



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

Company Presentation & First Half 2021 Interim Financial Results

17 August 2021

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

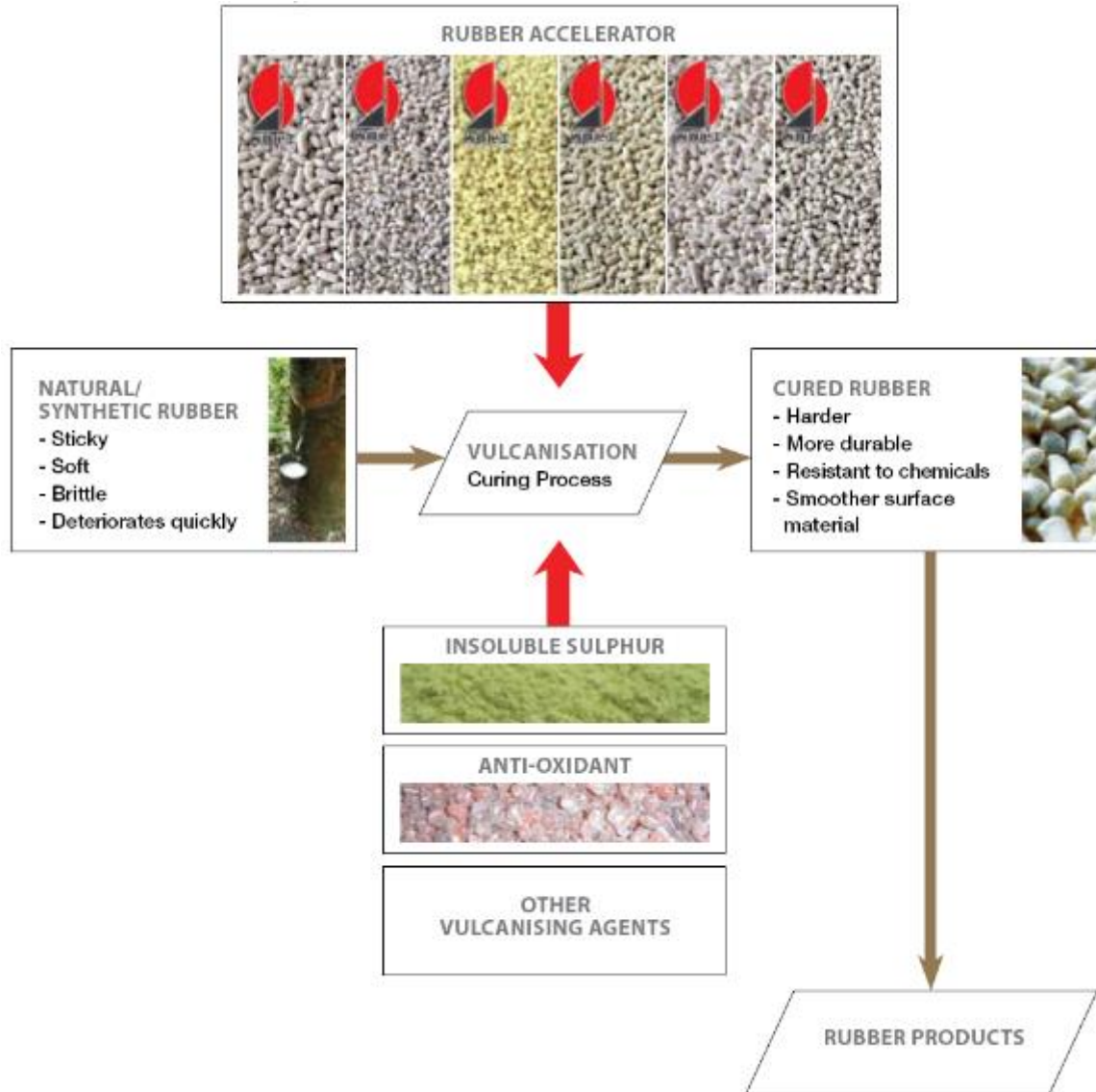
Our Company

About China Sunshine Chemical

- ✓ Specialty rubber chemicals producer
- ✓ **World's largest** producer of Rubber Accelerators
- ✓ **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 tyre makers
- ✓ Beneficiary of stringent environmental protection standards



Our Products: Rubber Chemicals



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



Our Products - Rubber Chemicals



Rubber Accelerators

MBT MBTS CBS TBBS TMTD
DPG DCBS



Insoluble Sulphur (IS)

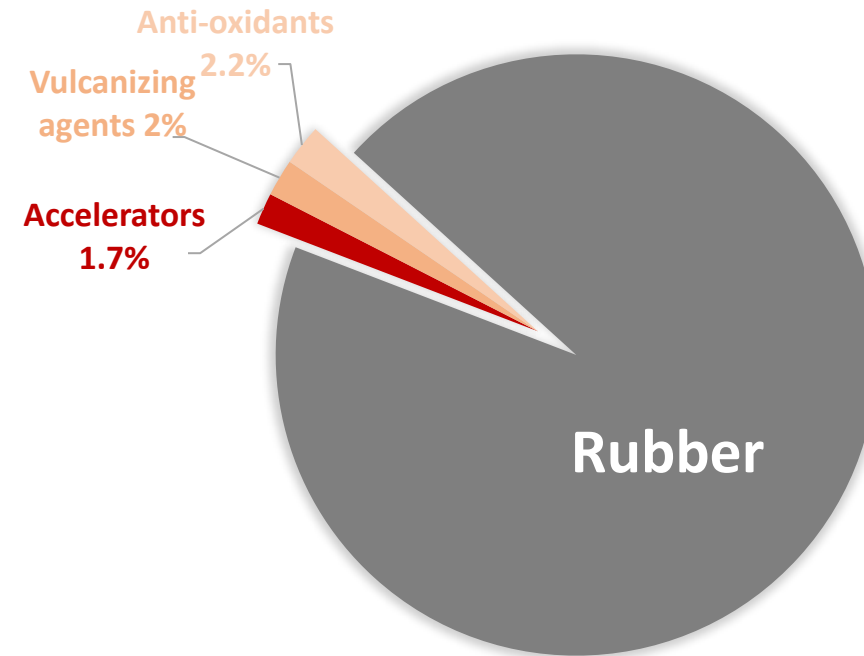
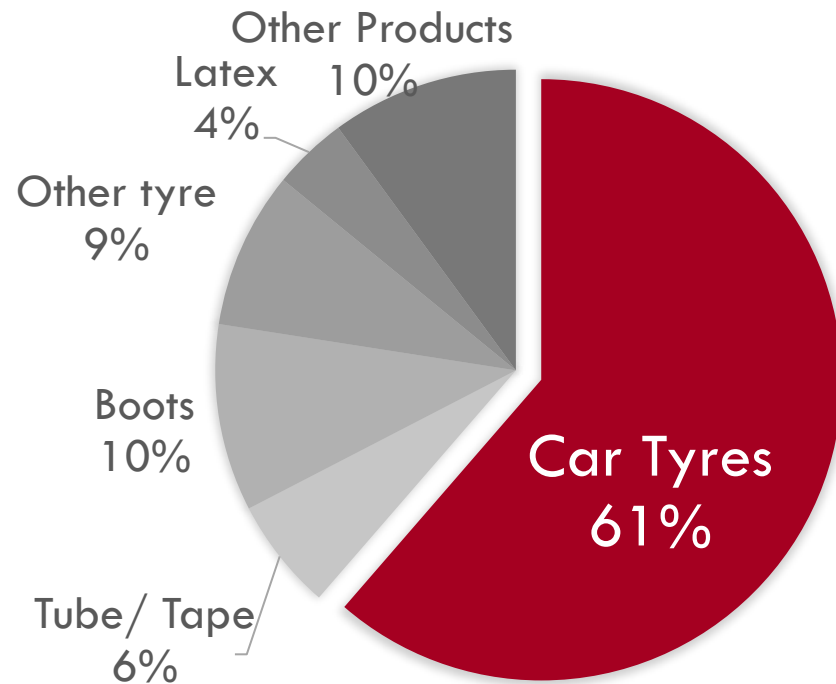


