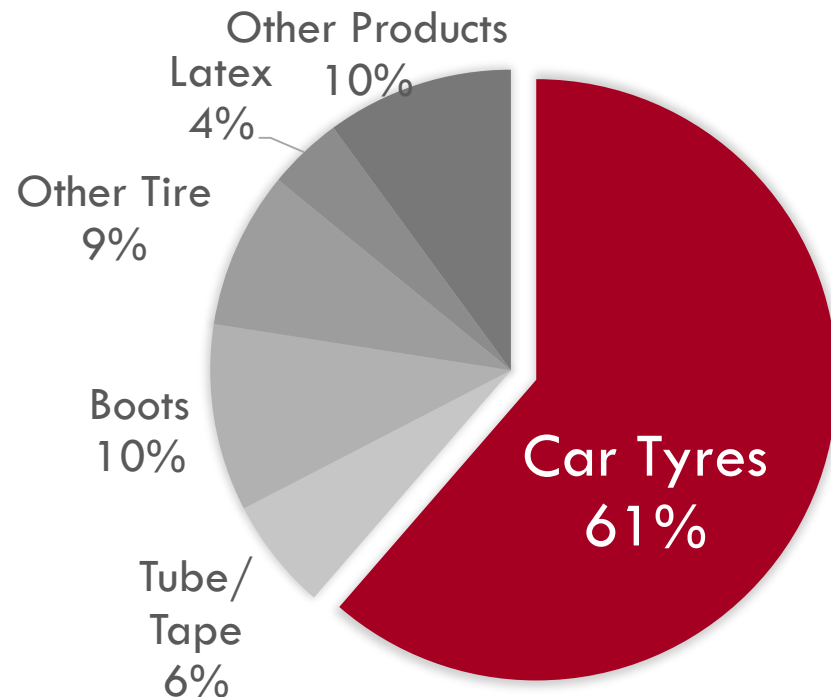
Our Products: Rubber Chemicals



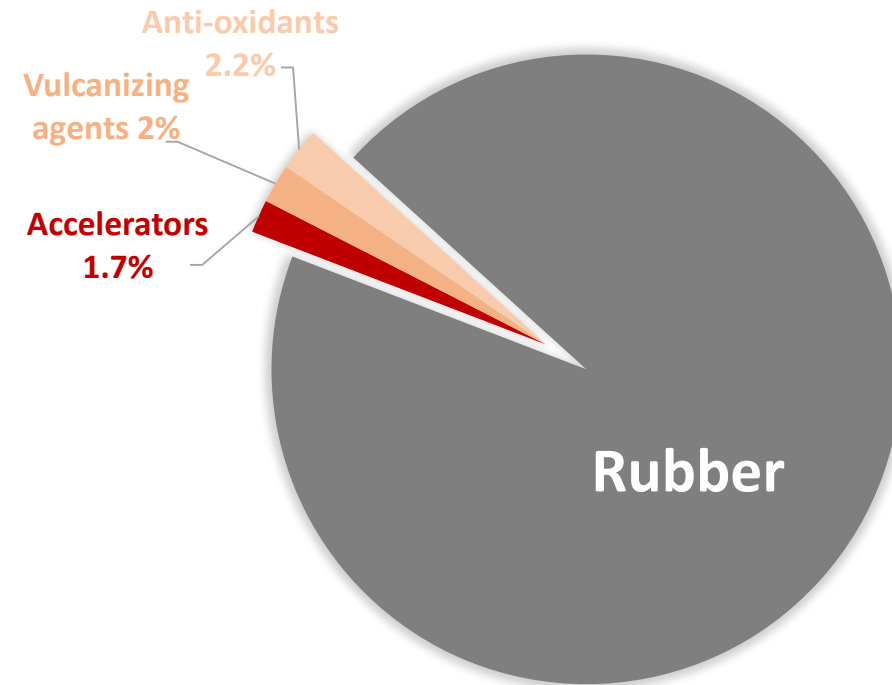
Rubber Chemicals are ***Essential Additives*** in the production of rubber products



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)



