



**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**

# 1Q2019 RESULTS PRESENTATION

30 April 2018

# 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



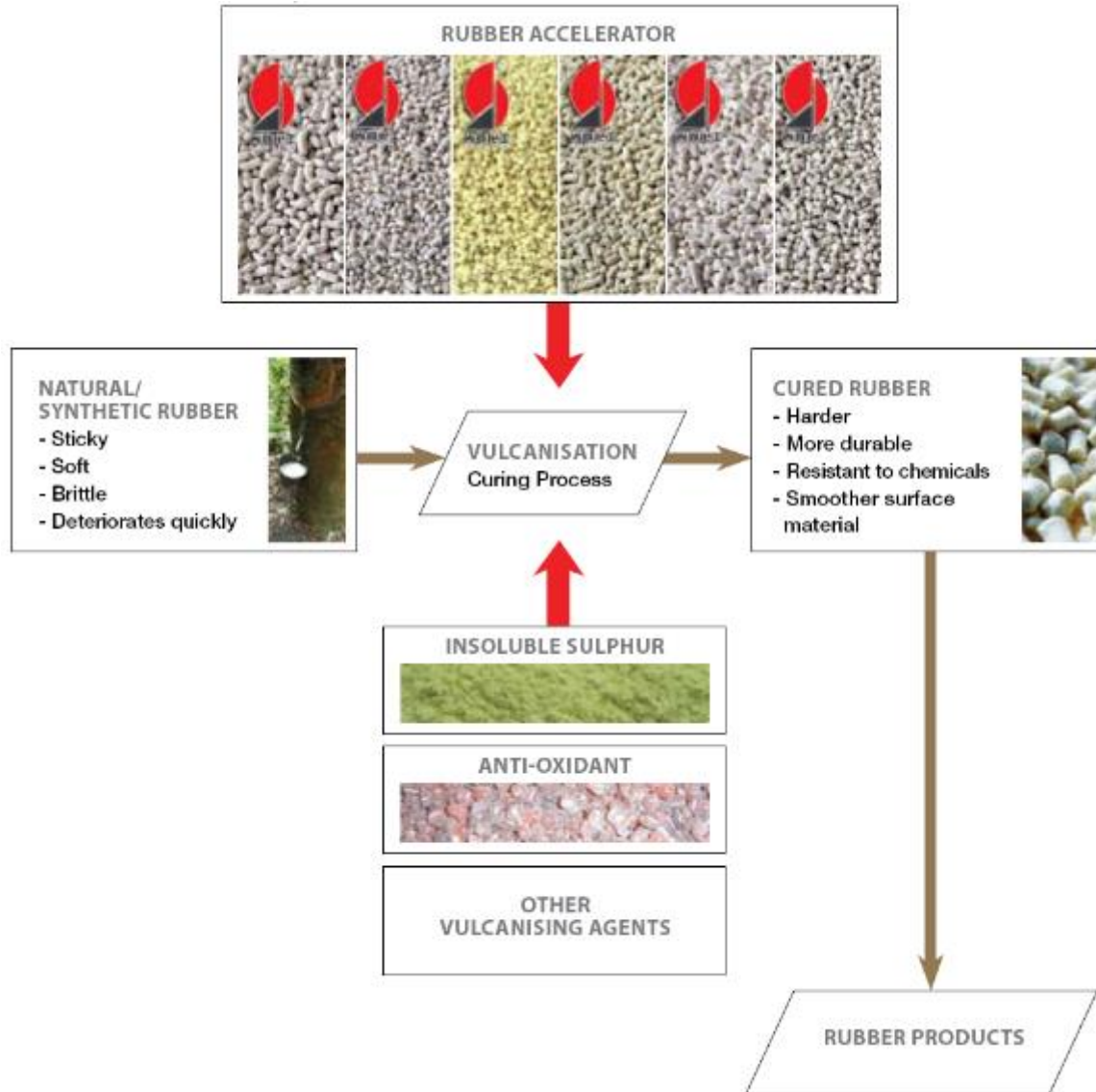
## Anti-Oxidants

TMQ  
6PPD  
4010NA





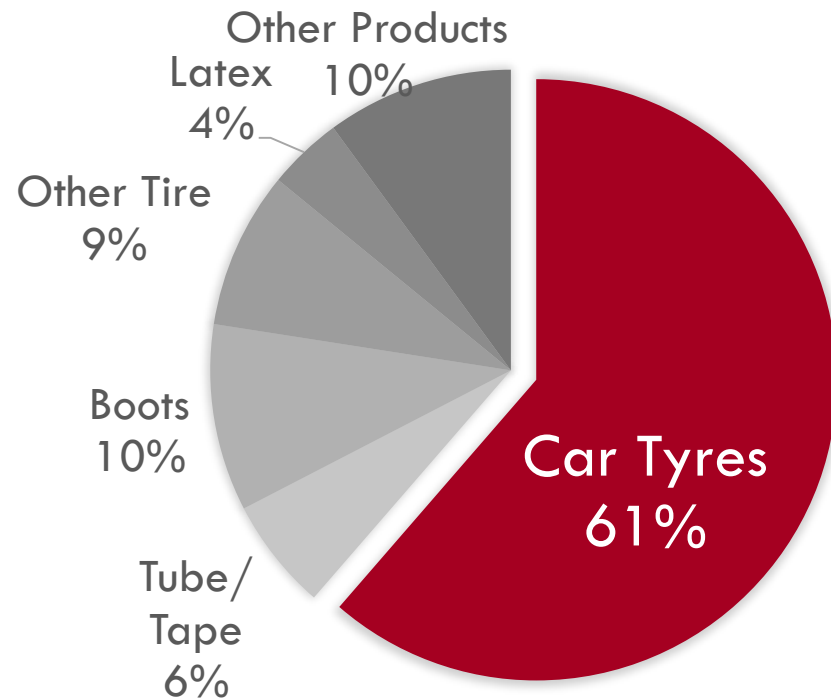
# Our Products: Rubber Chemicals



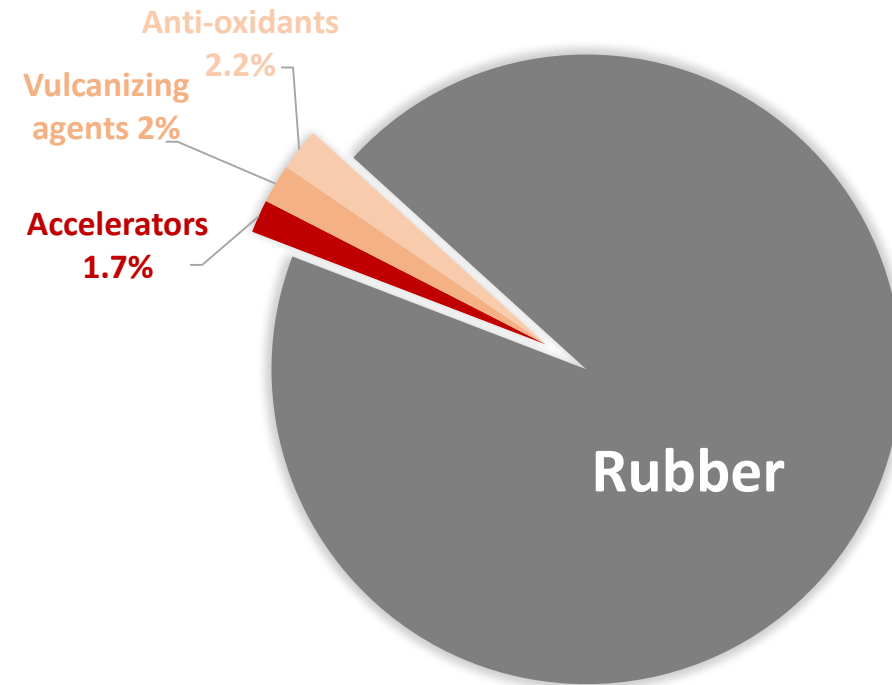
Rubber Chemicals are ***Essential Additives*** in the production of rubber products



# Global Consumption of Rubber



<http://www.chemn.com>



Global rubber consumption in 2017:  
28.27 million tons - By IRSG

- **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

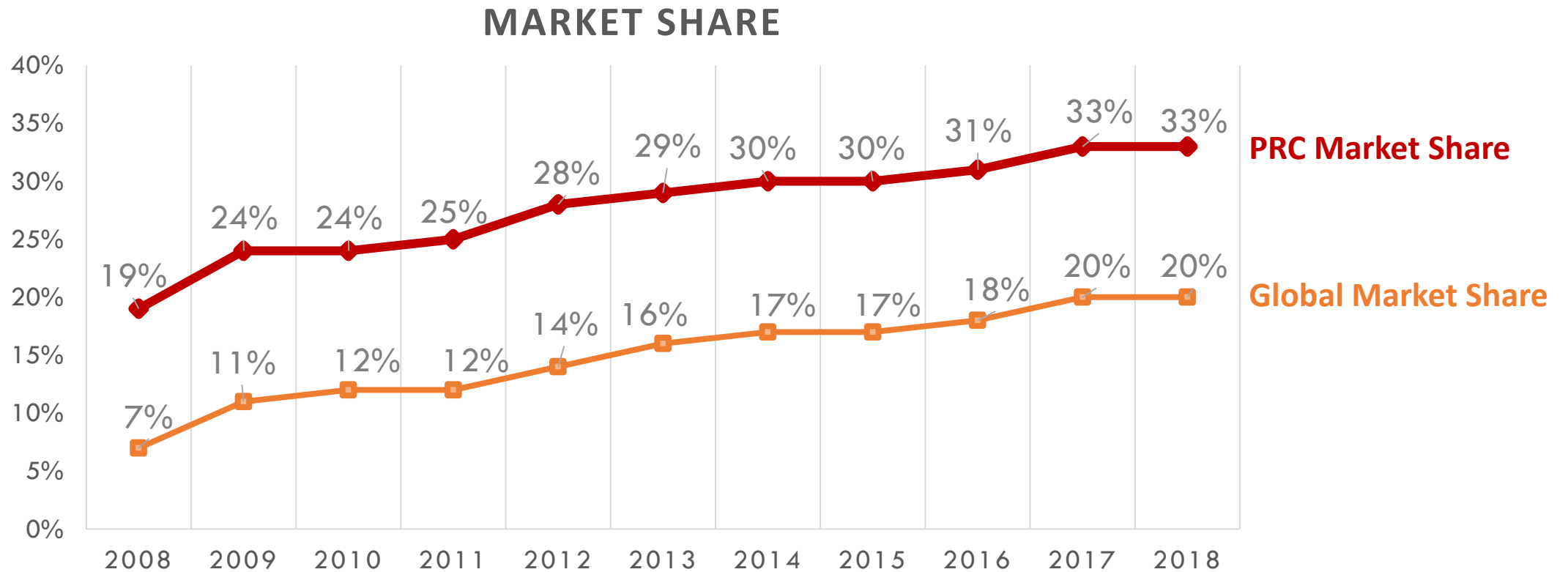


- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tire makers
- **1/3** output exported