Anti-Oxidants

TMQ
6PPD
4010NA



Global Consumption of Rubber



<http://www.chemn.com>

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



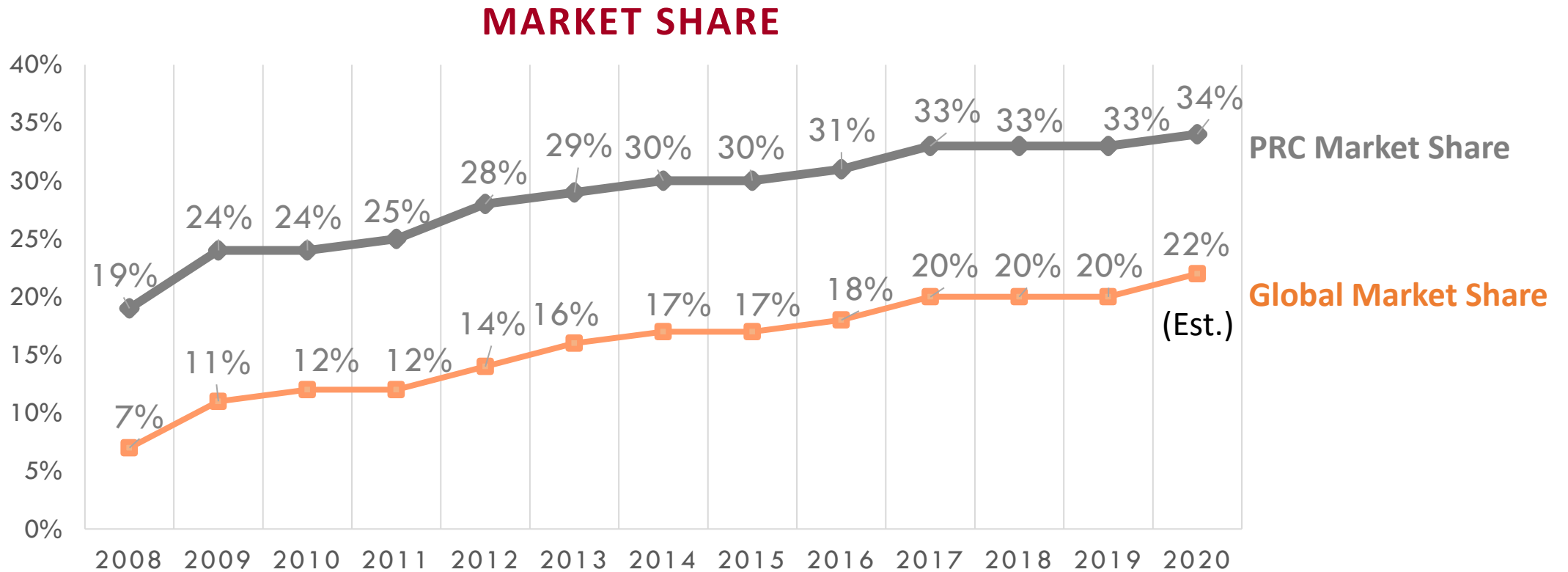
Our Strong Customer Base



- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tyre 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 tonnes
Yanggu Huatai 阳谷华泰	60,000 tonnes
Tianjin Kemai 天津科迈	51,600 tonnes

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

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



Our Production Bases

6 production bases in **3** locations

Dingtao Base

- 20,000-tonne IS



Shanxian

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



Weifang Plant

- RA: 27,500-tonne



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



Financial Overview

Financial Highlights

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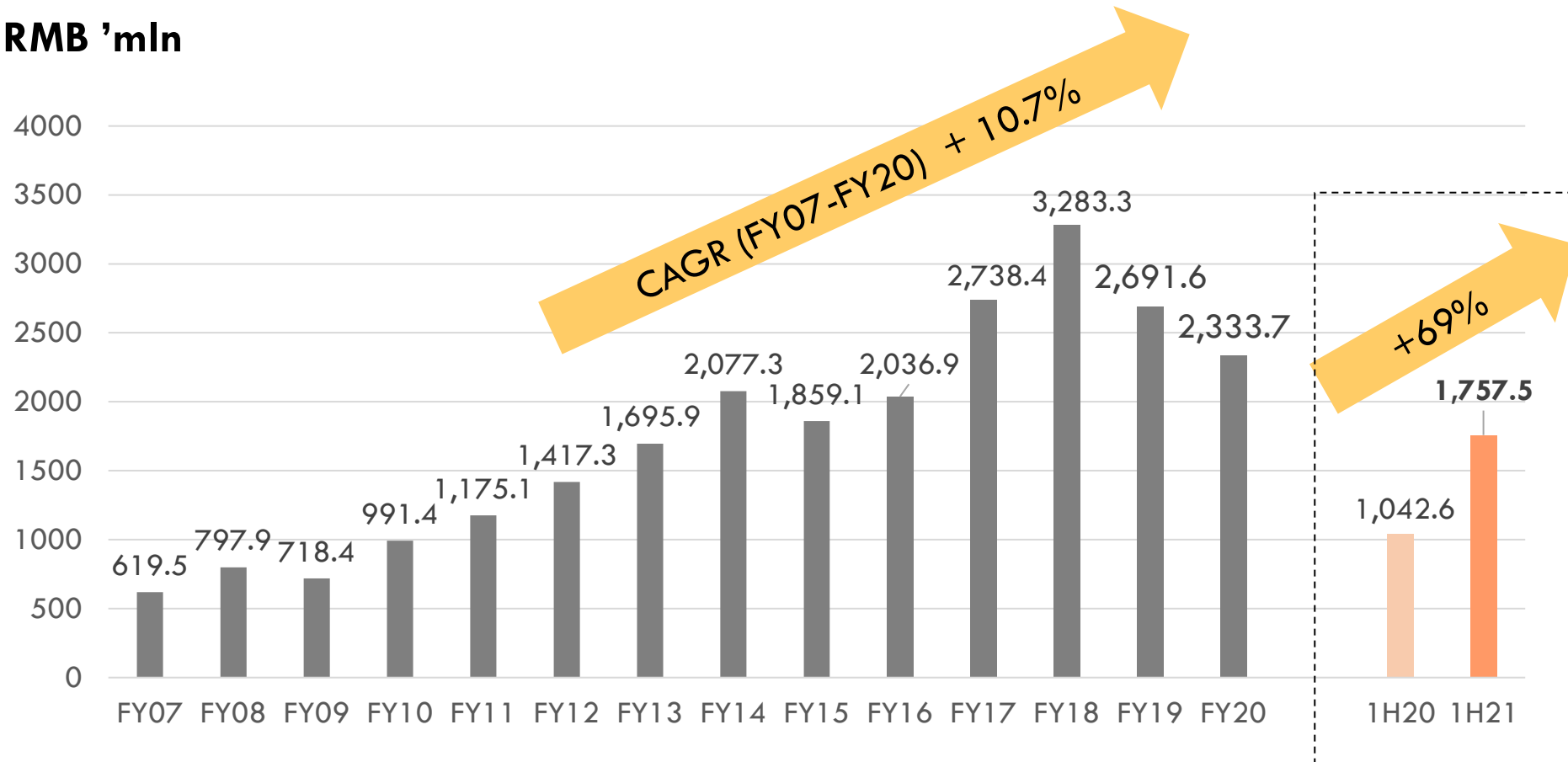
RMB 'mln	First Half Year Ended		
	30/06/21	30/06/20	Change
Group Revenue	1,757.5	1,042.6	69%
Gross Profit	552.3	241.9	128%
Gross Profit Margin	31.4%	23.2%	8.2 pts
Adjusted EBITA	408.7	165.9	146%
Profit Before Tax	360.7	114.9	214%
Profit After Tax	265.2	82.4	222%
EPS	27.32/	8.46/	223%
(RMB cents/SGD Cents*)	5.69	1.76	
NAV per share	302.66/	266.19/	14%
(RMB cents/SGD Cents*)	63.02	55.43	