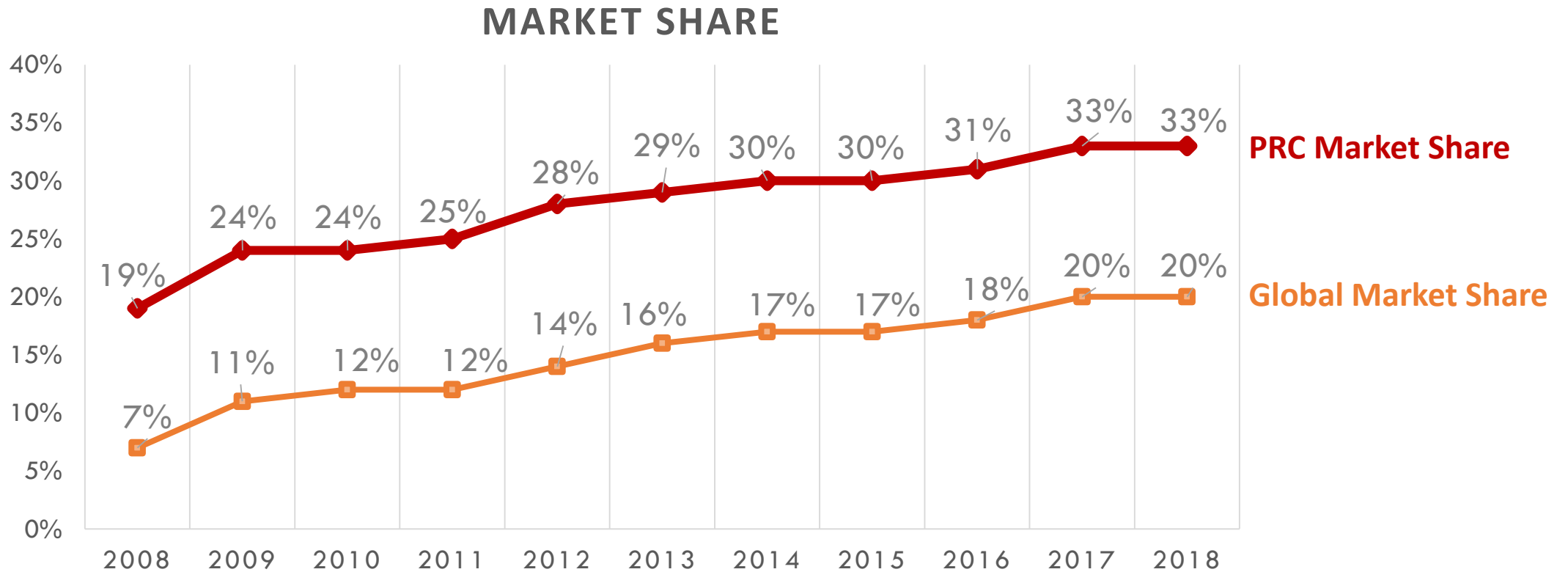
Our Strong Customer Base



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



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



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

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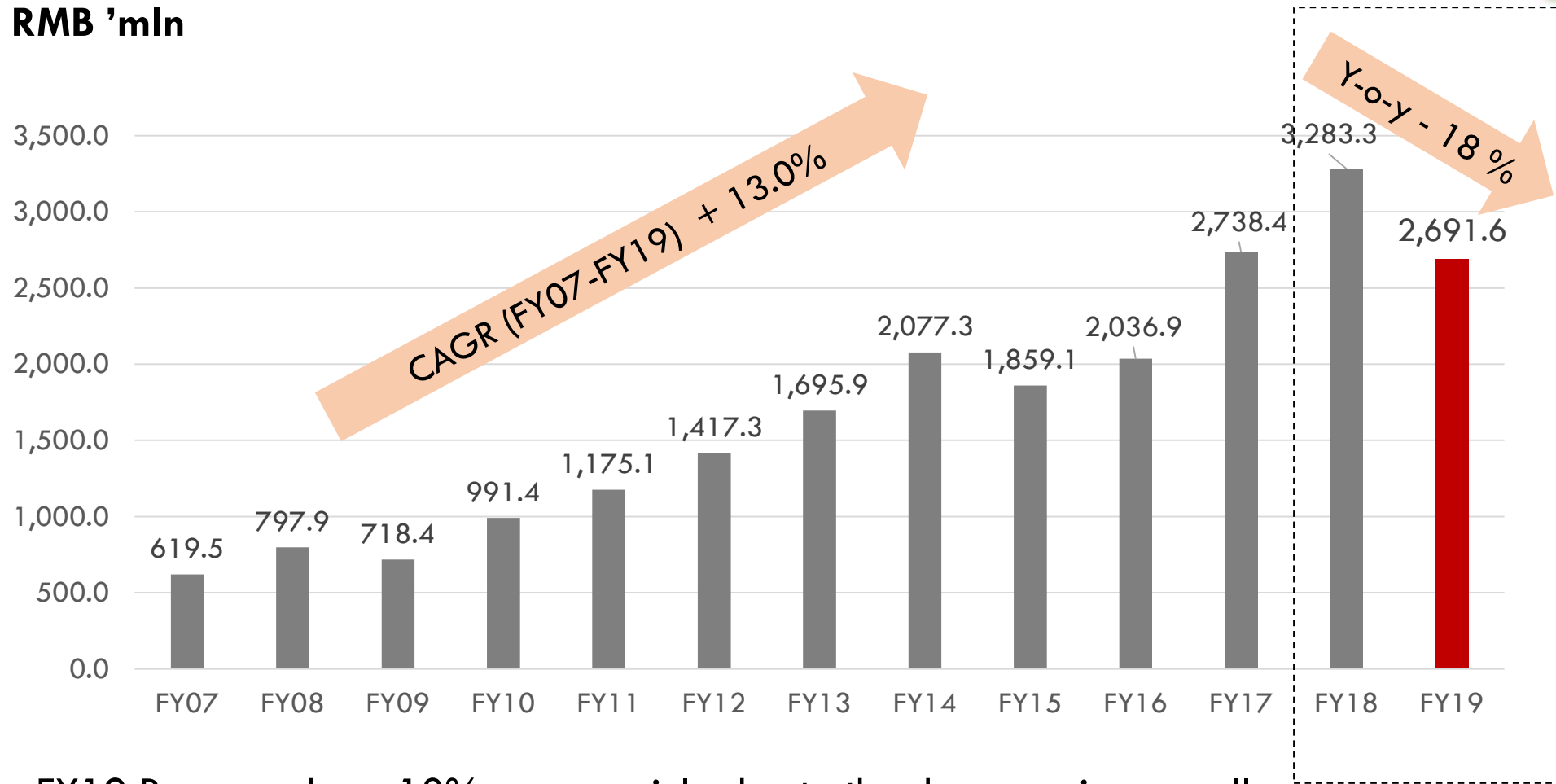
RMB 'mln	4 th Quarter Ended			12 Months Ended		
	31/12/19	31/12/18	Change	31/12/19	31/12/18	Change
Group Revenue	626.0	770.1	(19%)	2,691.6	3,283.3	(18%)
Gross Profit	106.8	249.4	(57%)	780.8	1,125.9	(31%)
Gross Profit Margin	17.1%	32.4%	(15.3 pts)	29.0%	34.3%	(5.3 pts)
Profit Before Tax	33.7	142.3	(76%)	452.6	711.6	(36%)
Profit After Tax	43.1	108.6	(60%)	388.9	641.3	(39%)
EPS (RMB cents/SGD Cents*)	4.42/ 0.85	11.05/ 2.14	(60%)	39.72/ 7.68	65.23/ 12.61	(39%)
NAV per share (RMB cents/SGD Cents*)				262.56/ 50.75	236.66/ 45.74	

* Singapore Dollars to RMB at the exchange rate of 5.1739 as at 31 Dec 2019



Revenue Growth

RMB 'mln

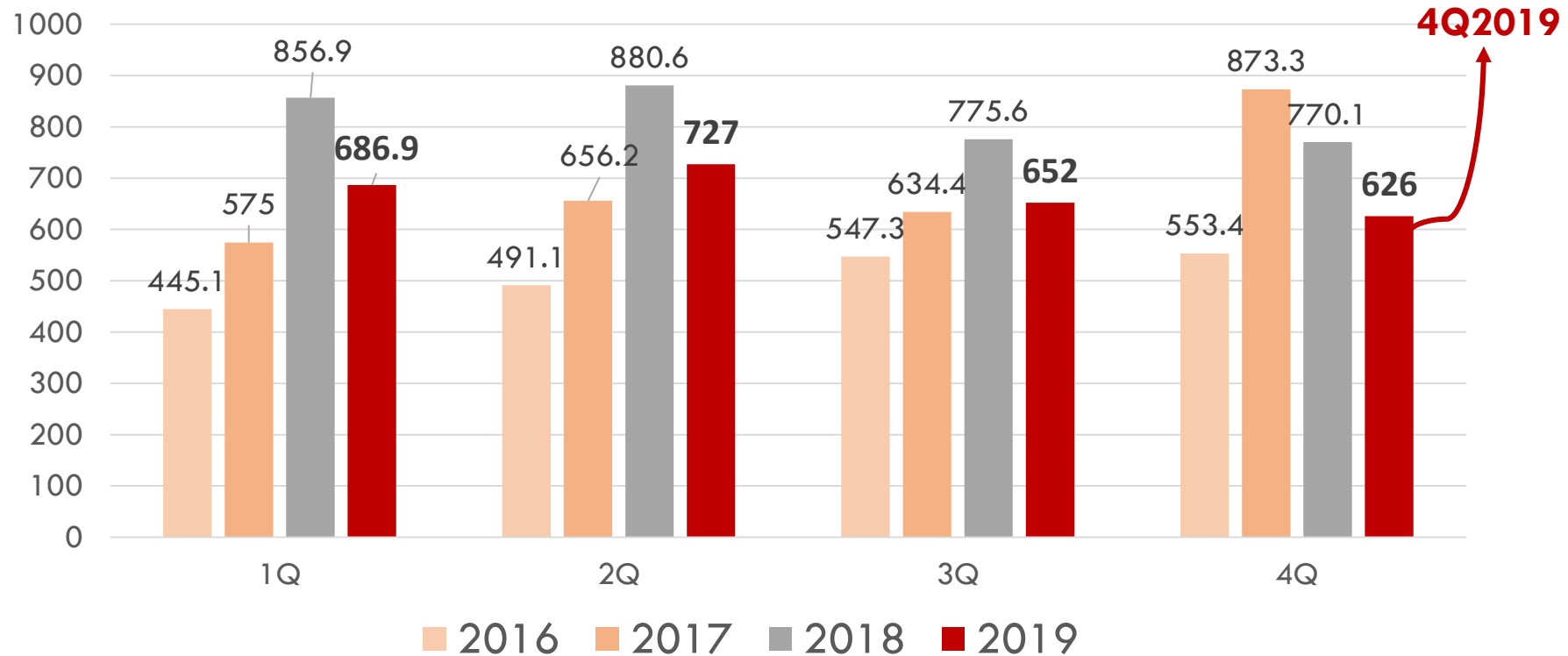


FY19 Revenue down 18% y-o-y mainly due to the decrease in overall average selling price (ASP)



Revenue By Quarter

RMB 'mln

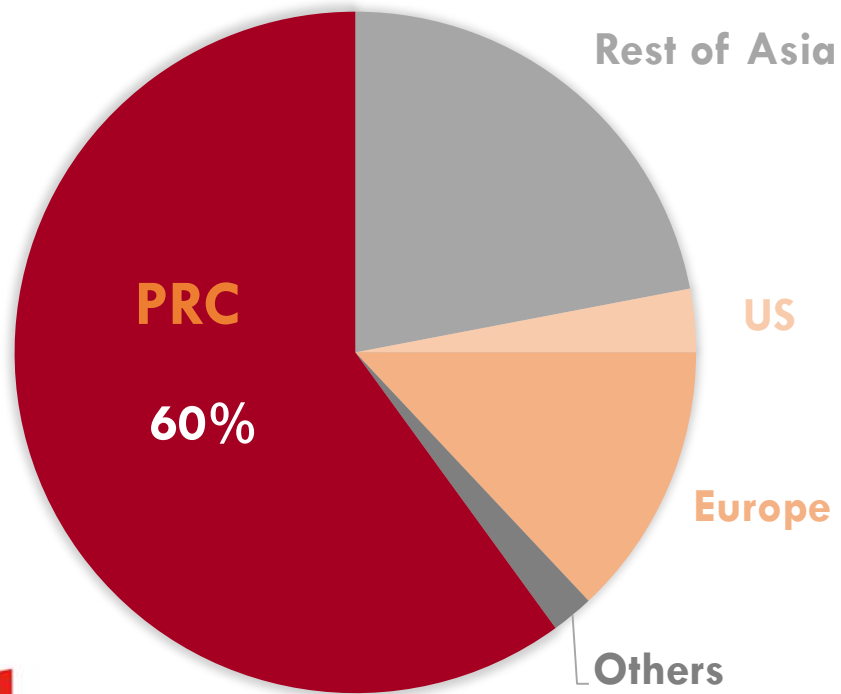


- Revenue (4Q19 vs 4Q18, y-o-y) down 19% mainly due to the decrease in ASP (-24%)
- Revenue (4Q19 vs 3Q19, q-o-q) down 4% mainly due to the decrease in ASP (-5%)



Sales Contribution (By Region)