# Market Share: Rubber Accelerators



# Our Market Leadership Position

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## GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2018
<b>China Sunsine 中国尚舜</b>	<b>87,000 tons</b>
Tianjin Kemai 天津科迈	<b>51,000 tons</b>
Yanggu Huatai 阳谷华泰	<b>45,000 tons</b>

## PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2018
<b>China Sunsine 中国尚舜</b>	<b>30,000 tons</b>
Yanggu Huatai 阳谷华泰	<b>20,000 tons</b>
Sennics 圣奥化学	<b>15,000 tons</b>



# Our Production Bases

**Five 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

# P&L Highlights

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RMB 'mln	Quarter Ended		
	31 Mar 19	31 Mar 18	Change
Group Revenue	<b>686.6</b>	856.9	(20%)
Gross Profit	<b>235.7</b>	298.8	(21%)
Gross Profit Margin	<b>34.3%</b>	34.9%	(0.6 pts)
Profit Before Tax	<b>132.3</b>	181.6	(27%)
Profit After Tax	<b>110.2</b>	149.5	(26%)
EPS (RMB cents/SGD Cents*)	<b>22.43/ 4.52</b>	30.40/ 6.12	(26%)
NAV per share (RMB cents/SGD Cents*)	<b>495.45/ 99.80</b>	384.36/ 77.42	