* Singapore Dollars to RMB at the exchange rate of 4.8027 as at 30 June 2021



Revenue Growth

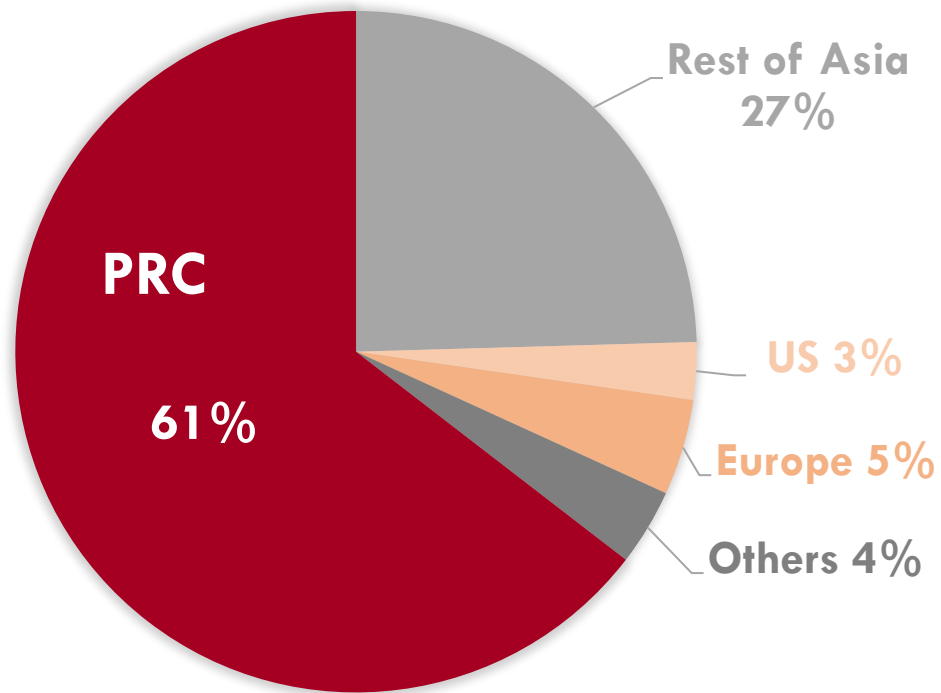
RMB 'mln



1H21 Revenue increased by 69% due to higher ASP and sales volume



Sales Contribution-by region

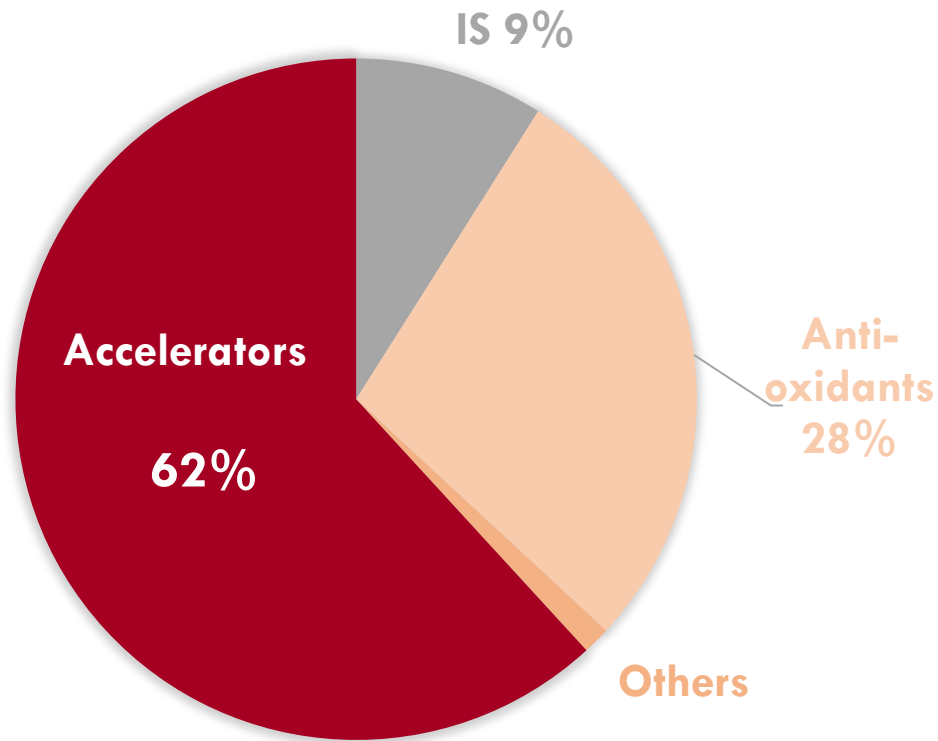


Region	1H2021	FY2020	FY2019
China	61%	68%	62%
Rest of Asia	27%	21%	22%
US	3%	2%	3%
Europe	5%	6%	11%
Others	4%	3%	2%
Total	100%	100%	100%



- International sales rebounded due to the global economy recovery in 1H2021 supported by vaccine rollout