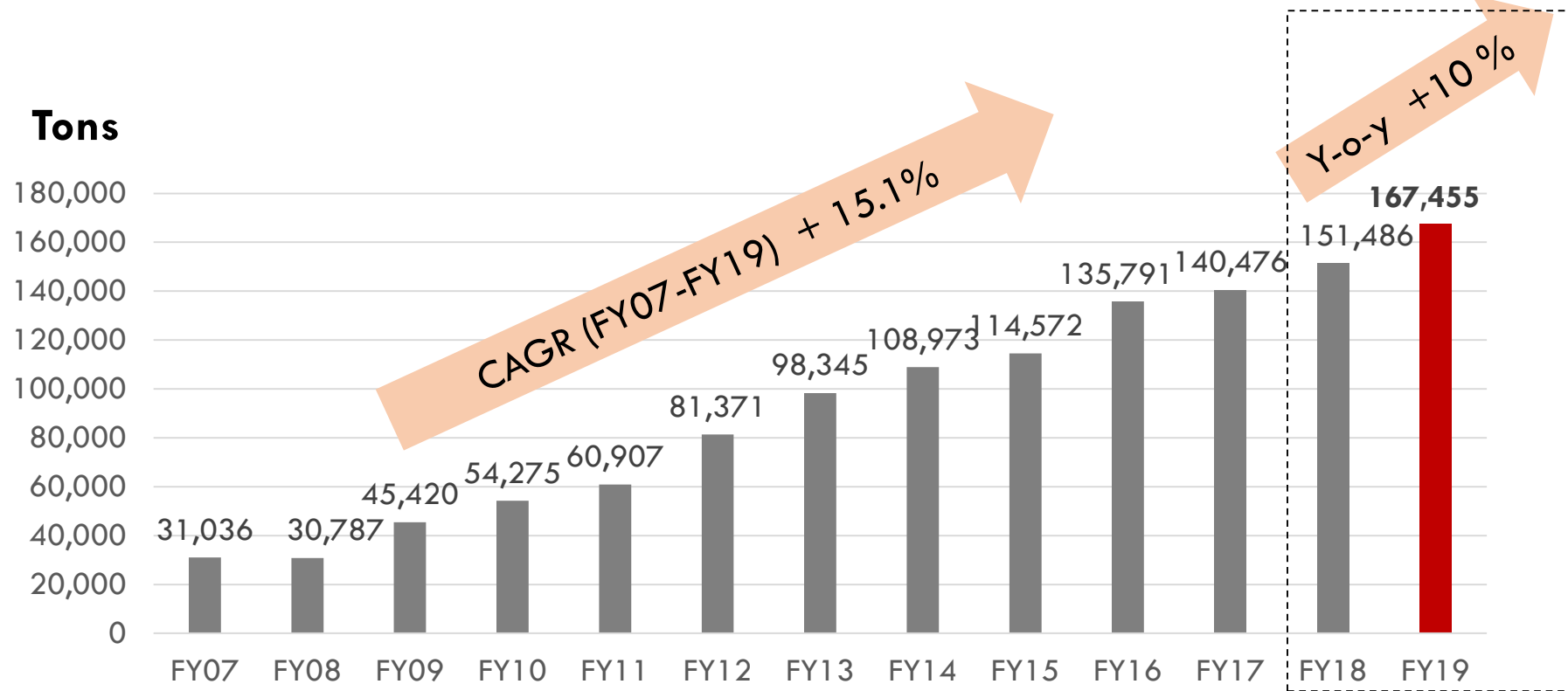
FY2019 Sales Contribution



Region	FY2019	FY2018	FY2017
China	62%	62%	64%
Rest of Asia	22%	25%	24%
US	3%	2%	5%
Europe	11%	9%	5%
Others	2%	2%	2%
Total	100%	100%	100%



Sales Volume

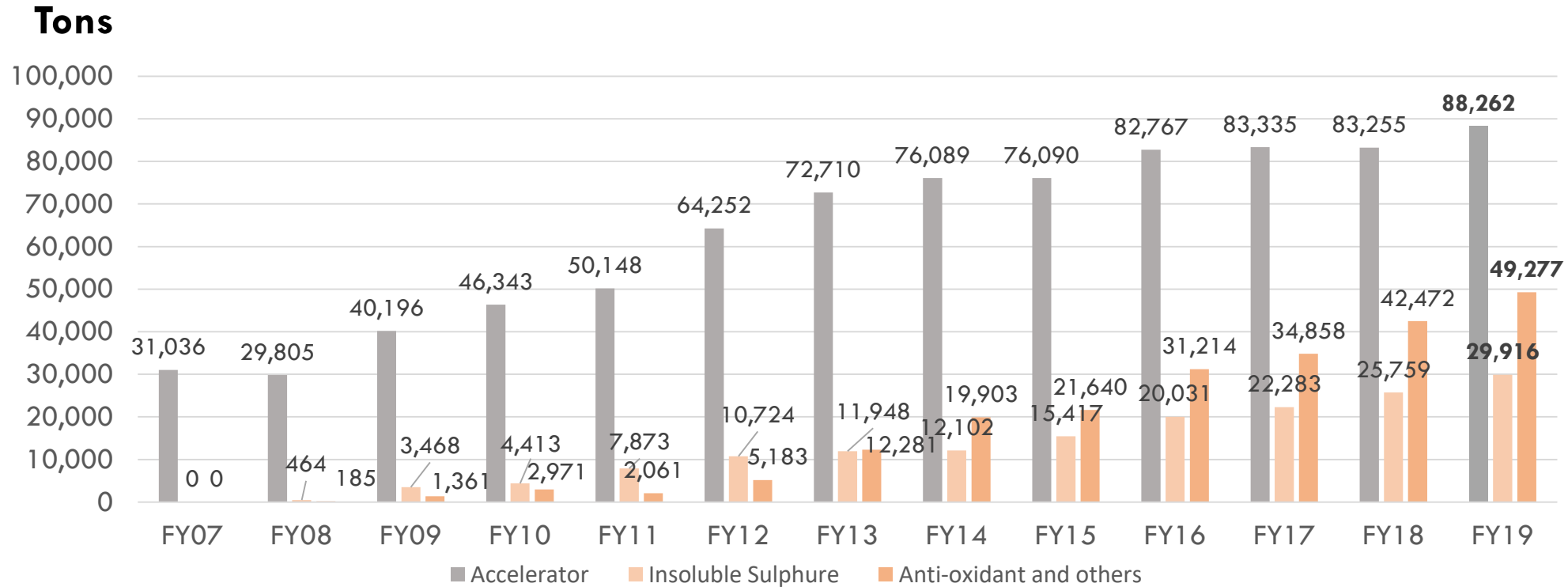


FY19 sales volume up 10% y-o-y mainly due to:

1. Expanded capacity from two new production lines: 10,000-ton TBBS and 10,000-ton Insoluble sulphur
2. Flexible pricing strategy adopted



Sales Volume by Products

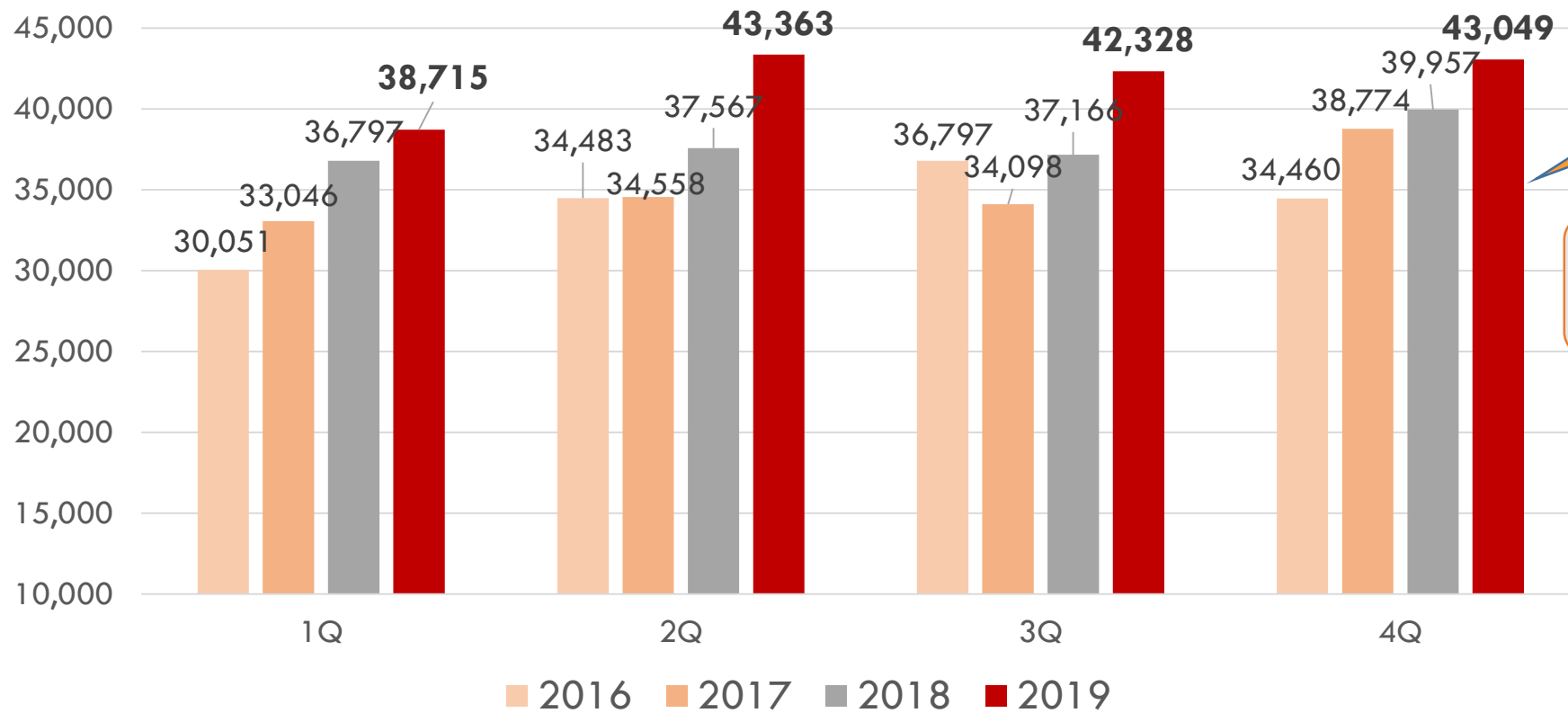


Sales Volume	FY2018	FY2019	Utilization Rate
Accelerators	83,255	88,262	over 90%
Insoluble Sulphur	25,759	29,916	100%
Anti-oxidants	41,095	47,283	over 100%