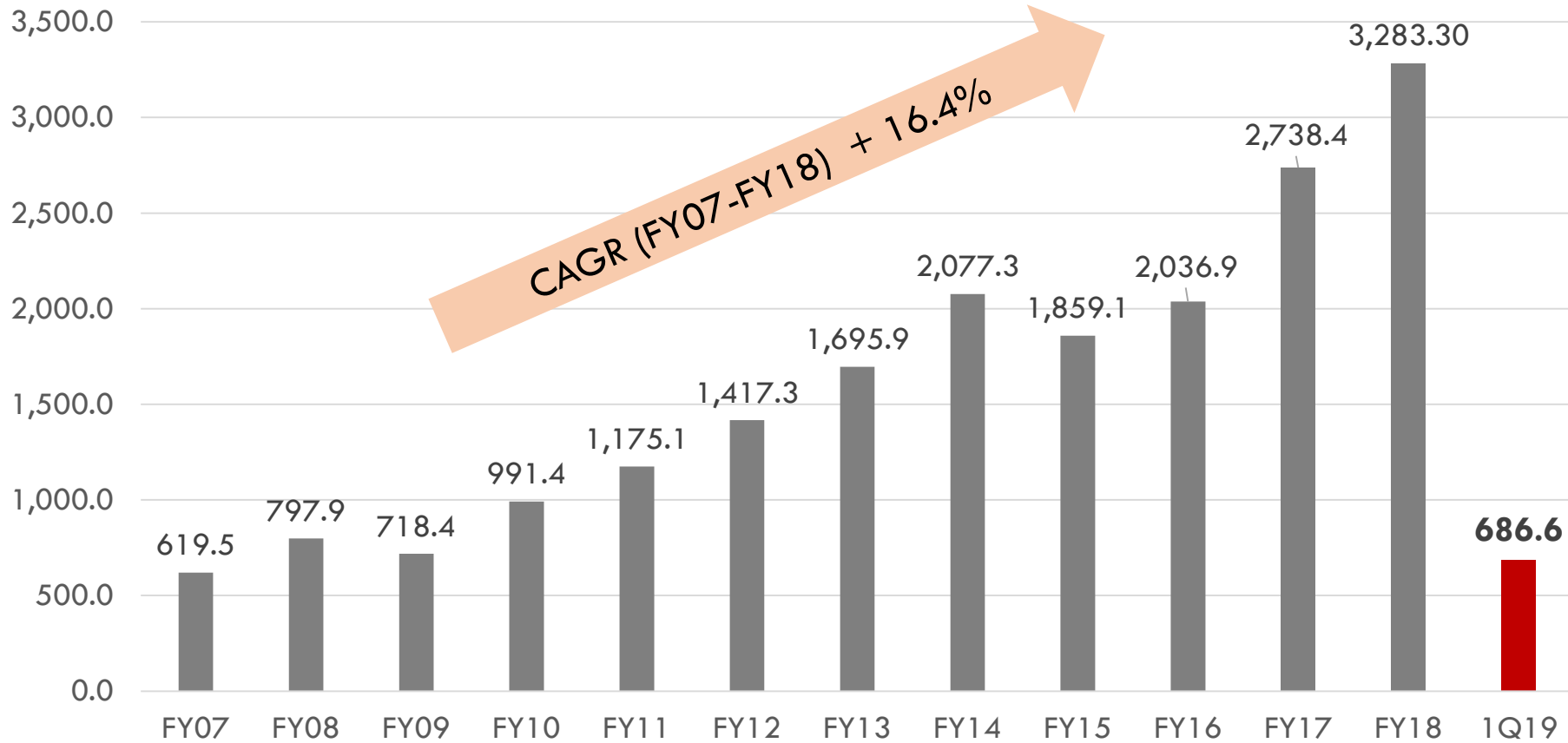
\* SGD to RMB exchange rate @4.9643





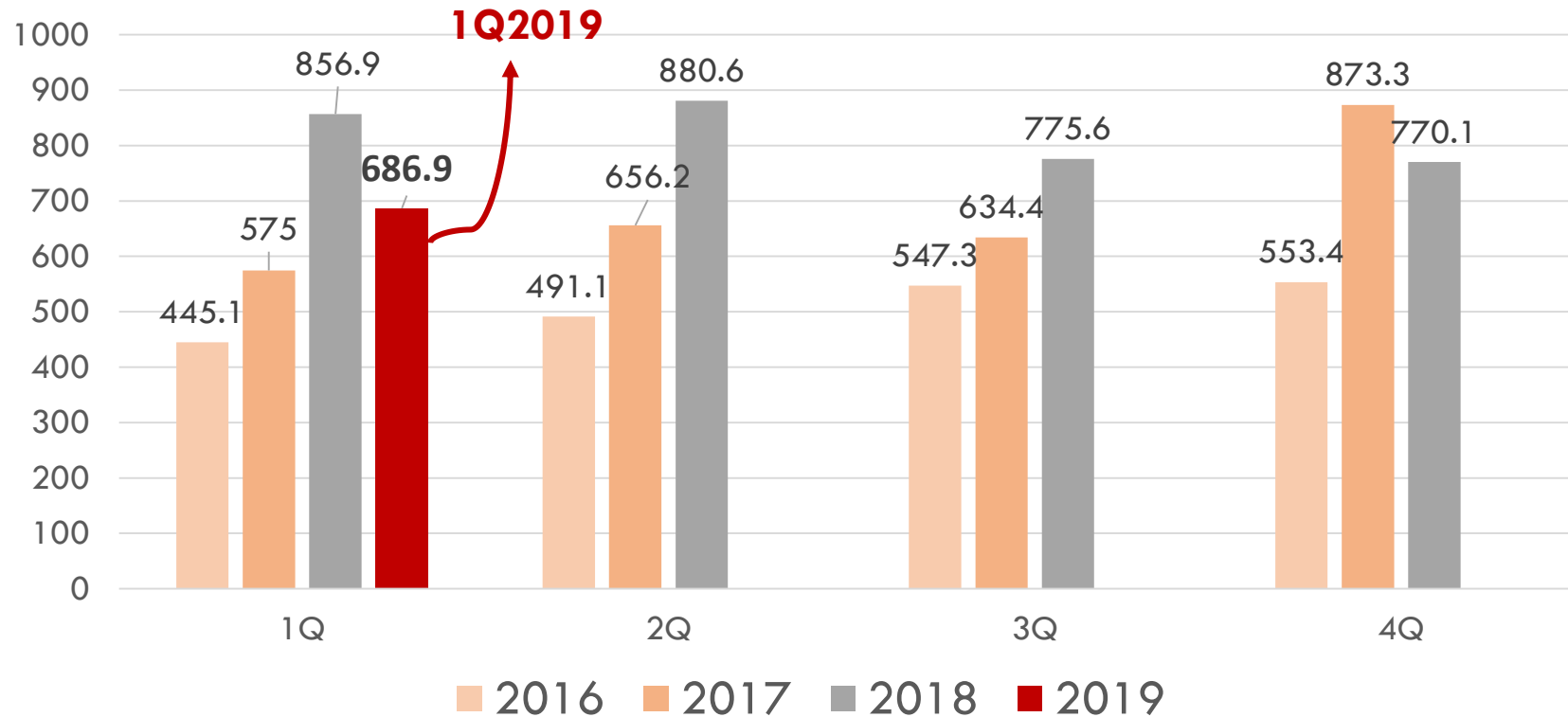
# Revenue Growth

RMB 'mln



# Revenue By Quarter

RMB 'mln



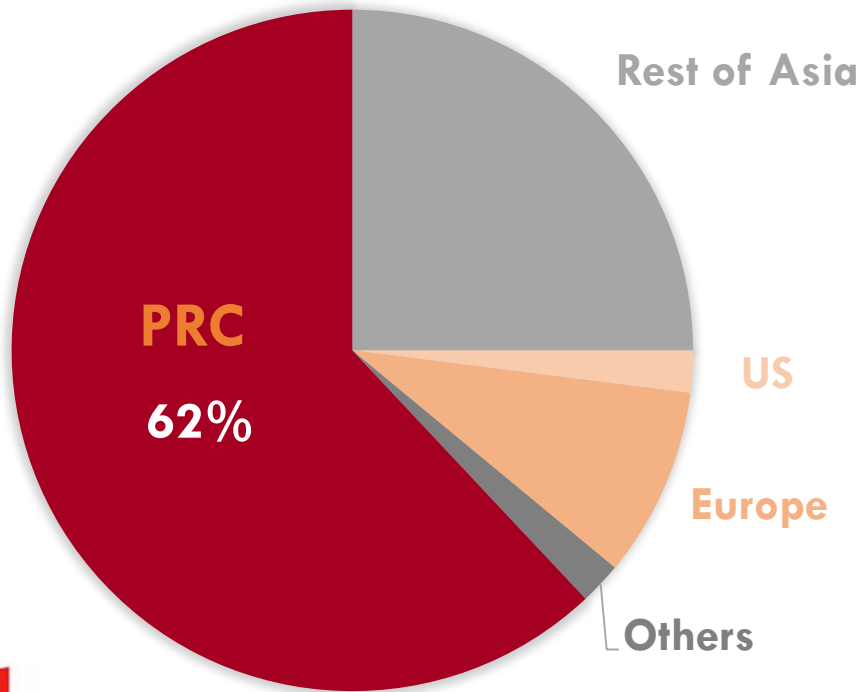
1Q19 vs 1Q18 : -20%  
1Q19 vs 4Q18 : -11%

1Q19 Revenue down 20% y-o-y due to lower average selling price (ASP)



# Sales Contribution (By Region)

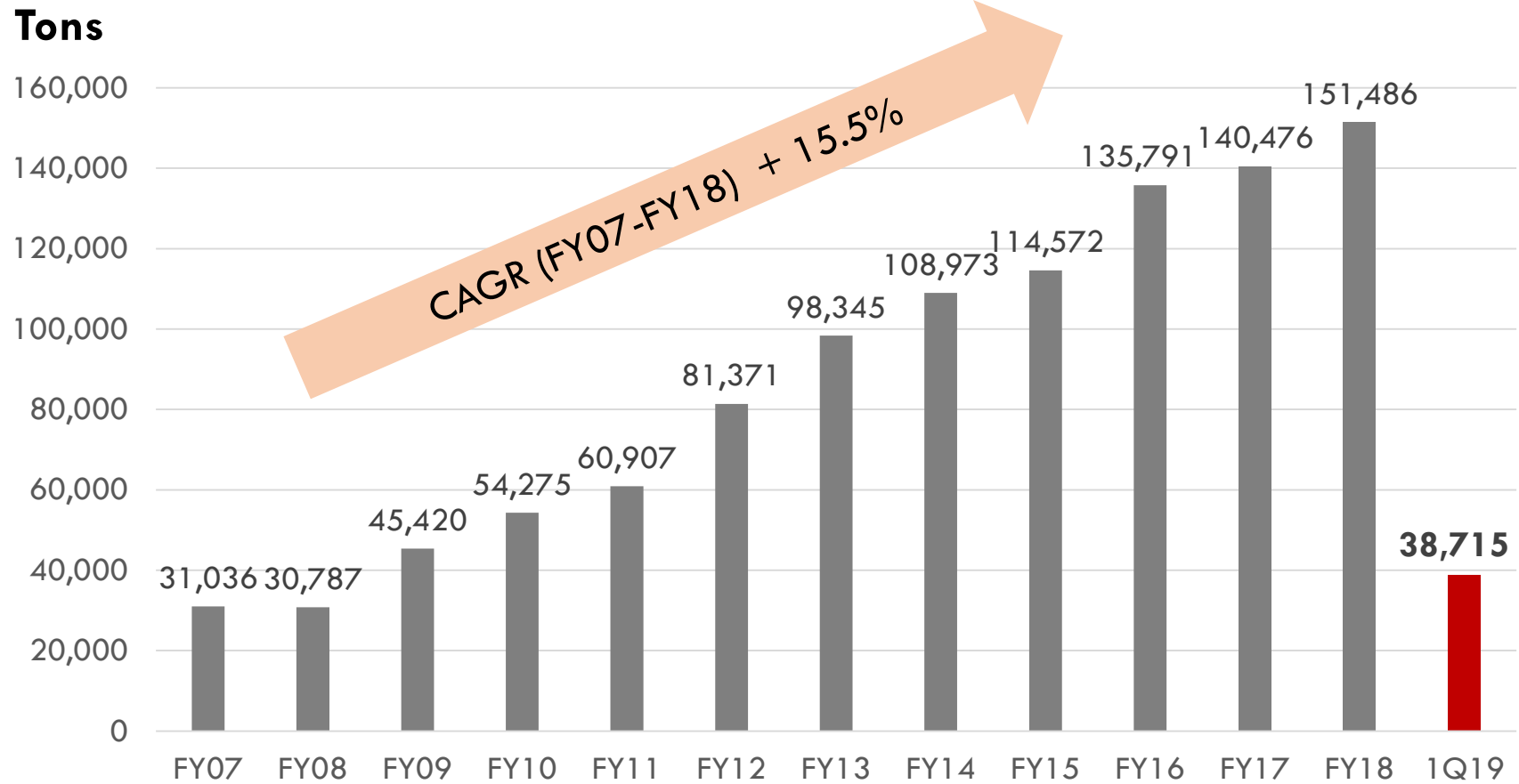
## 1Q2019 Sales Contribution (y-o-y)



Region	1Q2019	FY2018	FY2017
China	56%	62%	64%
Rest of Asia	23%	25%	24%
US	4%	2%	5%
Europe	14%	9%	5%
Others	3%	2%	2%
Total	100%	100%	100%