Sales Contribution-by products

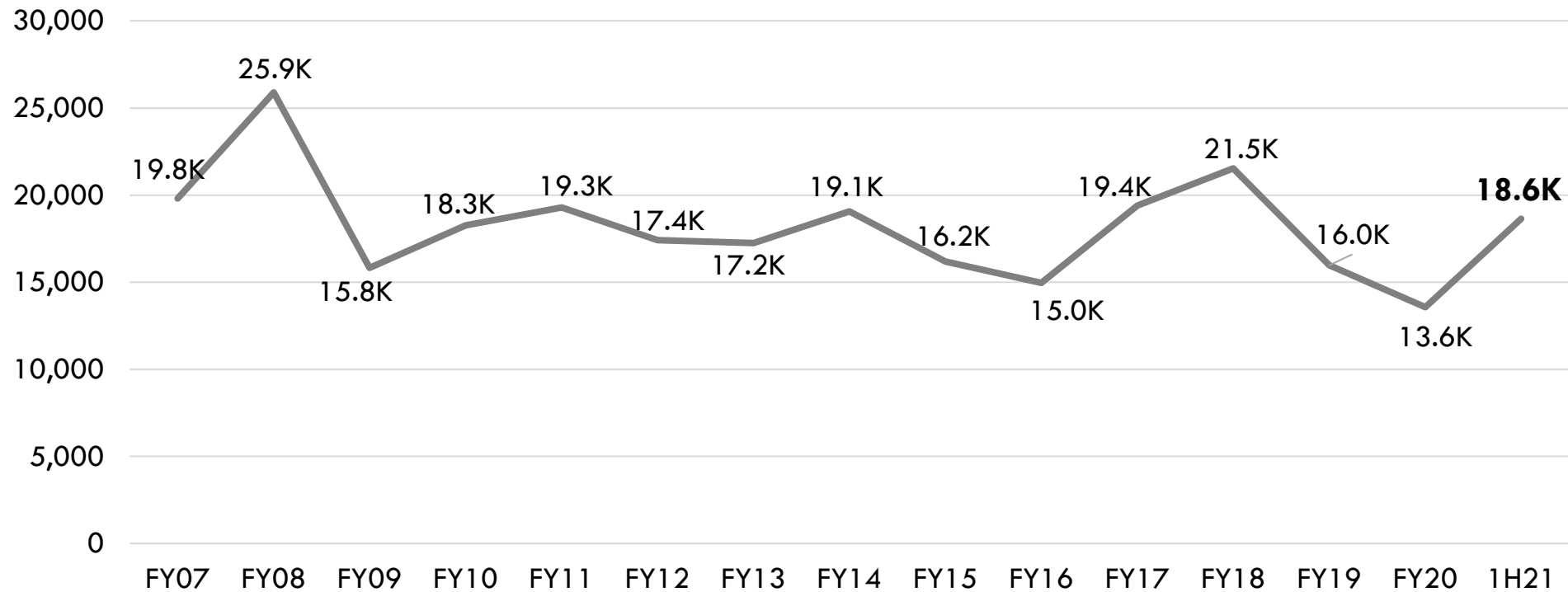


Product	1H2021	FY2020	FY2019
Accelerators	62%	63%	66%
IS	9%	10%	10%
Anti-oxidants	28%	26%	23%
Others	1%	1%	1%
Total	100%	100%	100%

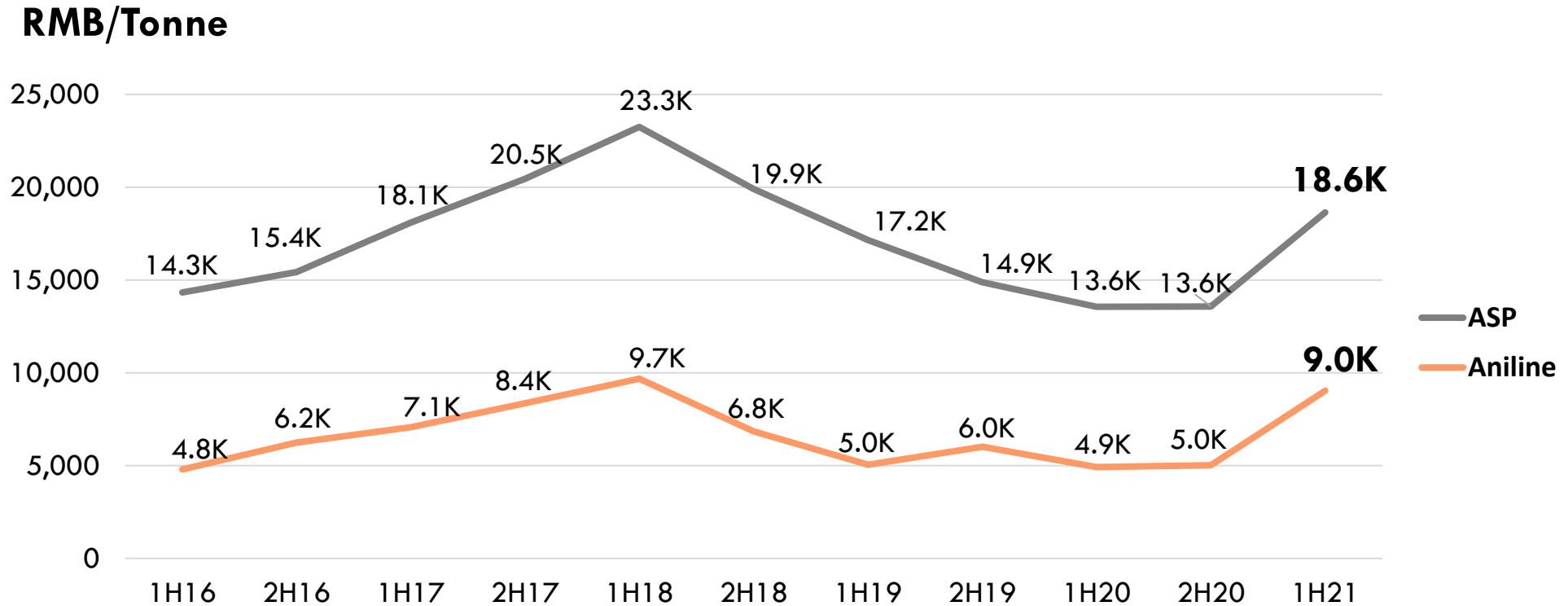


Overall Average Selling Price (ASP)

RMB/Tonne



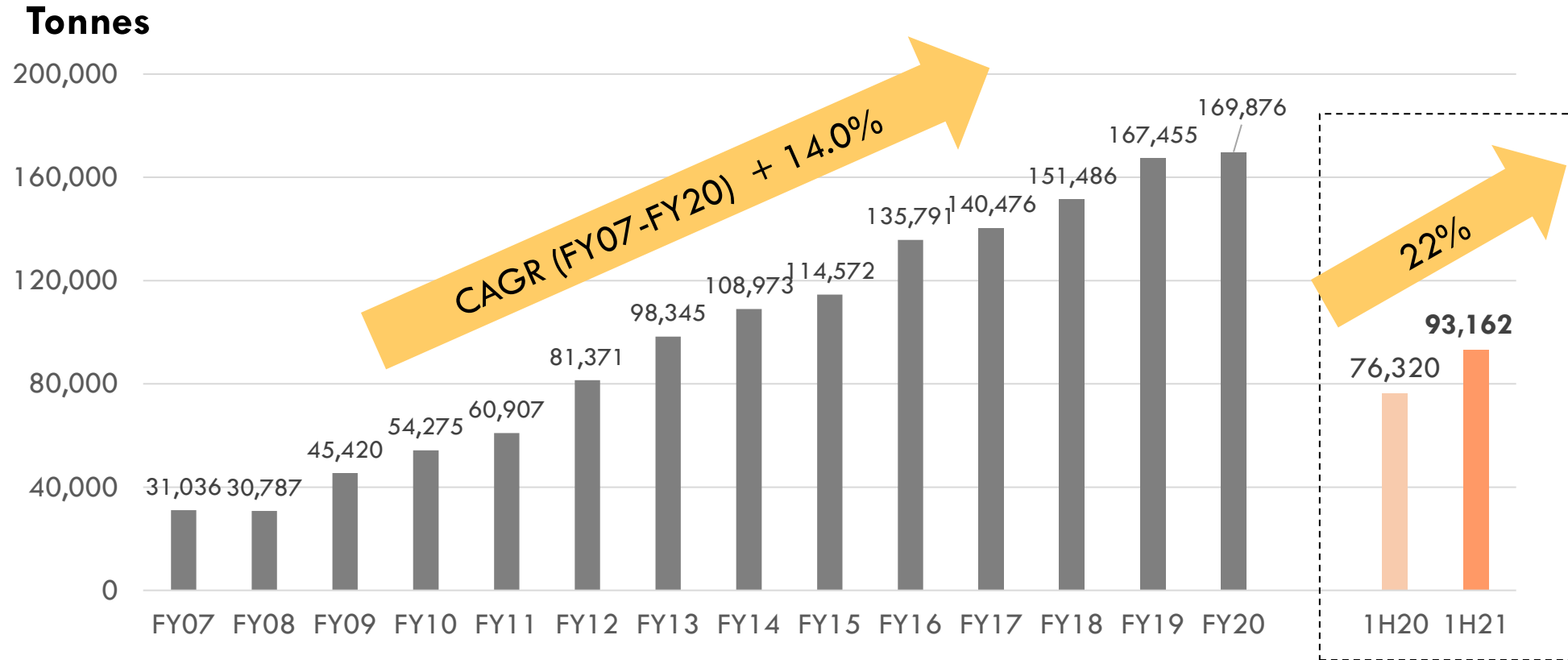
ASP vs Aniline Price (half-yearly)