Sales Volume By Quarter

Tons



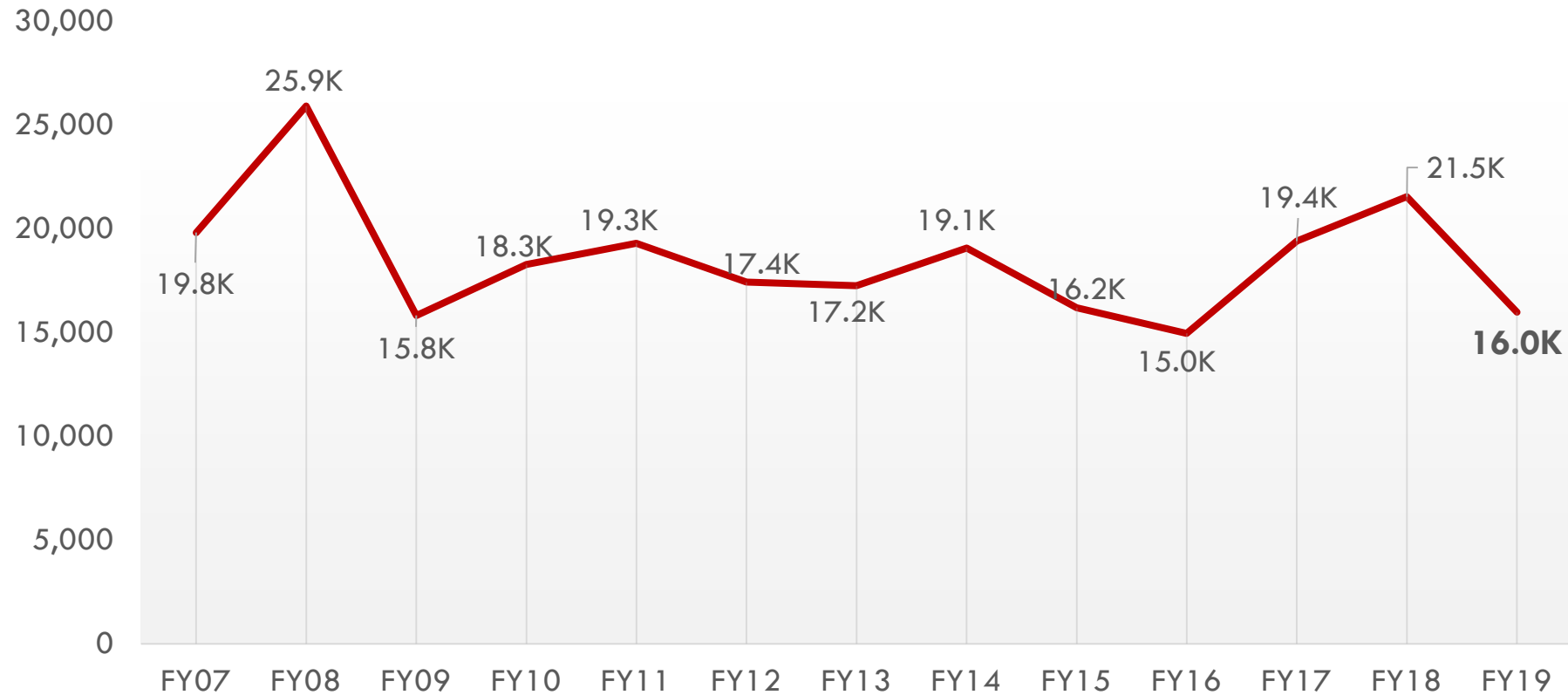
**4Q2019 Vol
2nd highest**

4Q19 vs 4Q18 : +8%
4Q19 vs 3Q19: +2%



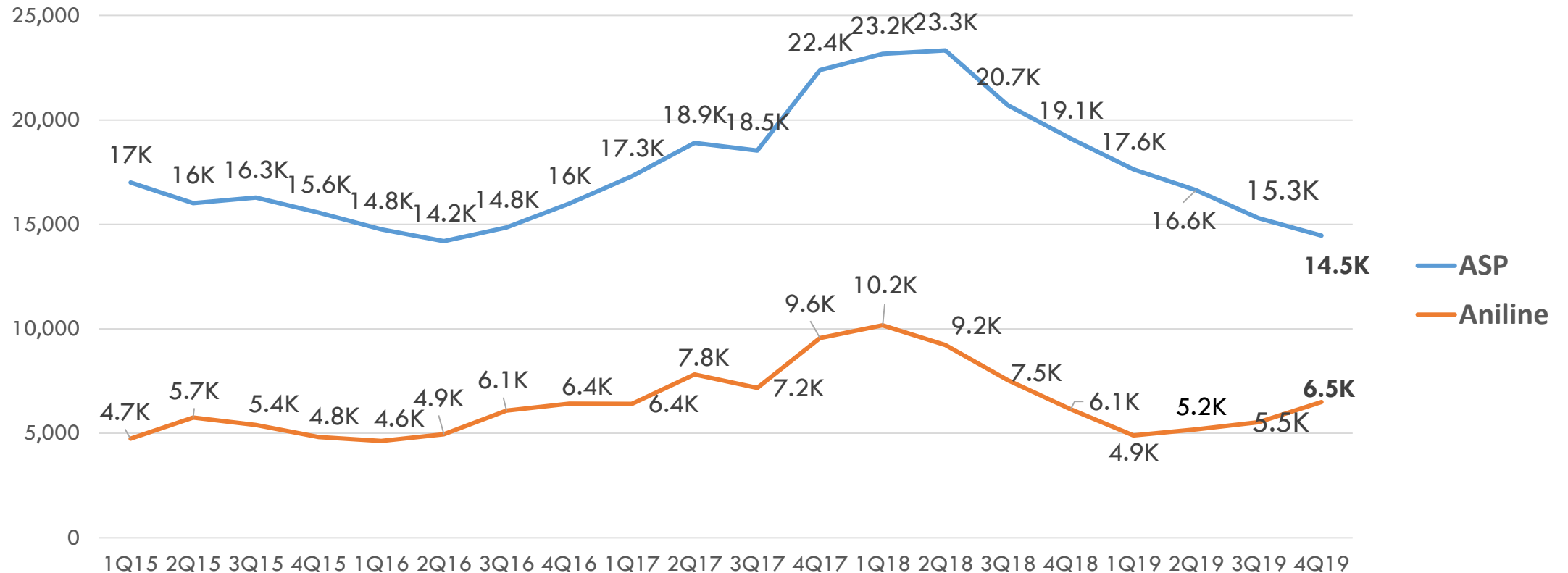
Overall Average Selling Price (ASP)

RMB/Ton



ASP vs Aniline Price

RMB/Ton

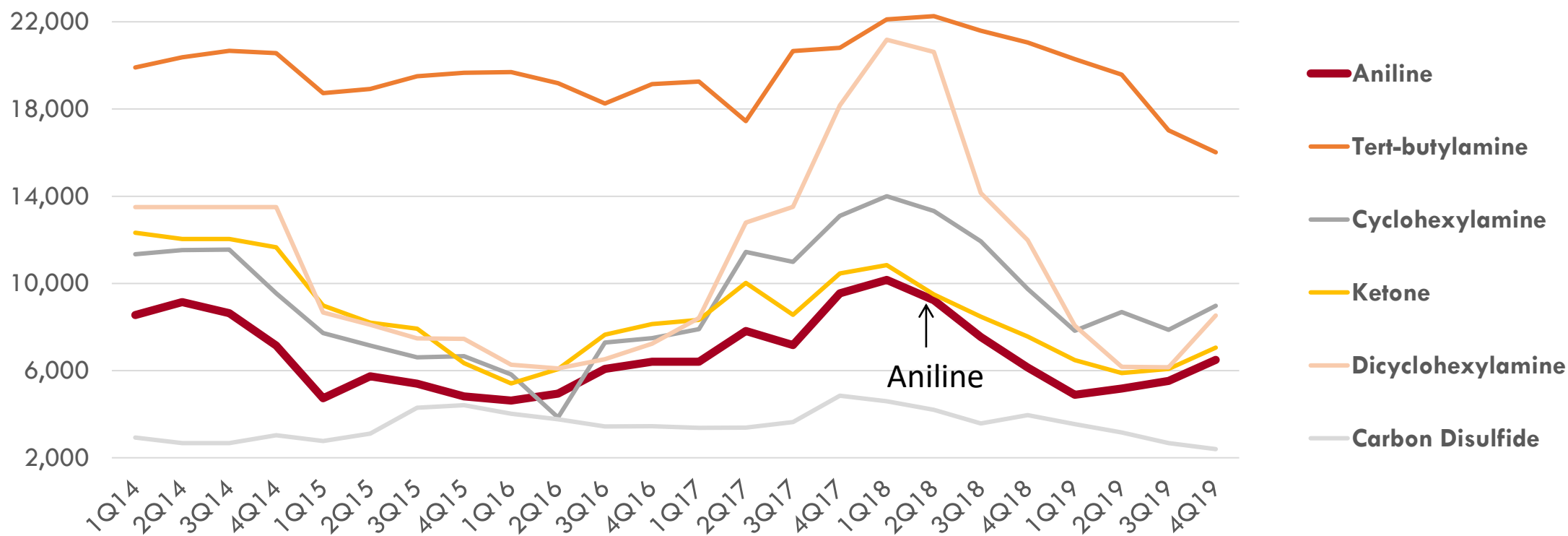


- 4Q19 ASP declined 24% y-o-y mainly due to the decrease in raw material prices as well as intensifying competition