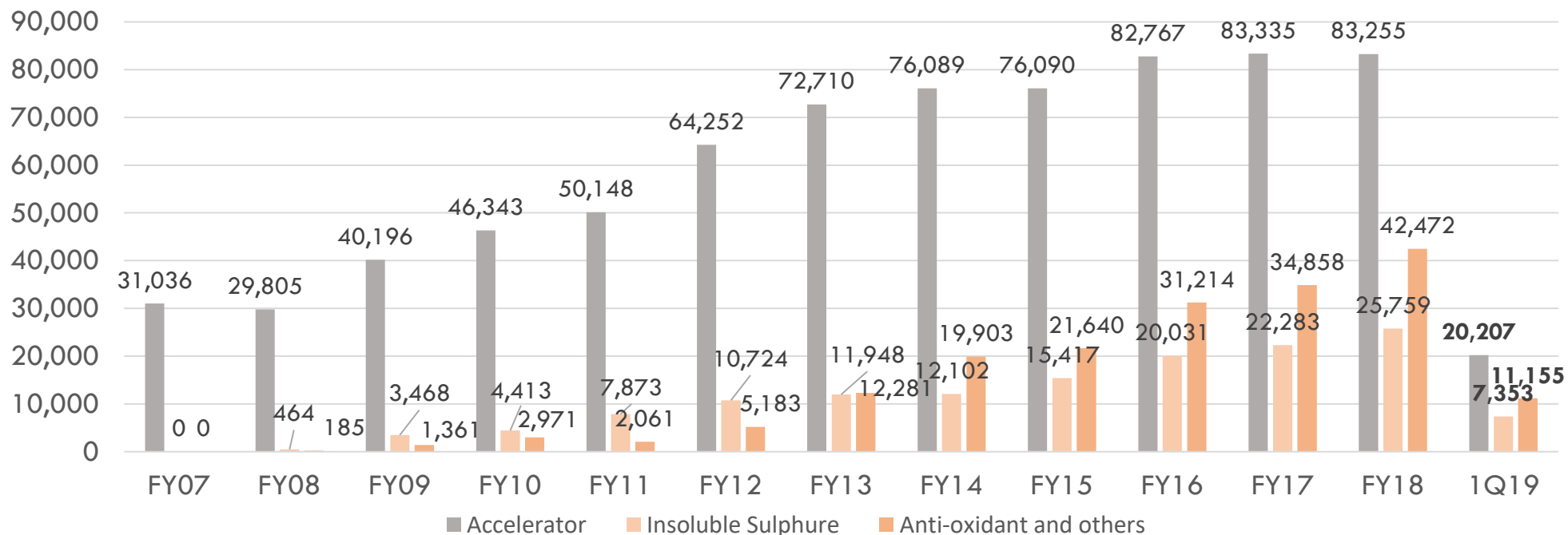


# Sales Volume



# Sales Volume by Products

**Tons**



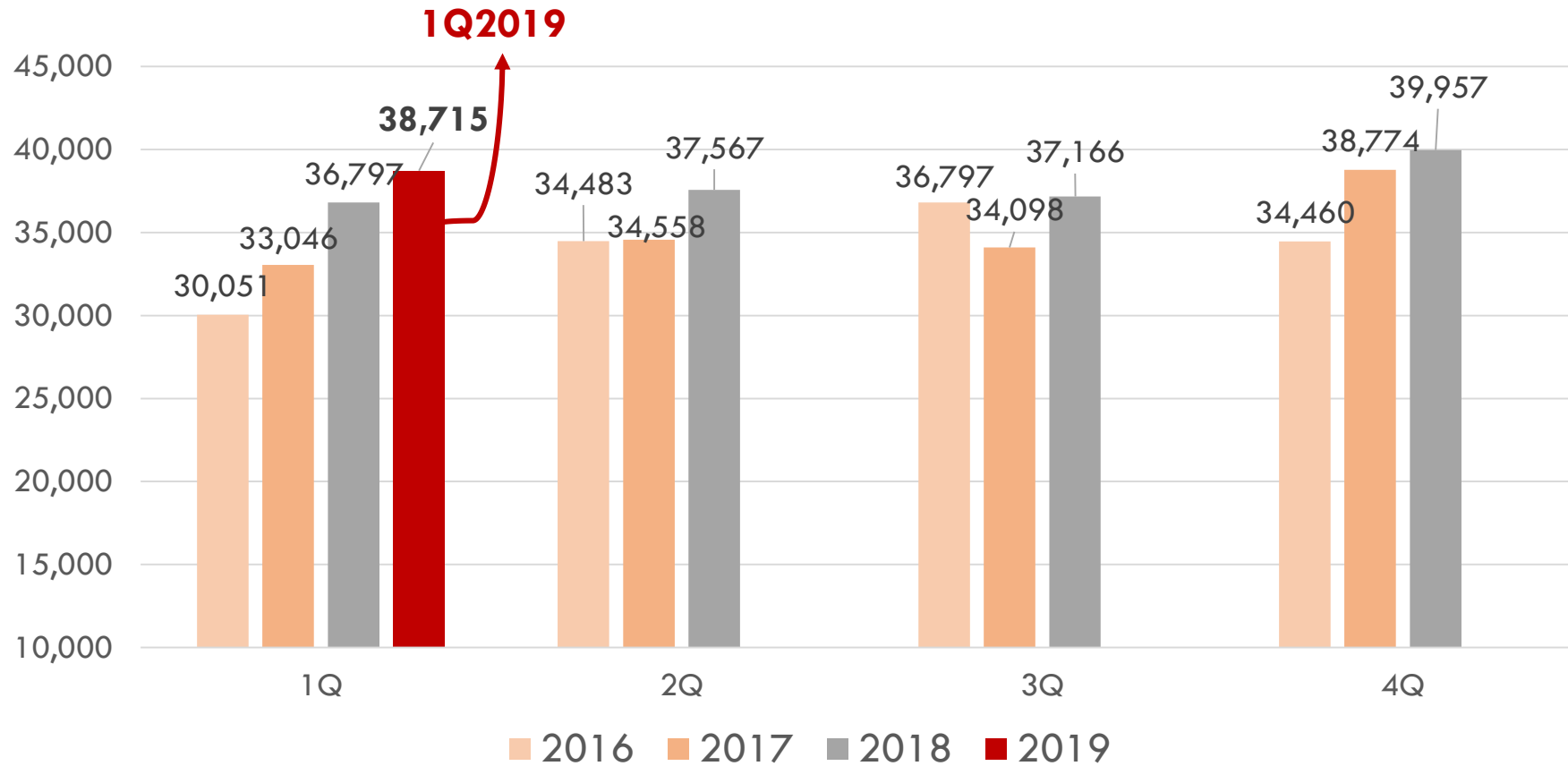
Sales Volume	1Q2018	1Q2019	Utilization Rate
Accelerators	19,907	20,207	Almost fully utilized
Insoluble Sulphur	6,212	7,353	Fully utilized
Anti-oxidants	10,353	10,684	About 90%





# Sales Volume By Quarter

Tons

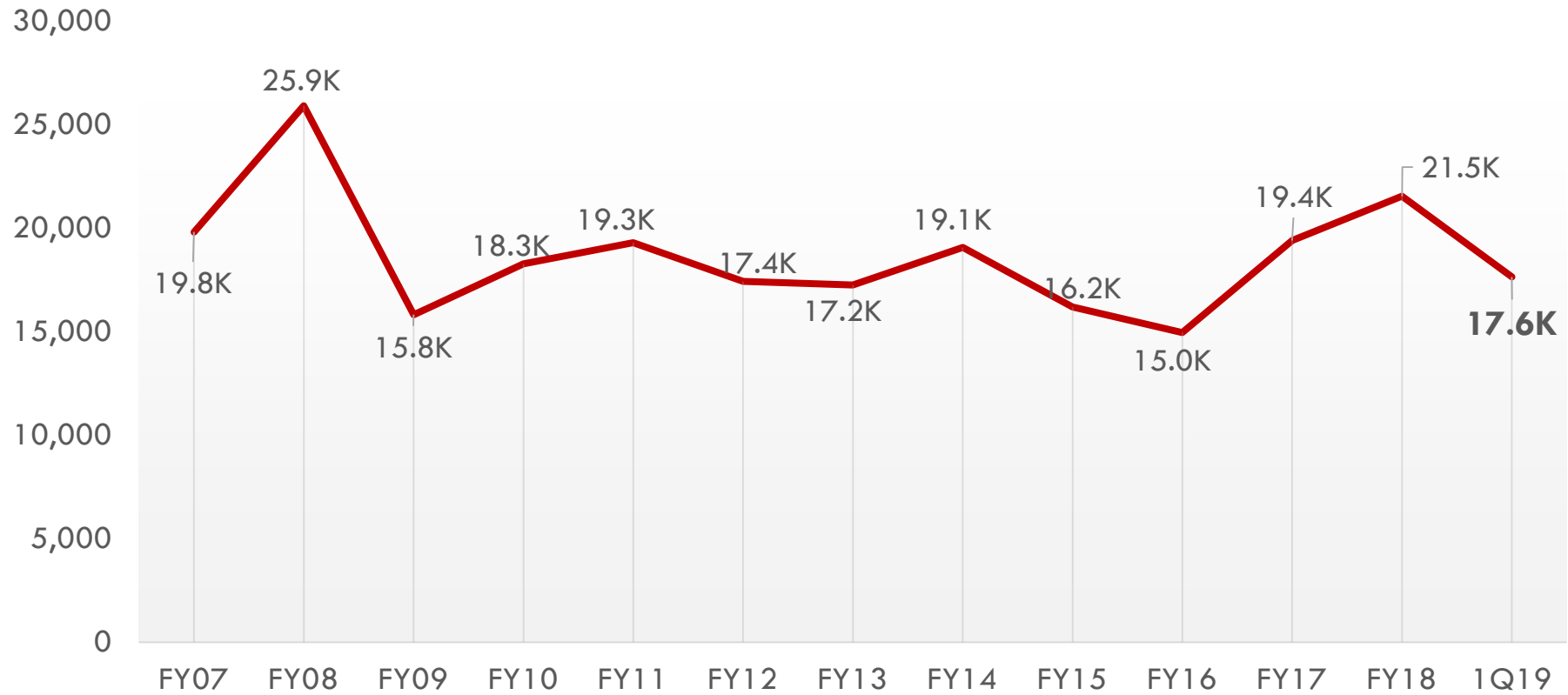


1Q19 vs 1Q18 : +5%  
1Q19 vs 4Q18: -3 %



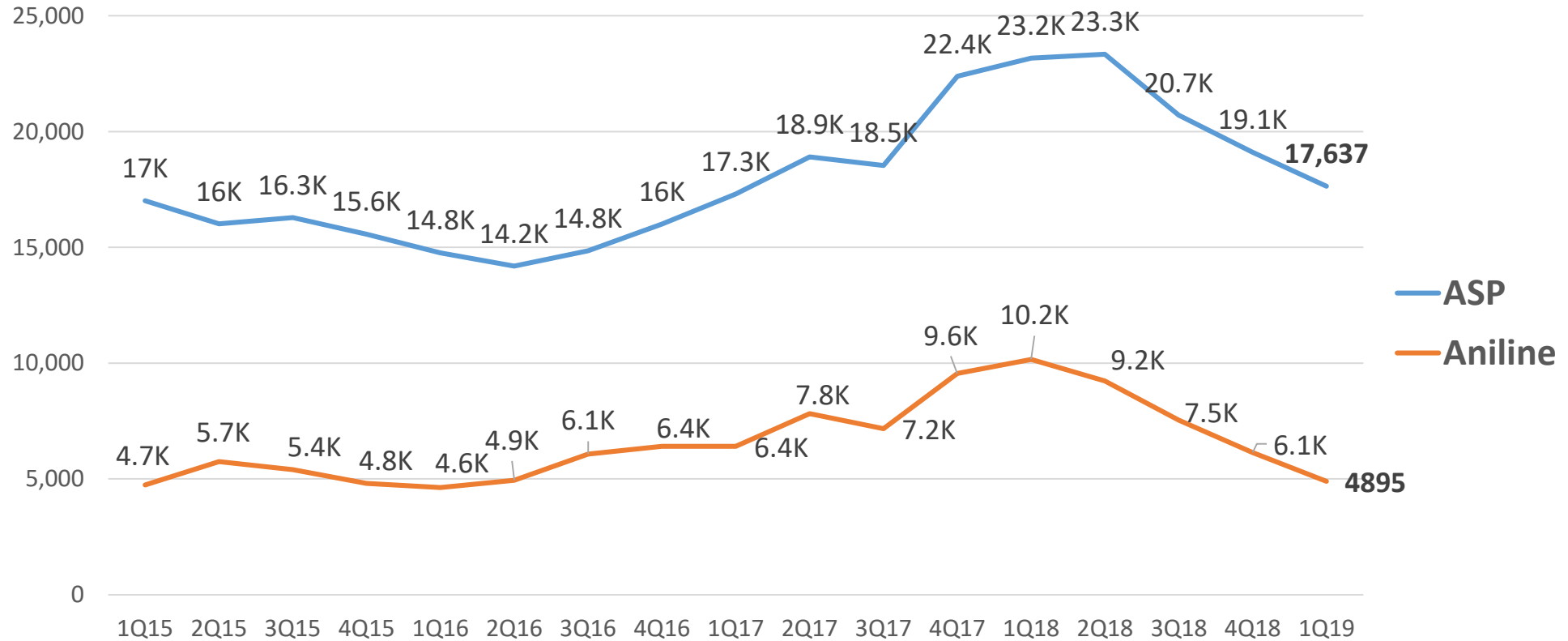
# Overall Average Selling Price (ASP)