- ASP increase due to:
 - Higher raw material prices;
 - Increase in the utilisation rate of downstream tyre manufacturers
 - Rising consolidation and polarization in the Chinese rubber chemical industry, which resulted in more orders are placed with bigger rubber chemical players, like us



Sales Volume

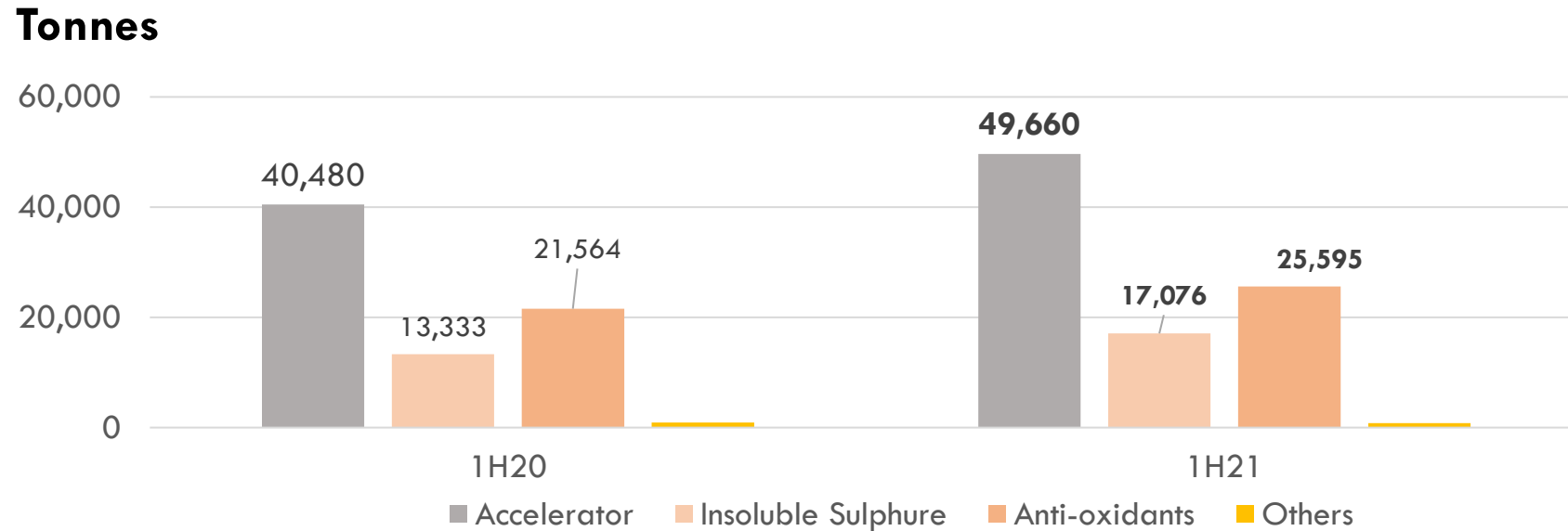


1H21 sales volume up 22% y-o-y mainly due to:

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



Sales Volume by Products



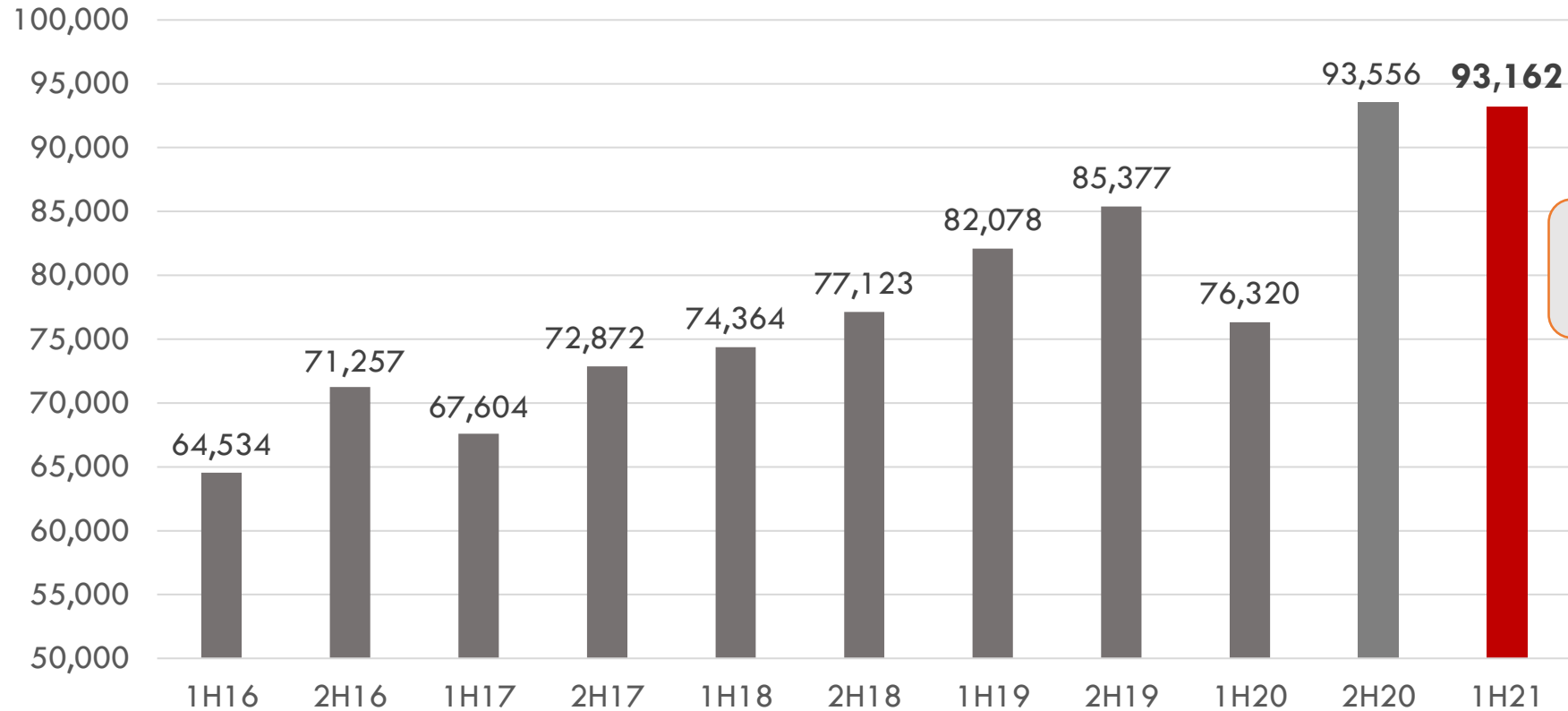
Utilization Rate	1H20	1H21
Accelerators	83%	85%
Insoluble Sulphur	89%	114%
Anti-oxidants	96%	114%
Overall	87%	97%