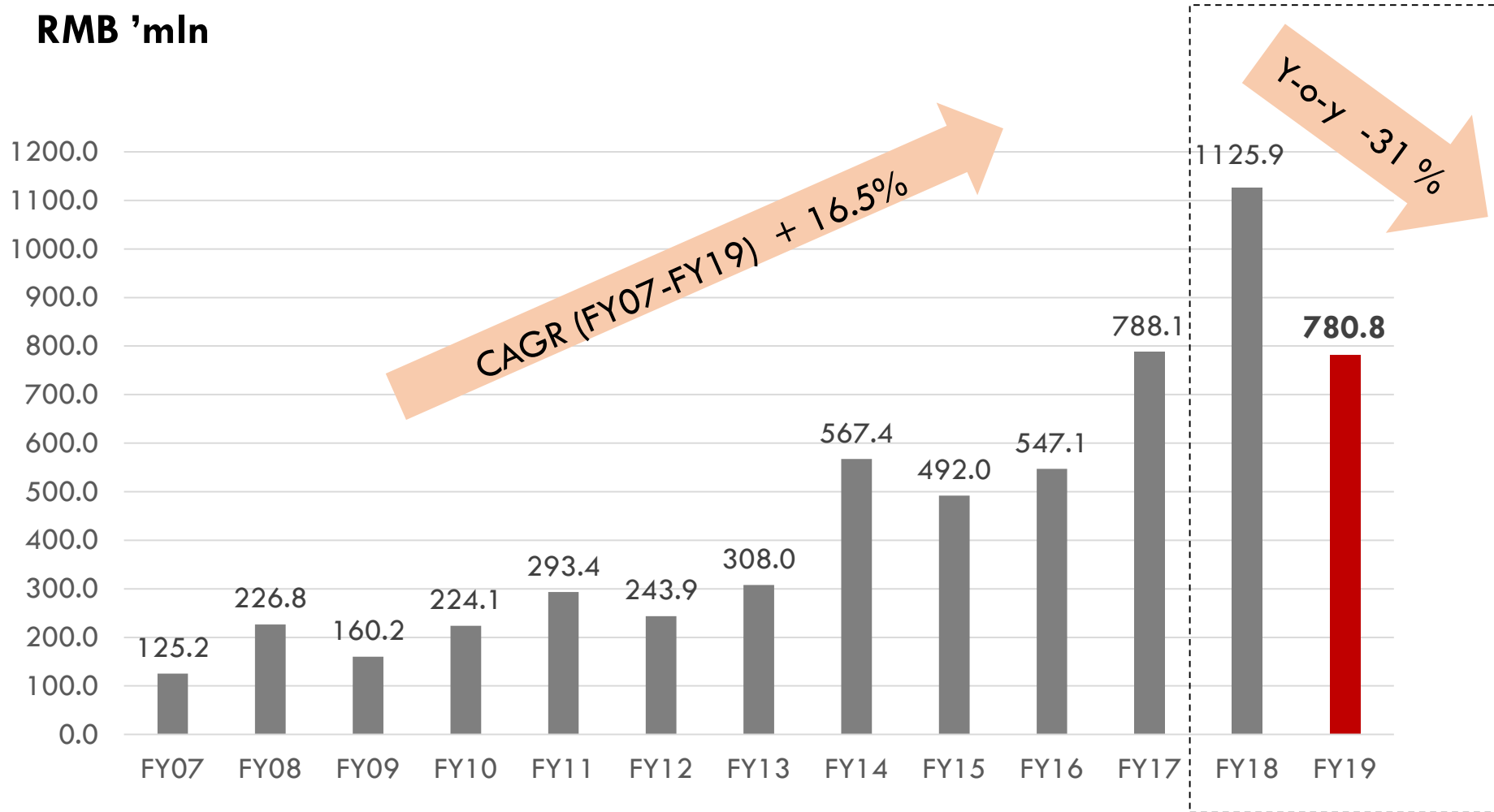
Main Raw Materials Price Trend

RMB/ Ton



Gross Profit

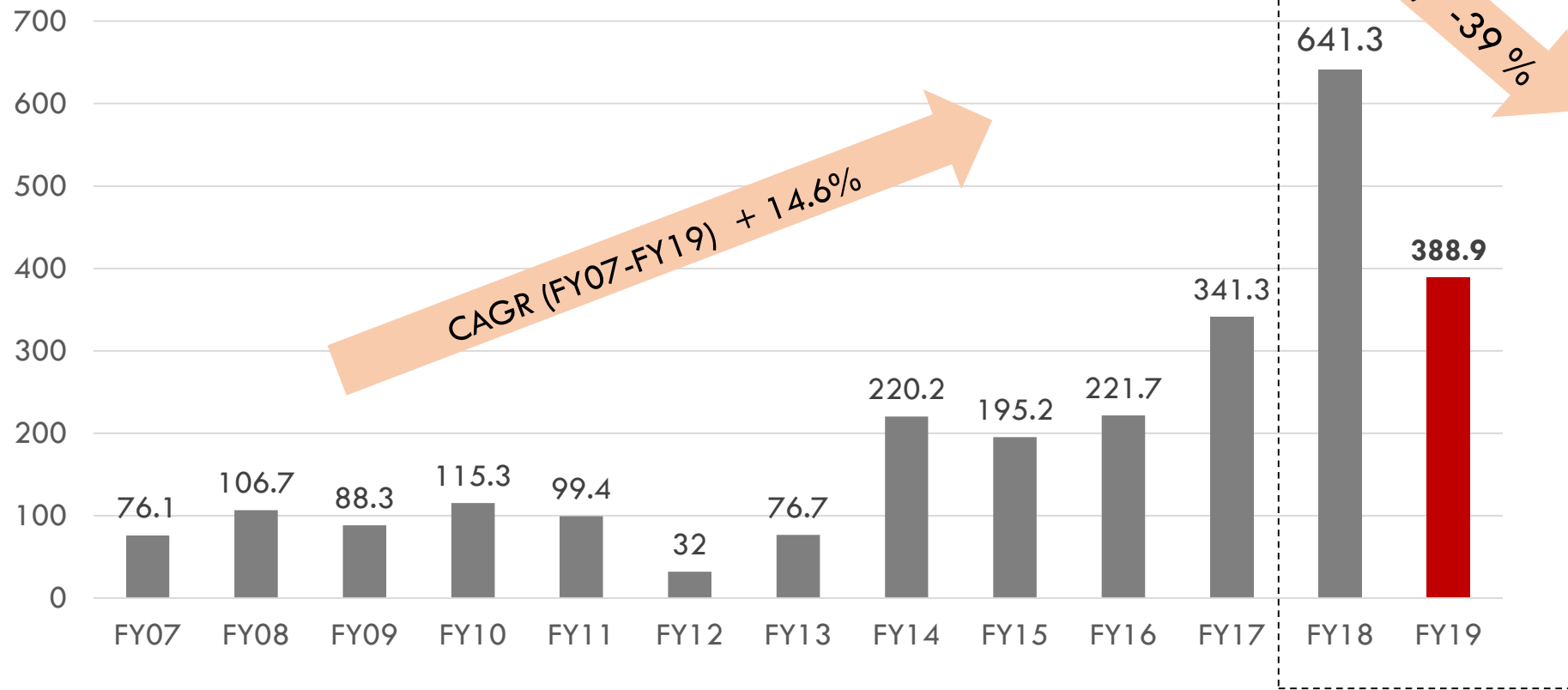
RMB 'mln



Net Profit

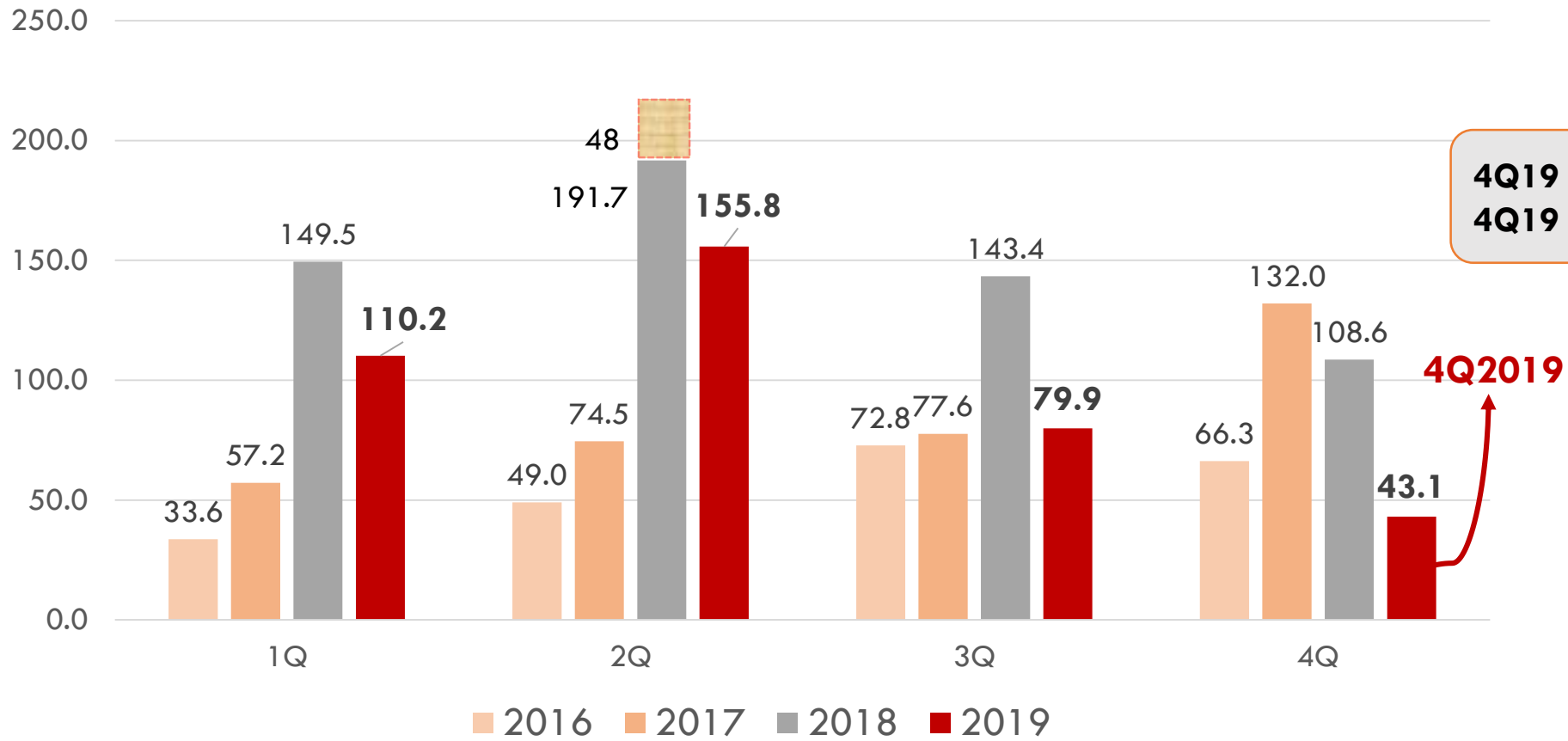
RMB 'mln

Net Profit

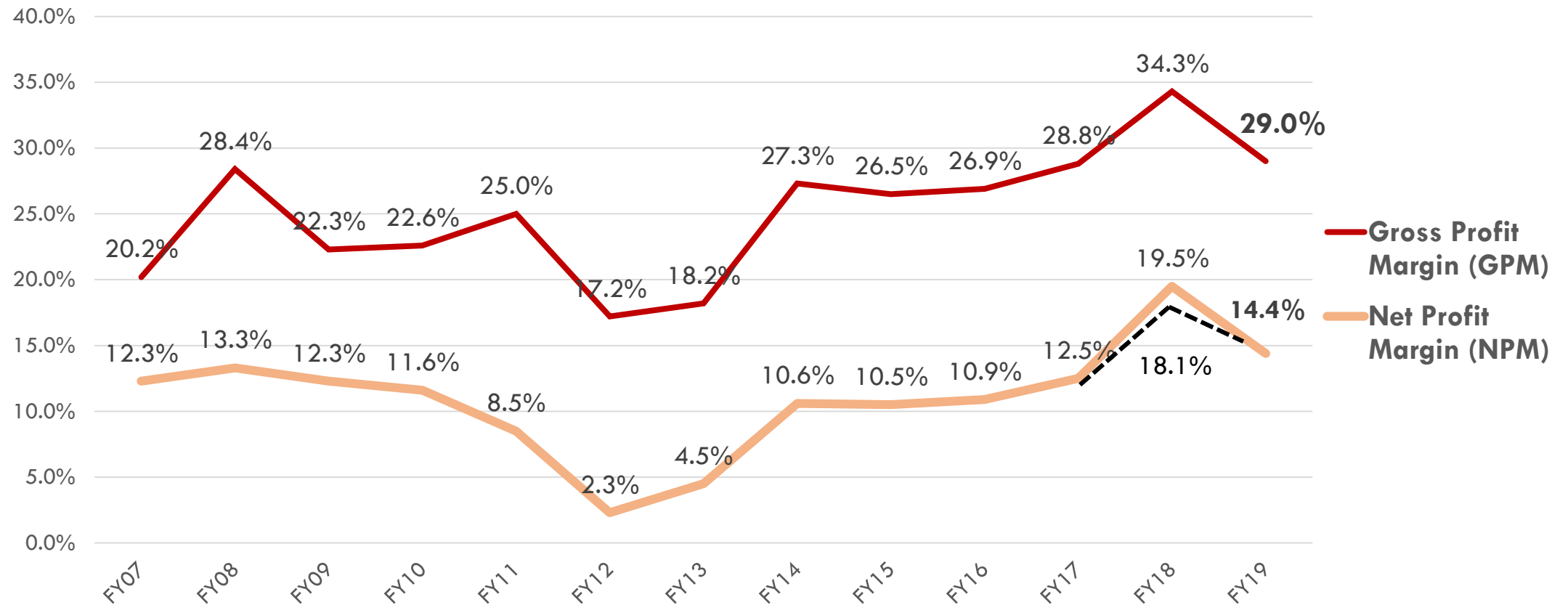


Net Profit By Quarter

RMB 'mln



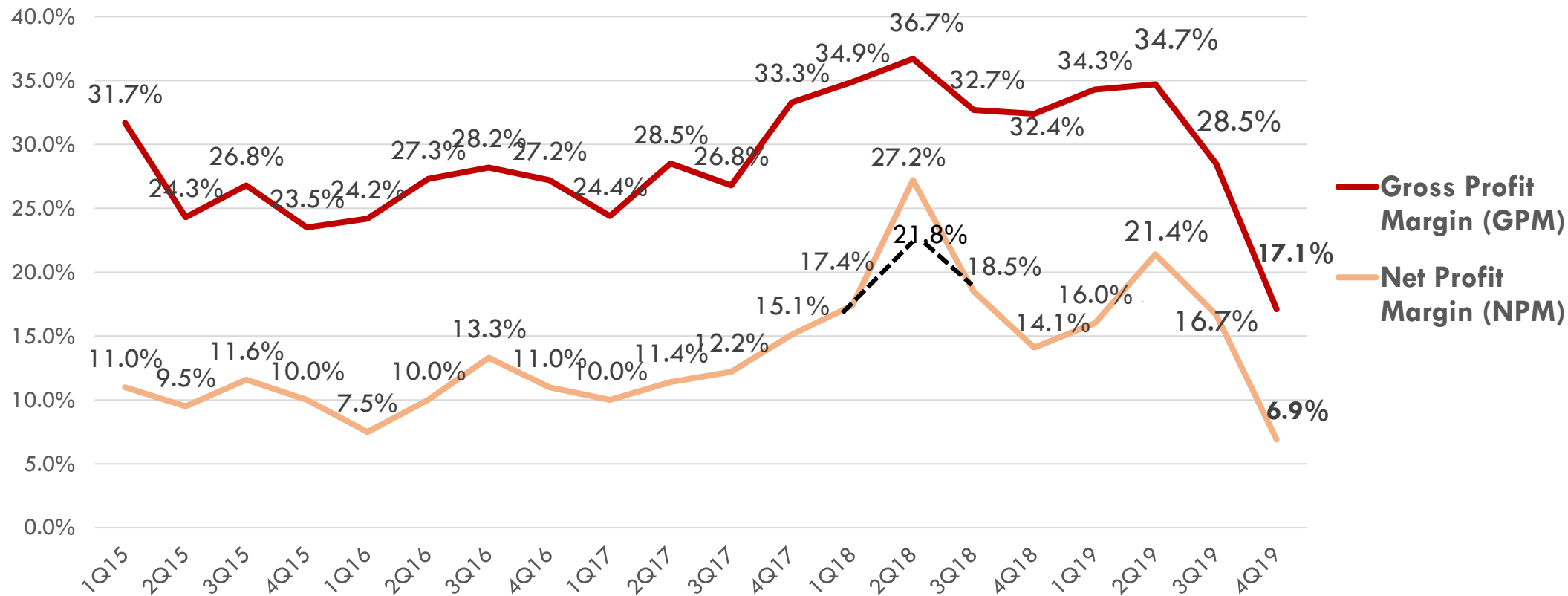
Margins Analysis



-- 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

	31/12/2019	31/12/2018	31/12/2017
Current Assets (RMB'mln) *	2,219.6	2,016.4	1,424.6
Current Liabilities (RMB'mln)	347.4	421.8	385.3
Current Ratio	6.39	4.78	3.70
Shareholders' Equity (RMB'mln)	2,561.6	2,325.5	1,742.4
D/E ratio *	0	0	0
ROE	15%	27%	20%
NAV per share (RMB cents) (equivalent to SGD cents) **	262.56/ 50.75	236.66/ 45.74	177.19/ 34.25
Cash per share (RMB cents) (equivalent to SGD cents)**	131.19/ 25.36	105.7/ 20.43	50.8/ 9.82