RMB/Ton



# ASP vs Aniline Price

RMB/Ton

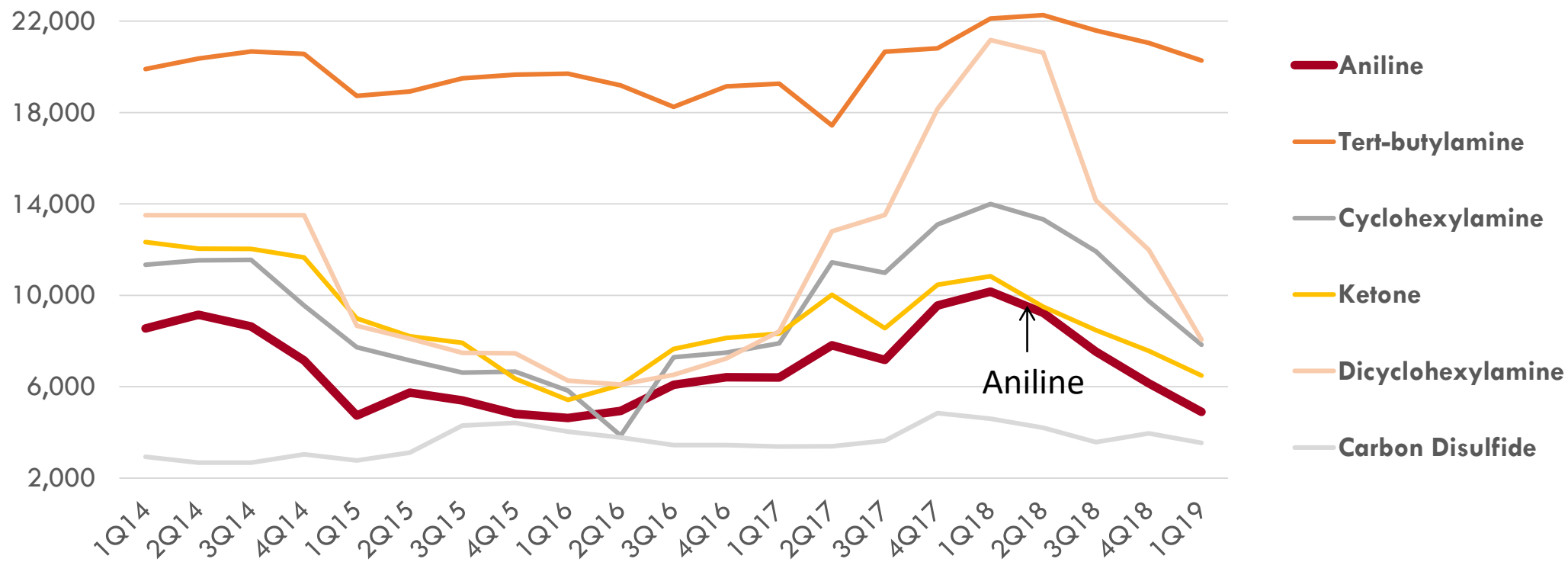


- 1Q19 ASP dropped 24% y-o-y mainly due to the decrease in raw material prices



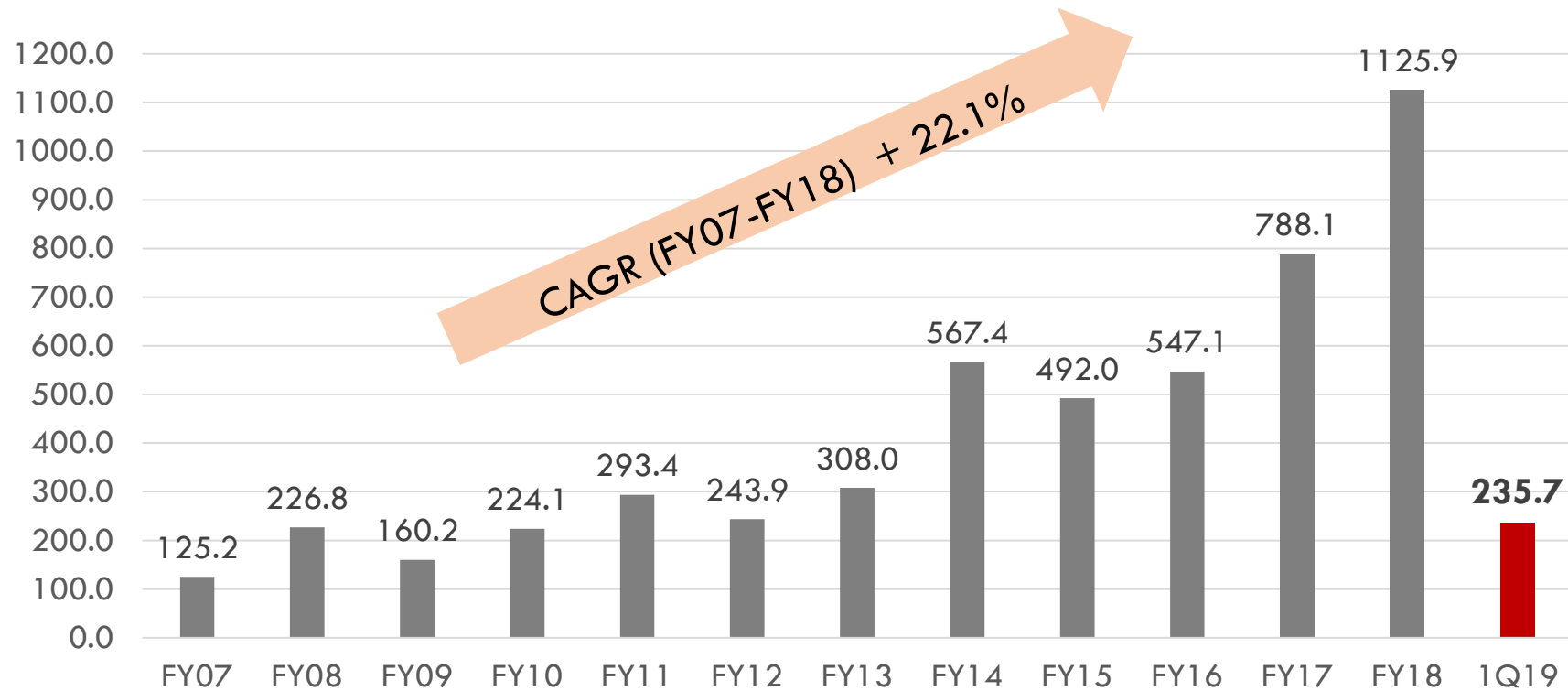
# Main Raw Materials Price Trend

RMB/ Ton



# Gross Profit

RMB 'mln

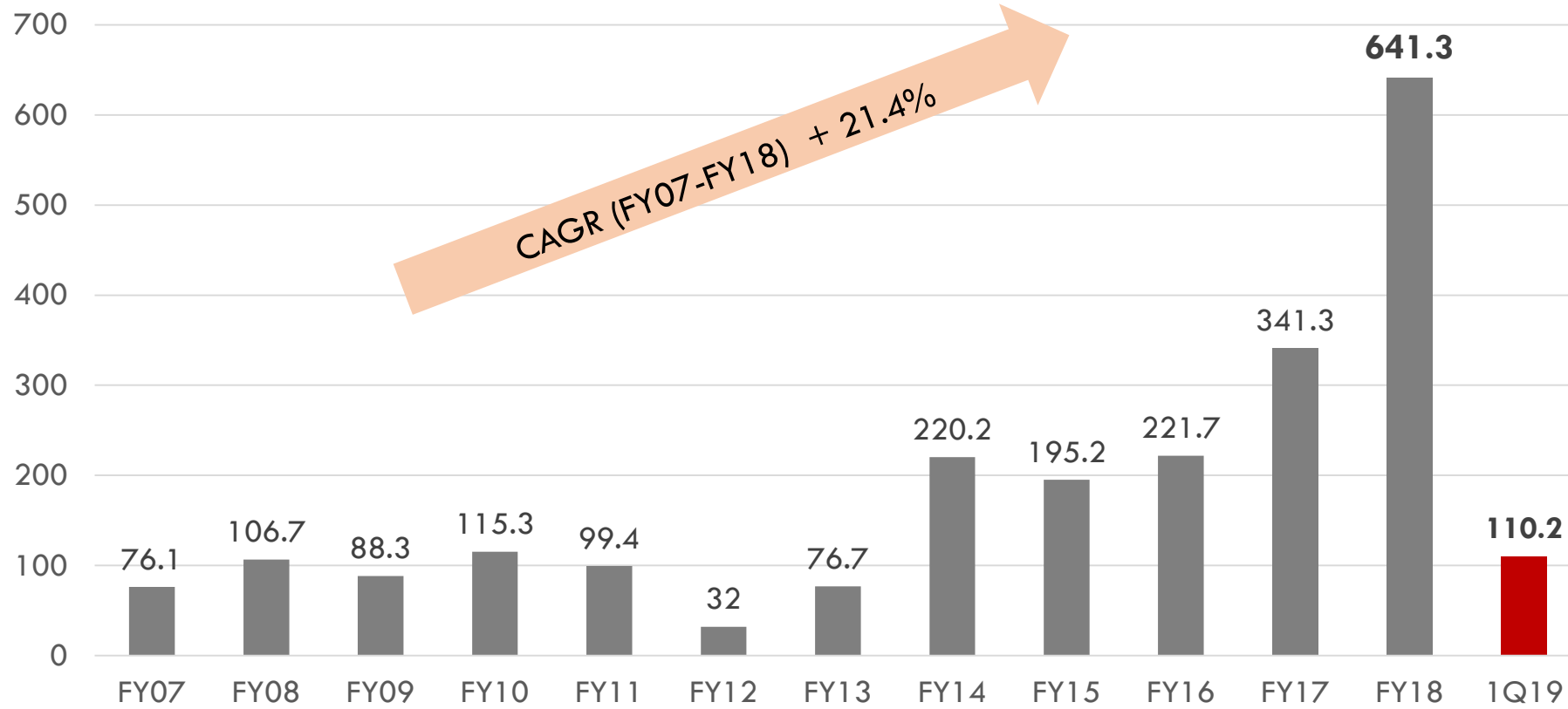