Note: New 20,000-tonne high-end accelerator TBBS capacity was added in June 2020



Sales Volume (half-yearly)

Tonnes

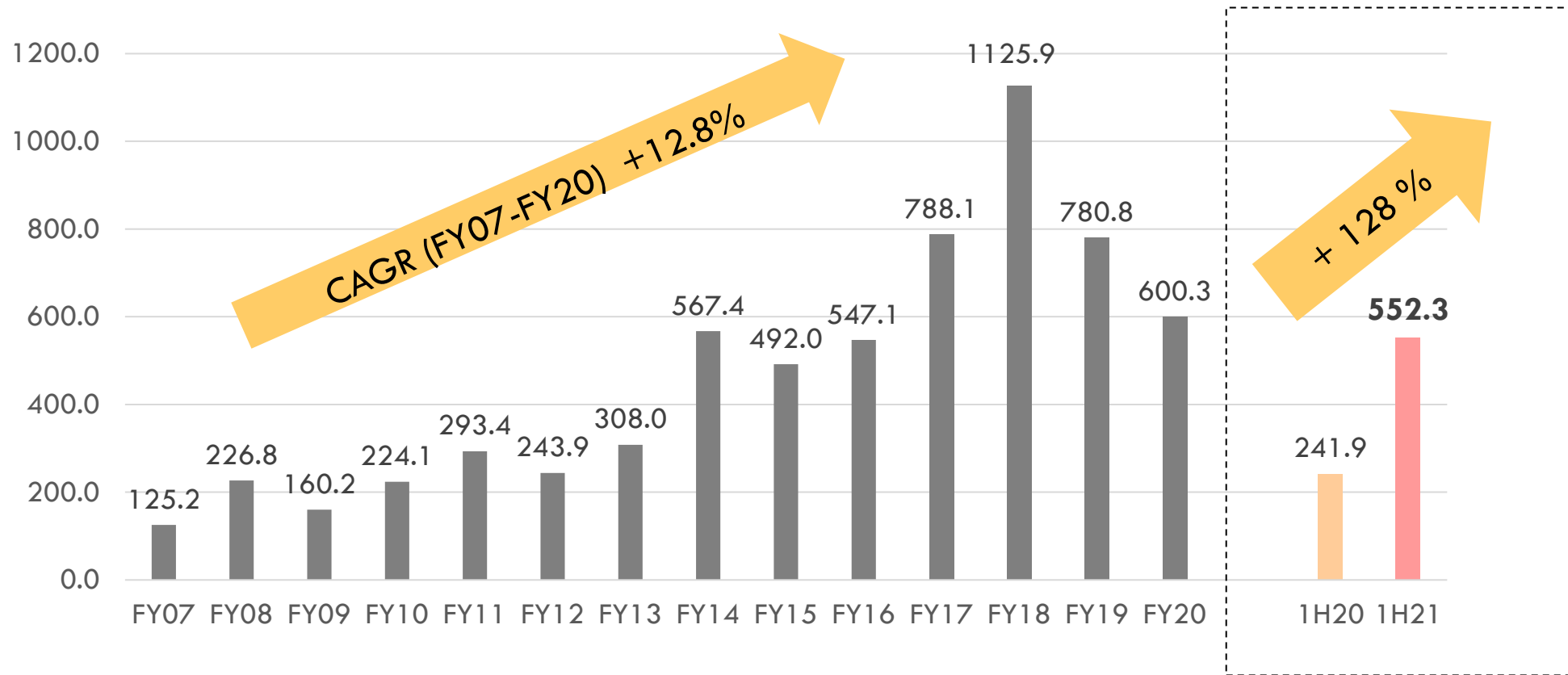


1H21 vs 1H20 : +22%