* Current Assets including cash of RMB 1,279.9mln

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



Key Developments

Expansion Projects

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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	Installation to be completed by June 2020	RMB 60 mln
<u>Comprehensive Chemical Zone</u> <u>With land area of 680 mu</u>		
30,000-ton Insoluble Sulphur	In construction completed by: end of 2020 commercial production: 2021	RMB270 mln
<u>30,000-ton Anti-oxidant TMQ at Shanxian</u>	Construction starting soon, completed by: end of 2020 commercial production: 2021	RMB 150 mln



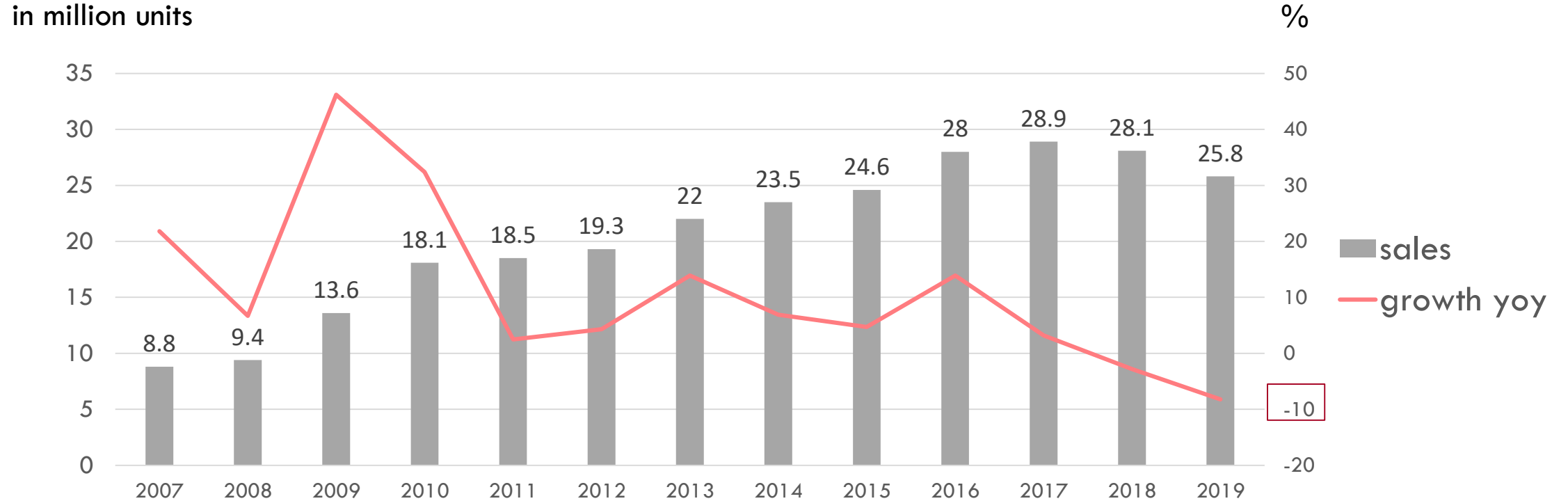
Annual Capacity

	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

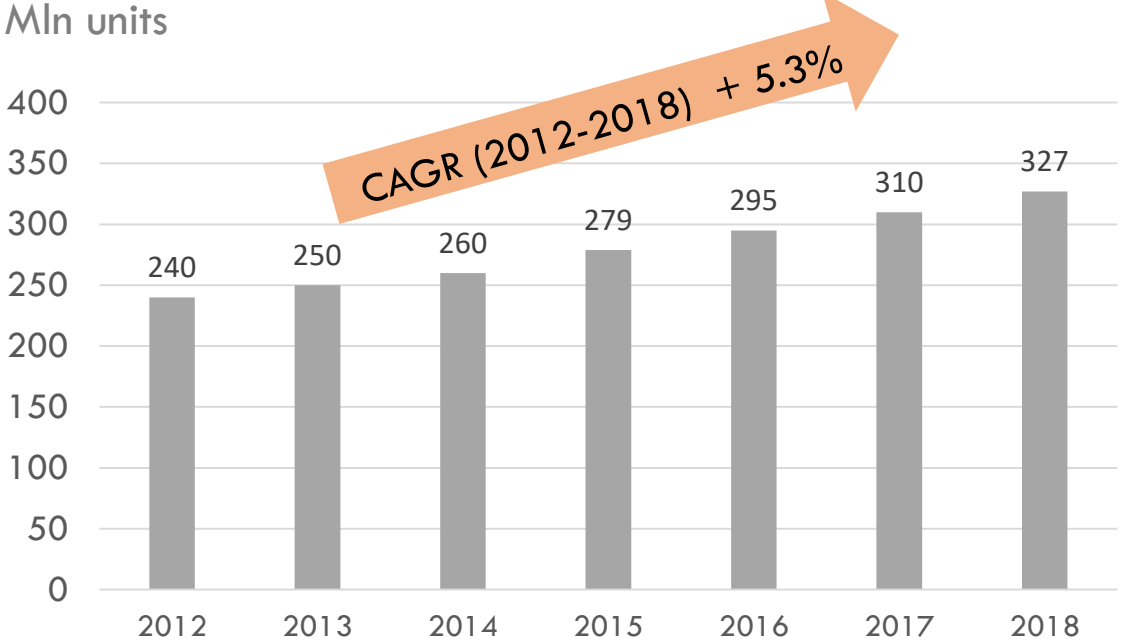
China's New Car Sales



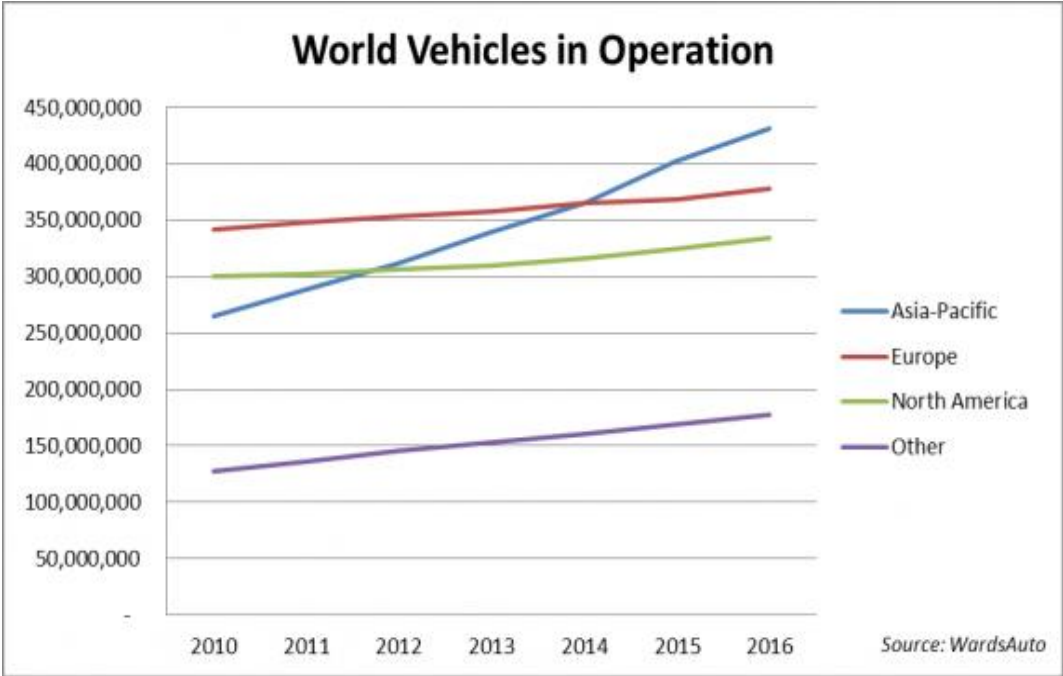
- 25.77 mln cars sold in China in 2019, down 8.2% y-o-y
- China's new car sales expected to be slower after 28 consecutive years of expansion