# Net Profit

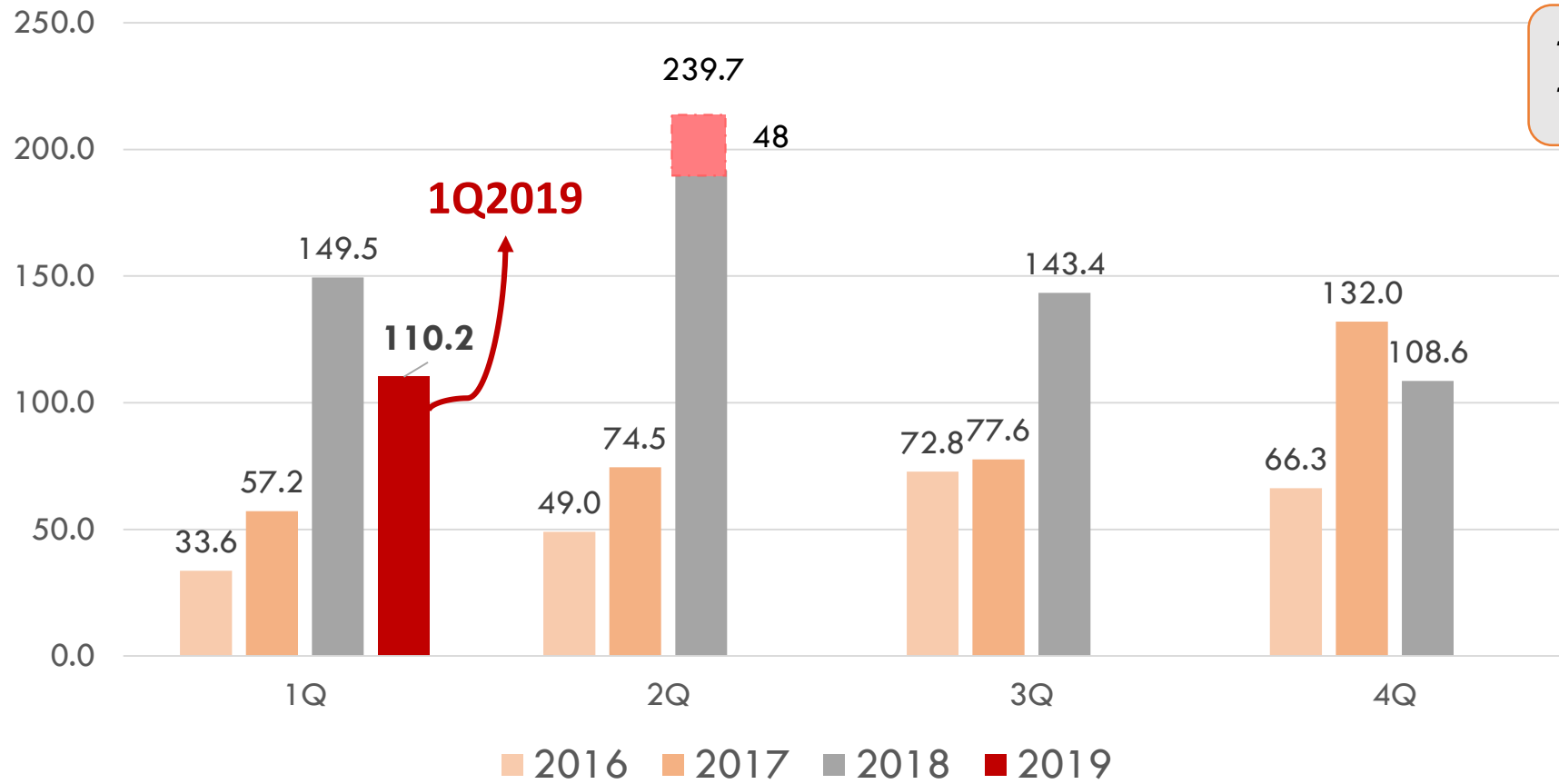
RMB 'mln

Net Profit



# Net Profit By Quarter

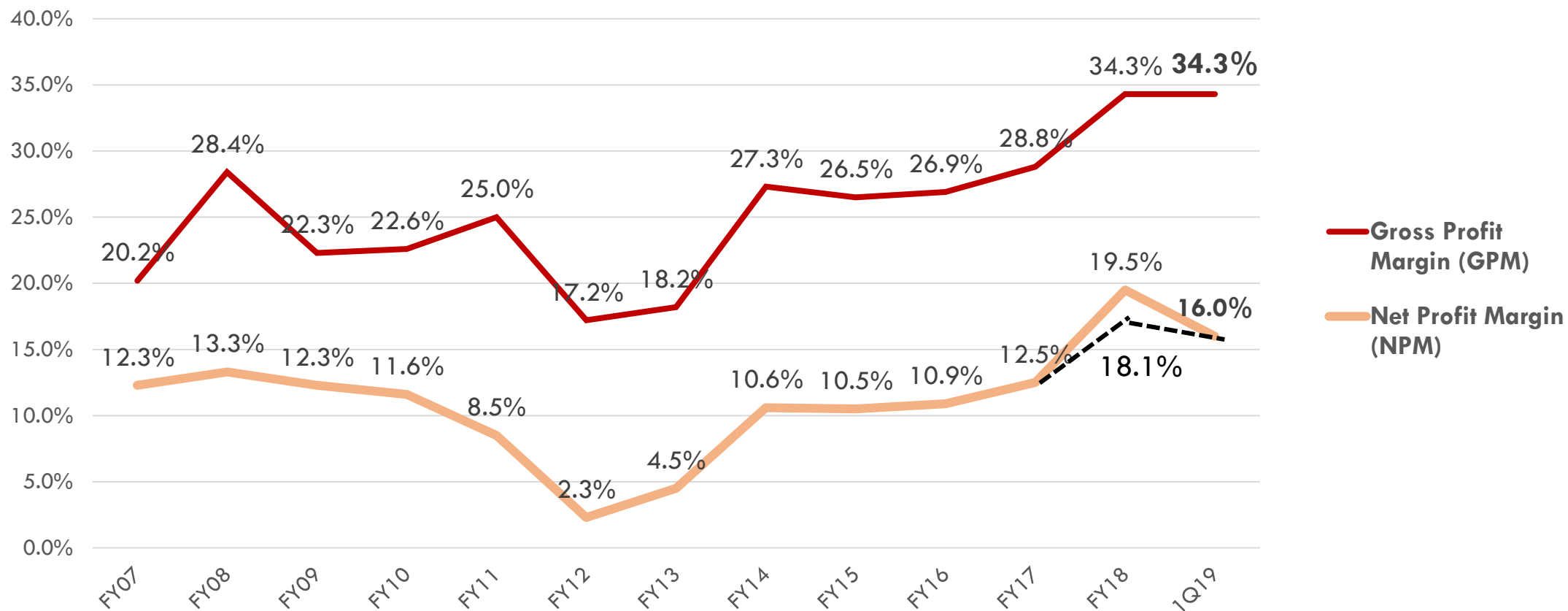
RMB 'mln



- 1Q19 Net profit down 26% y-o-y due to the decrease in ASP



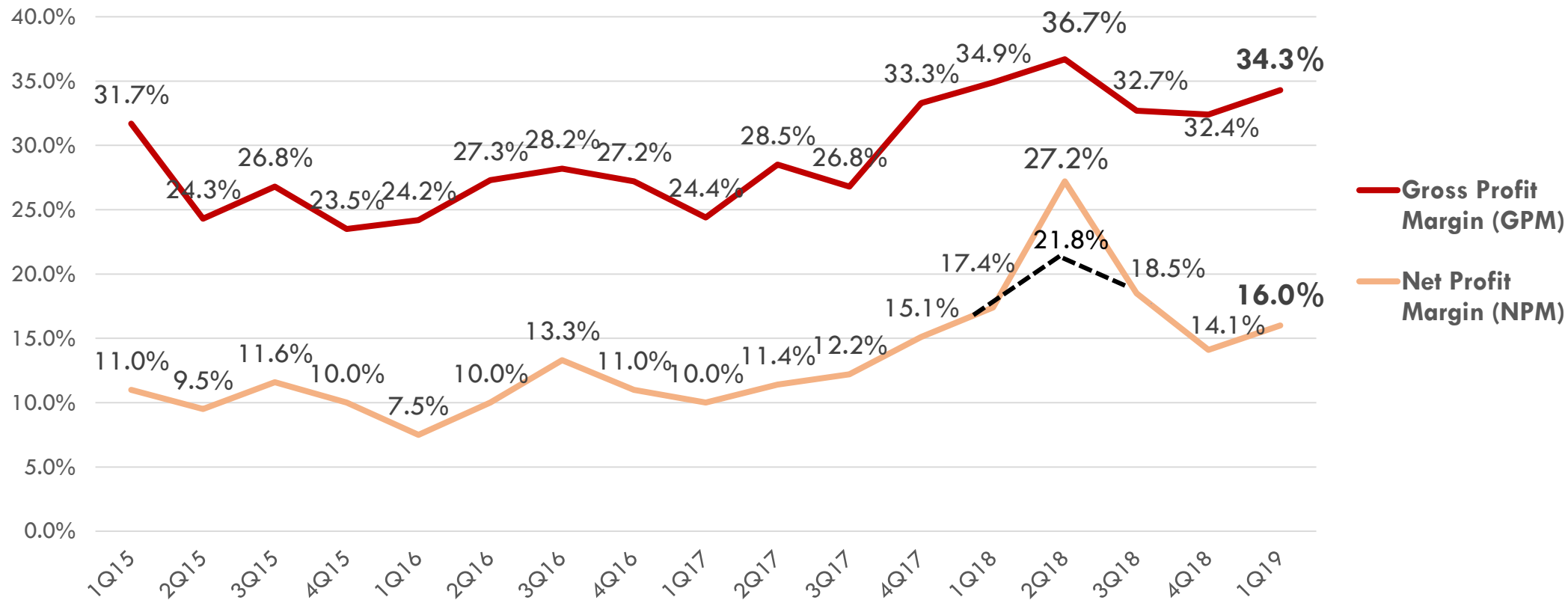
# Margins Analysis



--- Adjusted by taking out the one-time credit of tax expense of RMB 48 mln in FY17