1H21 vs 2H20 : -0.4%



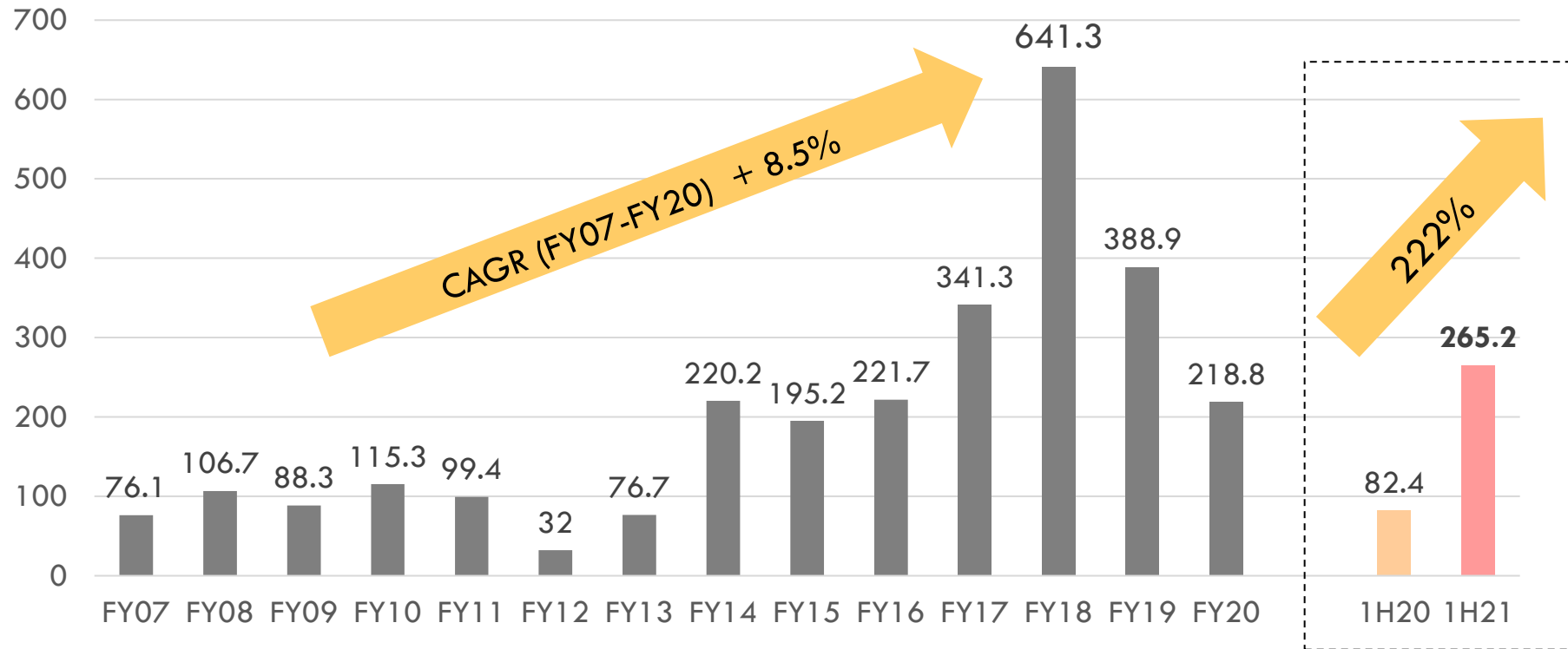
Gross Profit

RMB 'mln



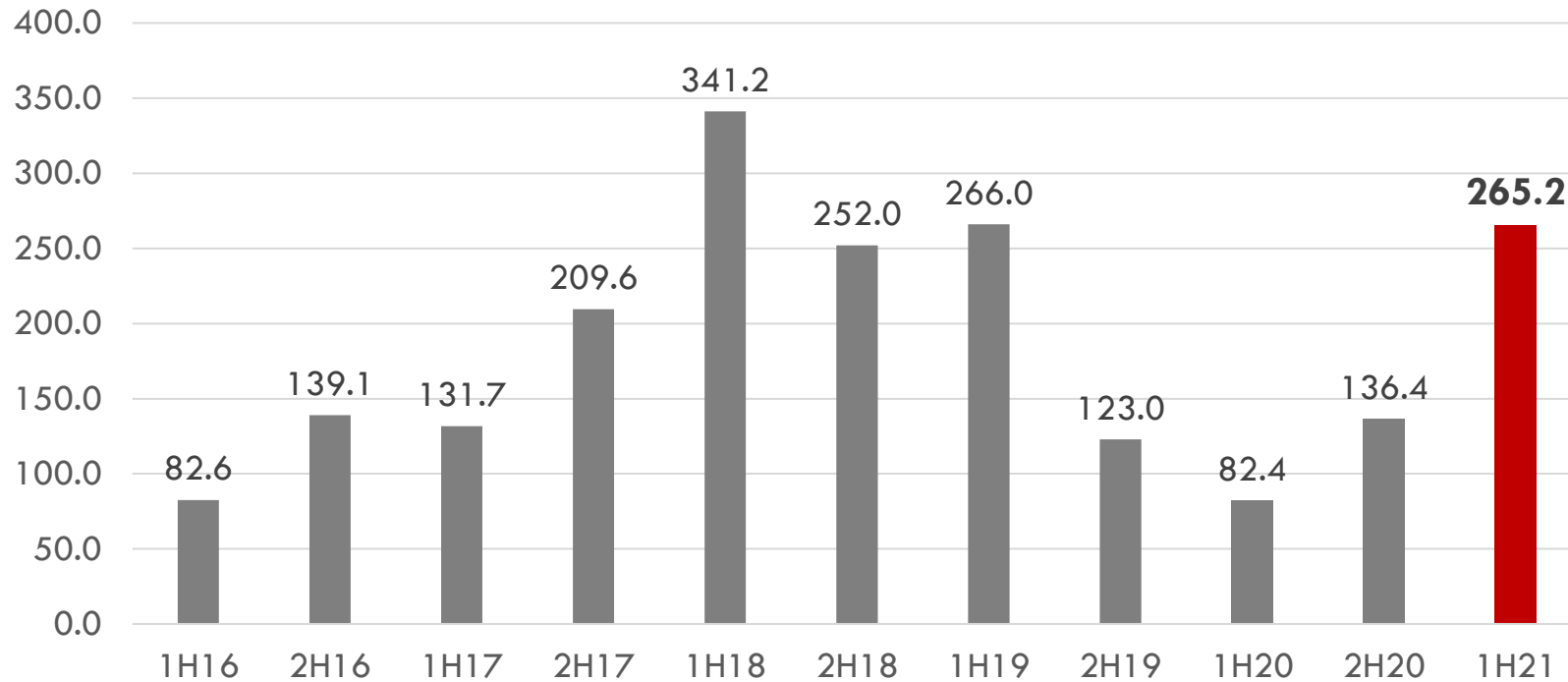
Net Profit

RMB 'mln



Net Profit (half-yearly)