Global Vehicle Population

PRC Motor Vehicle Population



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



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

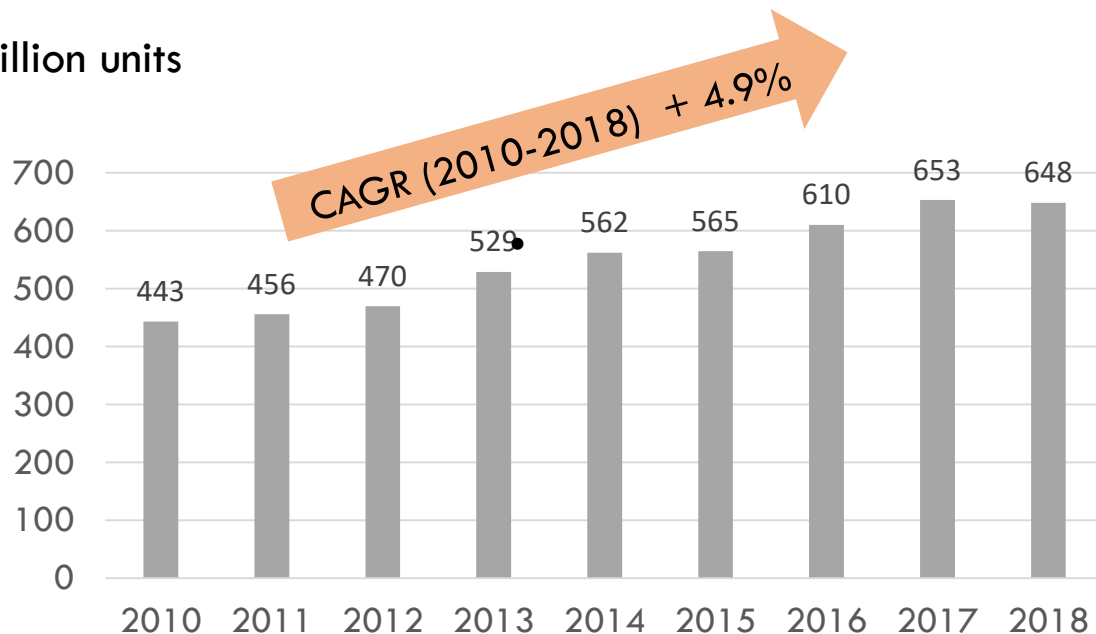


- Global vehicle population is growing, mainly driven by rising car ownership in developing countries

Riding on Rising Tire Consumption

PRC Tire Production Volume

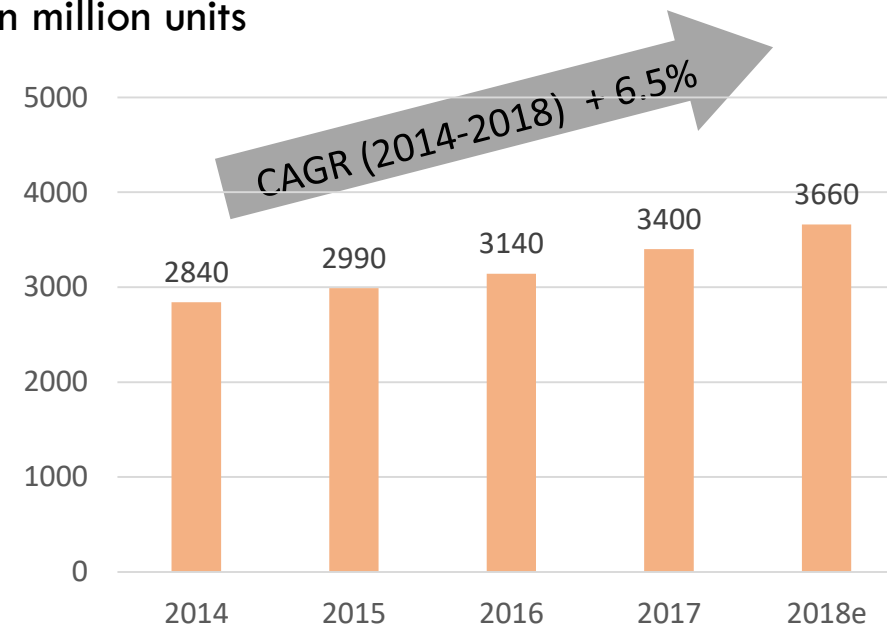
in million units



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 Tires

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 tires 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 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

- "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 are required to produce specialty chemicals.
3. Stringent supplier selection process by renowned tire makers, taking into account production capabilities, capacity, quality of products & services and compliance with government 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 demand & supply situation and raw material prices. Although intensive competition may put ASP under pressure, the Group is able to outperform competition due to its comprehensive advantages.
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



Q : Will the current outbreak of Covid-19 affect the Group's performance?

A : The Group is expecting challenges ahead in its industry

Reasons:

1. The outbreak will impact new cars sales in China. This can lead to a lower utilization rate for tire makers.
2. As some players have resumed their operation with some expanding their capacities, the pressure on ASP will remain, or become even more intense.
3. The Group continues to expand its capacity under the guidance of its strategy that “higher productions leads to higher sales volume, which in turn stimulates even higher production.



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

Intensive competition may lead to the further decline of ASP or profit margin



Capacity expansion will lead to higher sales which will benefit the Group for long-term growth

US China trade war tension 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

Current outbreak of Covid-19 drag down the demand from tire makers



Our strong financial position will help to pull through the difficulties and stay competitive in the industry



Listed On SGX Mainboard

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SHARE PERFORMANCE

China Sunshin Chemical Holdings Ltd. (QES.SI) [☆ Add to watchlist](#)

SES - SES Delayed Price. Currency in SGD

0.4300 -0.0050 (-1.15%)

At close: 4:58PM SGT

⊕ Indicators ⊕ Comparison ⚡ Events **P** | 📅 Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y **Max** | 📊 1W ▾ 📈 ▾



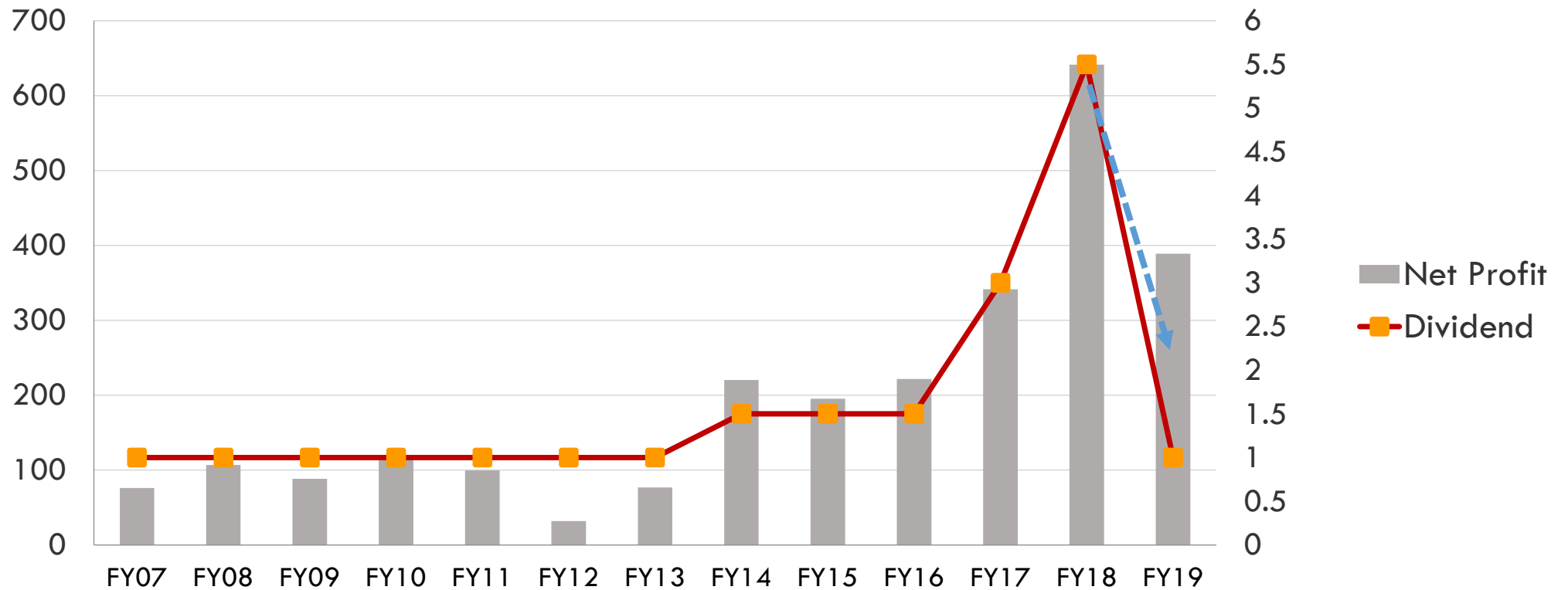
- Since IPO, no new share placement and rights issue



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

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- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Further capacity expansion with acquired land of 680 mu, strong cash position and the build-up of infrastructures, etc.
- ✓ Strong operating cashflows, RMB1.28 billion cash on hand with no bank loan. Cash per share SGD0.25
- ✓ 13-year track record & annual dividend payment since IPO
- ✓ High ROE between 15-25% since 2014
- ✓ Price/NTA below 1X



Chairman's Message

“The Group outperforms its competition in FY2019 despite the high pressure on ASP. However, our sales volume continued to grow, thanks to the Group’s strategy of ‘higher production leads to higher sales volume, which in turn stimulates even higher production’ and all our tremendous efforts in marketing, R&D and implementation of high-standards on environmental protection and safety production.

Entering into 2020, the challenges are even more severe. We expect that the changing dynamics of the current outbreak of Covid-19 will drag down the demand for our products from Chinese tire/auto makers as they are running at very low utilisation rate at the moment. The ASP will continue to be under pressure. However, with our expansion plans which are ongoing, we are poised for further strengthening of our market leadership position, and I hope to see incremental market share gains from our capacity expansion and high utilisation rate in the near future.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

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