# Margins Analysis By Quarter



--- Adjusted by taking out the one-time credit of tax expense of RMB 48 mln in FY17



# Balance Sheet Highlight

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	31/03/2019	31/12/2018	31/12/2017
<b>Current Assets (RMB'mln) *</b>	<b>2,107.8</b>	<b>2,016.4</b>	1,424.6
<b>Current Liabilities (RMB'mln)</b>	<b>395.5</b>	<b>421.8</b>	385.3
<b>Current Ratio</b>	<b>5.33</b>	<b>4.78</b>	3.70
<b>Shareholders' Equity (RMB'mln)</b>	<b>2,434.2</b>	<b>2,325.5</b>	1,742.4
<b>D/E ratio **</b>	<b>0</b>	<b>0</b>	0
<b>NAV per share (RMB cents) (equivalent to SGD cents)</b>	<b>495.45/ 99.80</b>	<b>473.32/ 94.6</b>	354.37/ 70.8
<b>Net Cash per share (RMB cents) (equivalent to SGD cents)</b>	<b>238.1/ 48.0</b>	<b>211.4 42.2</b>	101.6/ 20.3

\* Including Cash RMB 1,169.8 mln

\*\* No bank borrowing



# Key Developments

# Expansion Projects

Project	Status	CapEx
<b><u>30,000-ton fully-automated, high-end Accelerator TBBS at Shanxian:</u></b>	<b>Whole project was approved in Jan 2019</b>	
<b>1. Phase I of 10,000-ton capacity</b>	Commercial production started in Jan 2019	RMB 100 mln
<b>2. Phase II of 20,000-ton capacity</b>	New line to be installed in 2019	RMB 60 mln
<b>Sunsine Chemical Zone (In phases)</b>	Signed Investment Agreement to acquire a piece of land	Not finalized yet



# Annual Capacity

	2007 (before IPO)	FY17	FY18	FY9e
Rubber Accelerators	32,000	87,000	87,000	97,000
Insoluble Sulphur	nil	20,000	30,000	30,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000
<b>Total</b>	<b>32,000</b>	<b>152,000</b>	<b>162,000</b>	<b>172,000</b>



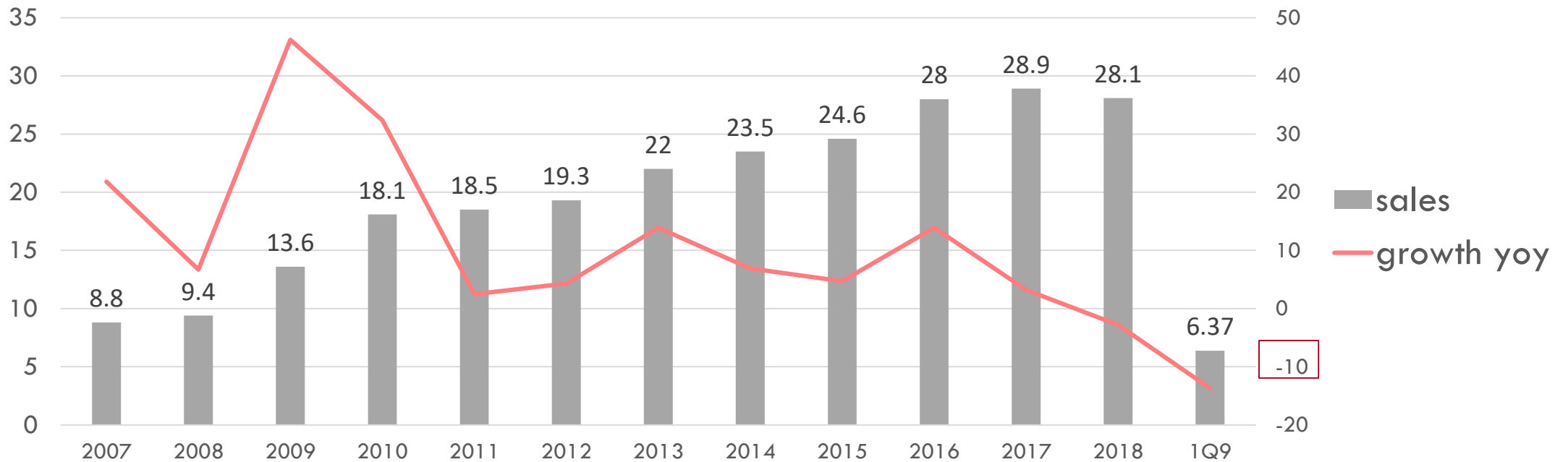


# Industry Info and Outlook

# China's New Car Sales

in million units

%

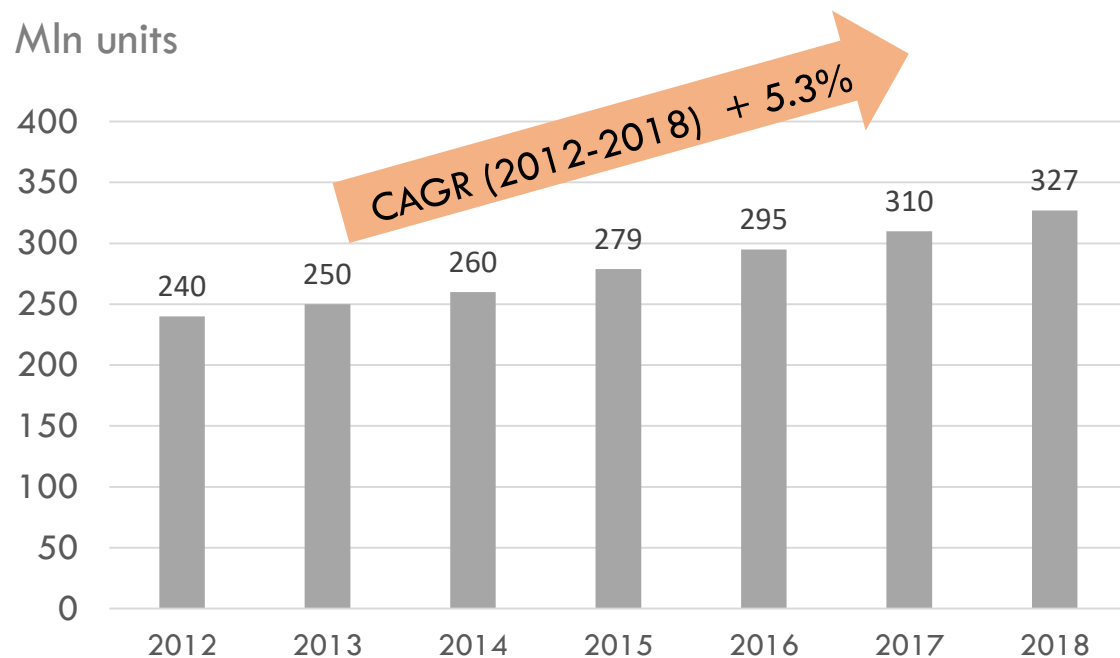


- 6.37 mln cars sold in China in 1Q2019, down 13.7% y-o-y
- China's new car sales expected to be slower after robust growth over 28 years

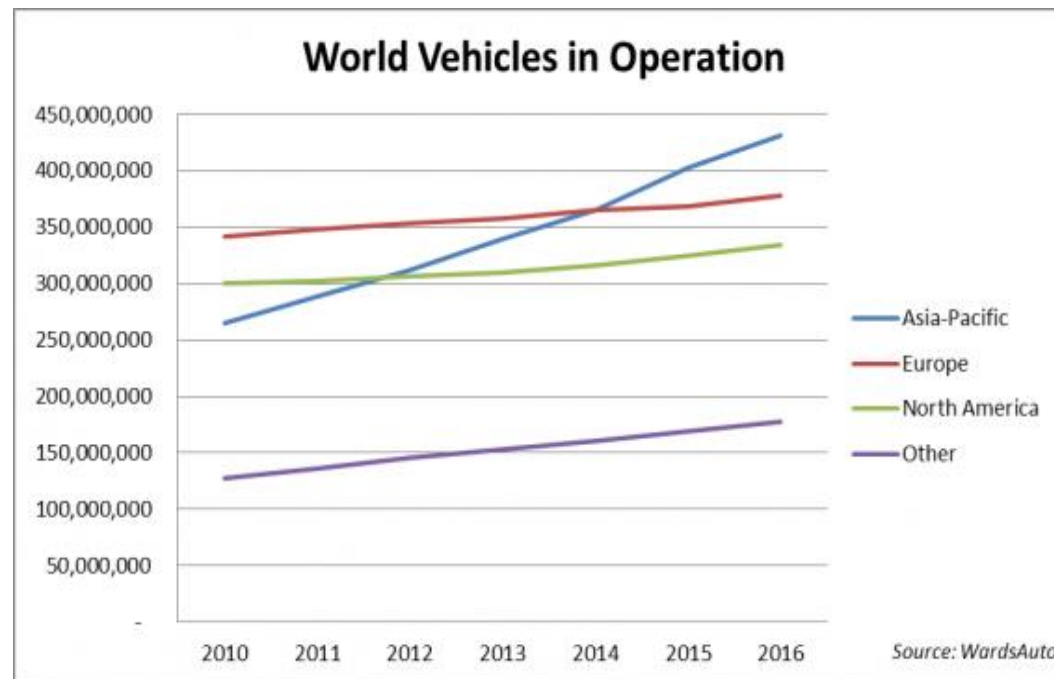


# Global Vehicle Population

## PRC Motor Vehicle Population



[http://www.sohu.com/a/289093749\\_390500](http://www.sohu.com/a/289093749_390500)



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

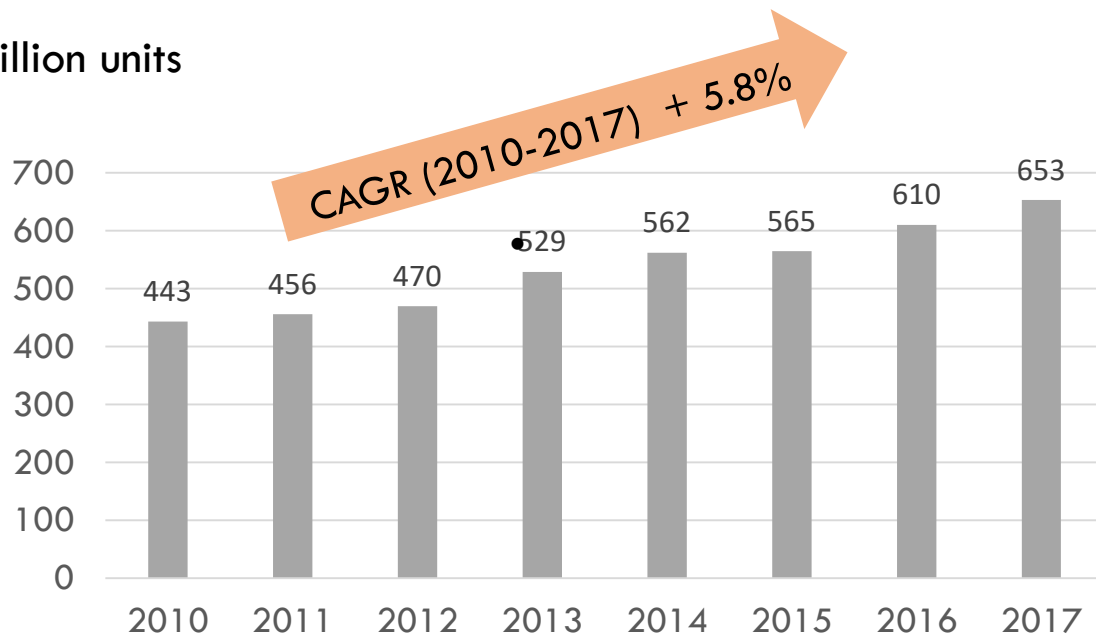


- Global vehicle population is growing, mainly driven by rising car ownership in developing countries

# Riding on Rising Tire Consumption

### PRC Tire Production Volume

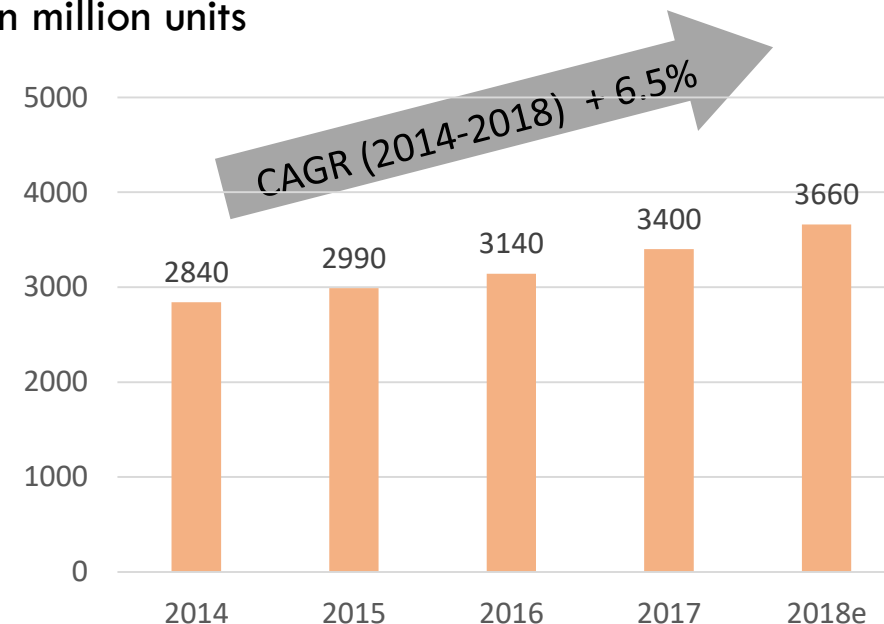
in million units



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

### Projected worldwide tire market volume from 2014 to 2018

in million units



[www.statista.com](http://www.statista.com)



- Replacement tire and new car tire sales account for 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

# 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



# 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 resume 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 Sunshine Chemical Holdings Ltd. (CH8.SI) ☆

SES - SES Delayed Price. Currency in SGD

**1.1900** +0.0200 (+1.71%)

At close: 5:04PM SGT



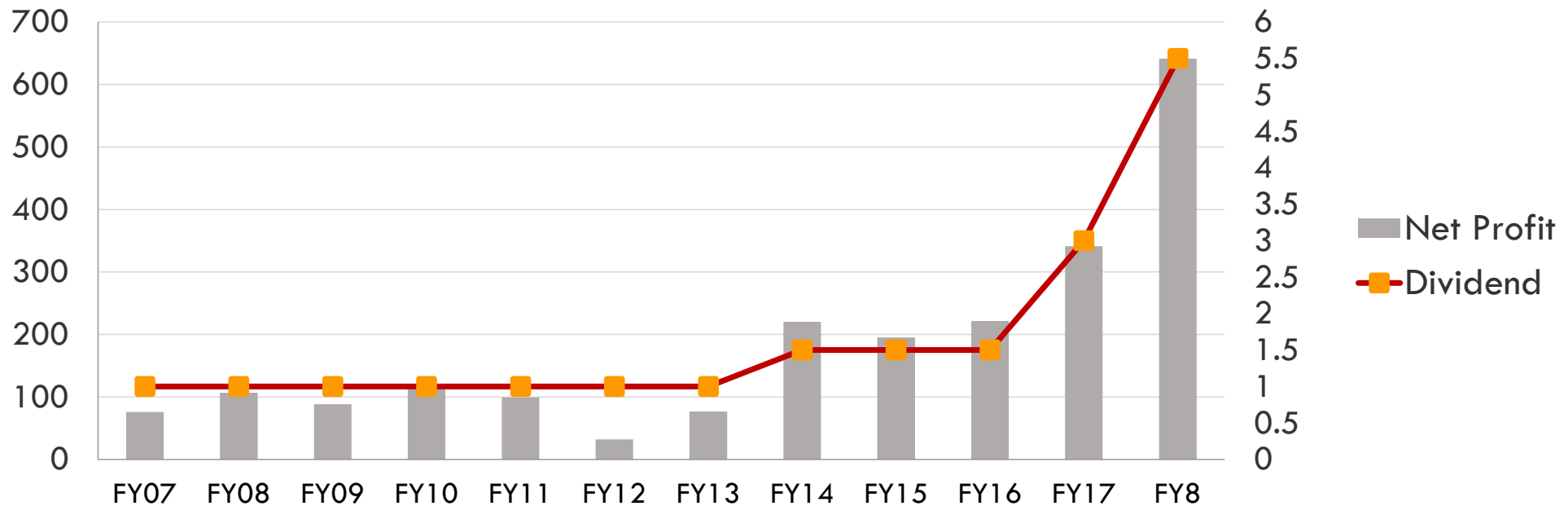
- P/E 5 times & P/B 1.2 times
- Dividend yield 4.6%



# Dividend Payment History

**Net Profit**  
(in RMB 'mln)

**Dividend**  
(in SGD cents)



**FY2018 Dividend SGD 5.5 cents**

- Ex-dividend date: 8 May 2018
- Payment date: 24 May





# Chairman's Message

*“Although there was a decrease in our 1Q2019 profits, I am delighted that we have achieved RMB110.2 million net profit amidst a slowing down of the global and China’s economies. However, as raw material prices are hovering at lower levels, the Group’s ASP for rubber chemicals came under pressure. At the same time, as some players have resumed their operation after investing more in technological upgrading and environmental protection & safety production equipment, competition is expected to be more intense for some of our products, which will further challenge our ASP.*”

*“However, more frequent inspections may benefit bigger companies that excel in environmental and safety practices, and may lead to industry consolidation.” Mr Xu commented. We will continue to maintain our strategy that ‘higher production leads to higher sales volume, which in turn stimulates even higher production’. We will expand capacity to gain more market share in the rubber chemicals industry. We will also continue to focus on environmental protection and safety production, as well as production technology and innovation, to gain a competitive edge over other producers.”*



**Mr. Xu Chengqiu**  
**Executive Chairman**



# Q & A

## MEDIA/INVESTOR CONTACT

Tong Yiping, CFO, [tongyiping@ChinaSunsine.com](mailto:tongyiping@ChinaSunsine.com)  
Jennie Liu, IR Manager, [jennie@ChinaSunsine.com](mailto:jennie@ChinaSunsine.com)

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112 Robinson Road #11-01  
Singapore 068902  
(+65) 6220-9070  
[www.ChinaSunsine.com](http://www.ChinaSunsine.com)