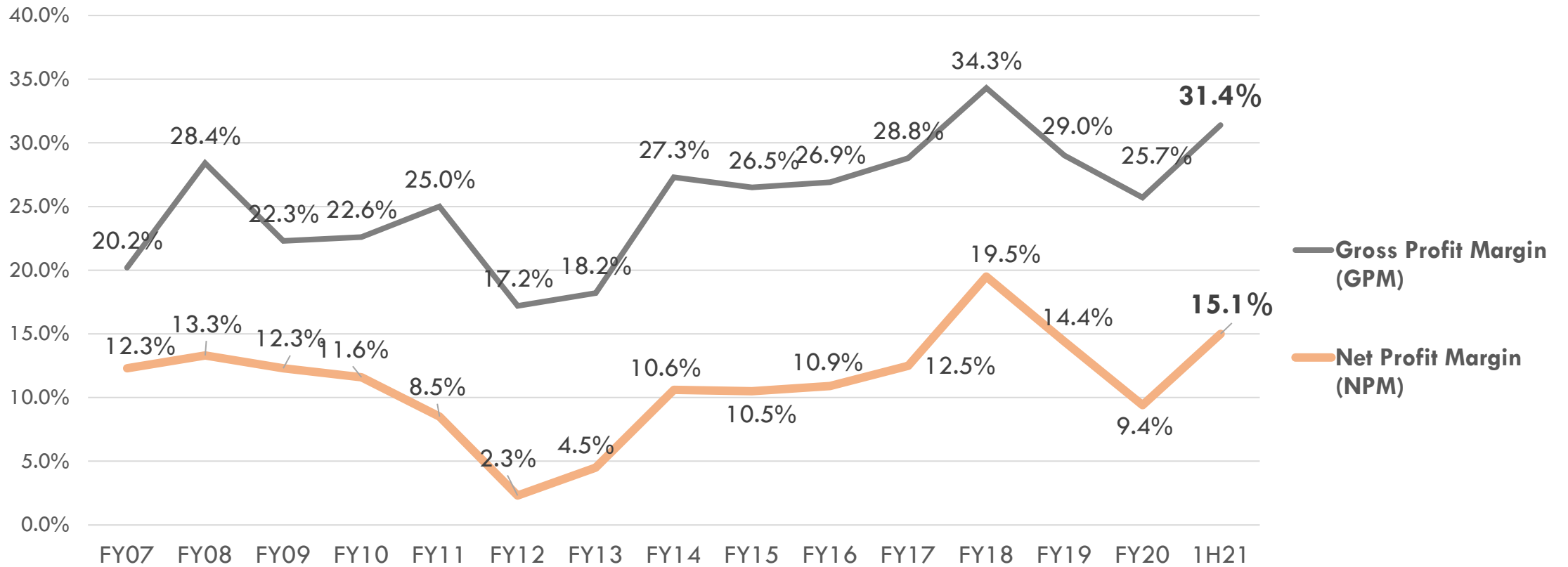
RMB 'mln



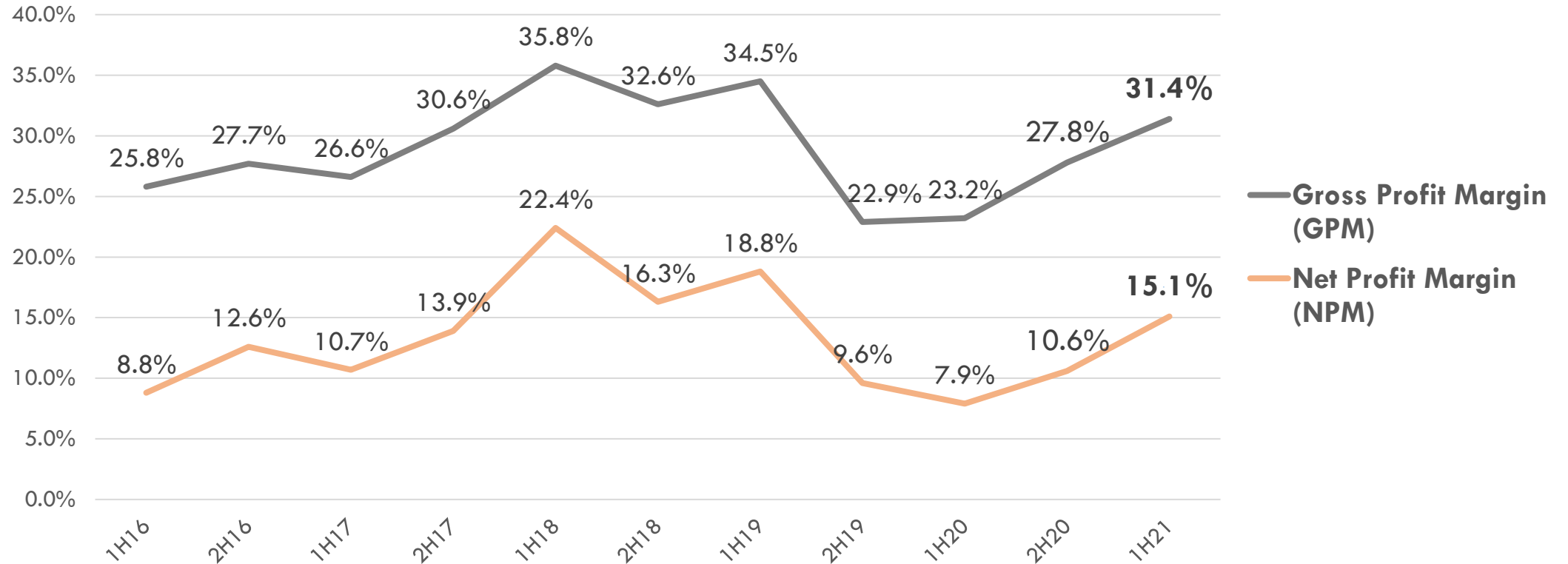
1H21 vs 1H20: **+222%**
1H21 vs 2H20: **+94%**



Margins Analysis



Margins Analysis (half-yearly)



- 1H21 GPM continued to grow due mainly to the increase in ASP and robust demand from downstream tyre manufacturers



Balance Sheets Highlight

	31/12/2020	31/12/2020	31/12/2019
Current Assets (RMB'mln) *	2,479.7	2,239.2	2,219.6
Current Liabilities (RMB'mln)	567.6	451.4	347.4
Current Ratio	4.37	4.96	6.39
Shareholders' Equity (RMB'mln)	2,937.3	2,720.7	2,561.6
D/E ratio *	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	302.66/ 63.0	280.28/ 58.4	262.56/** 54.7
Cash per share (RMB cents) (equivalent to SGD cents)	137.63/ 28.7	137.26/ 28.6	131.19/** 27.44

* Current Assets including cash of RMB 1,335.7 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>Comprehensive Chemical Zone (Hengshun New Materials Co.)</u>		
30,000-tonne Insoluble Sulphur	Pending for trial-run approval Commercial production: 4Q2021	RMB270 mln
<u>30,000-tonne Anti-oxidant TMQ (Yongshun New District)</u>	Testing stage Commercial production: early 2022	RMB 150 mln



Expansion Projects-2

Project	Status	CapEx
<u>700,000-tonne Controlled Landfill</u>		total RMB 600 mln (funded by internal resources)
Phase I 50,000-tonne with land area of 50 mu	Start and complete in 2021	RMB 80 mln (including some common facilities)
Phase II 50,000-tonne with land area of 15 mu	Kick-off soon Expecting to be completed in 1H2022	RMB 35 mln
<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

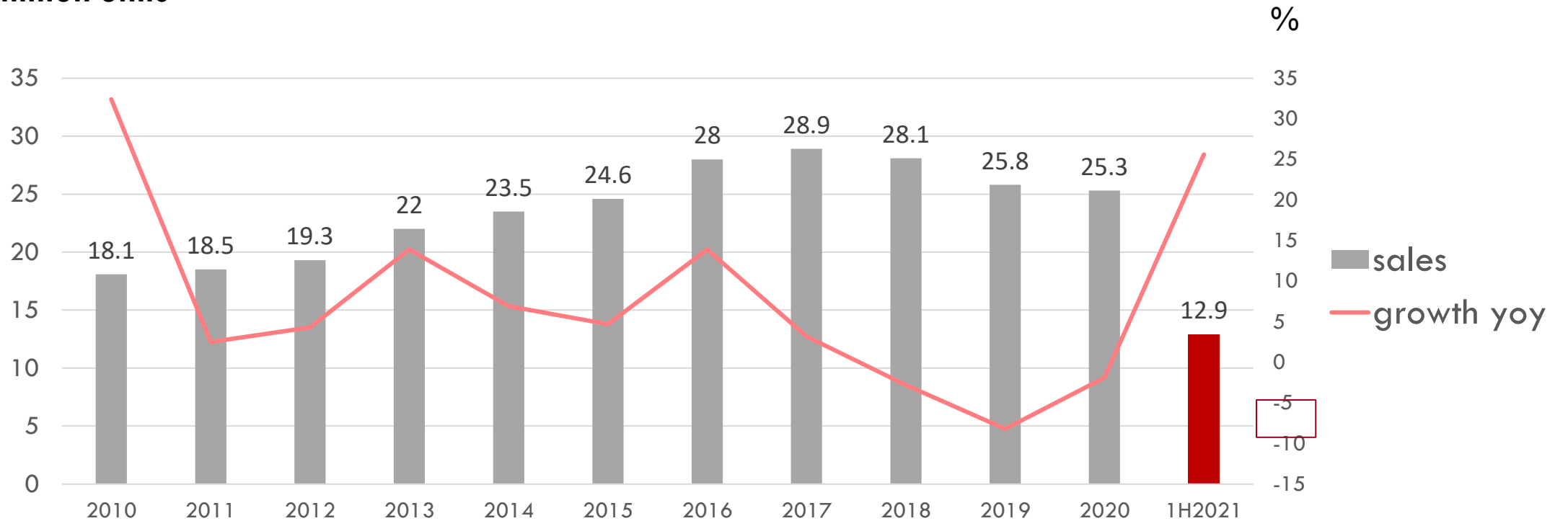
	2007 (before IPO)	FY17	FY18	FY19	FY20	FY21e
Rubber Accelerators	32,000	87,000	87,000	97,000	117,000	117,000
Insoluble Sulphur	nil	20,000	30,000	30,000	30,000	60,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000	45,000	45,000
Total	32,000	152,000	162,000	172,000	192,000	222,000



Industry Info and Outlook

China's New Car Sales

in million units

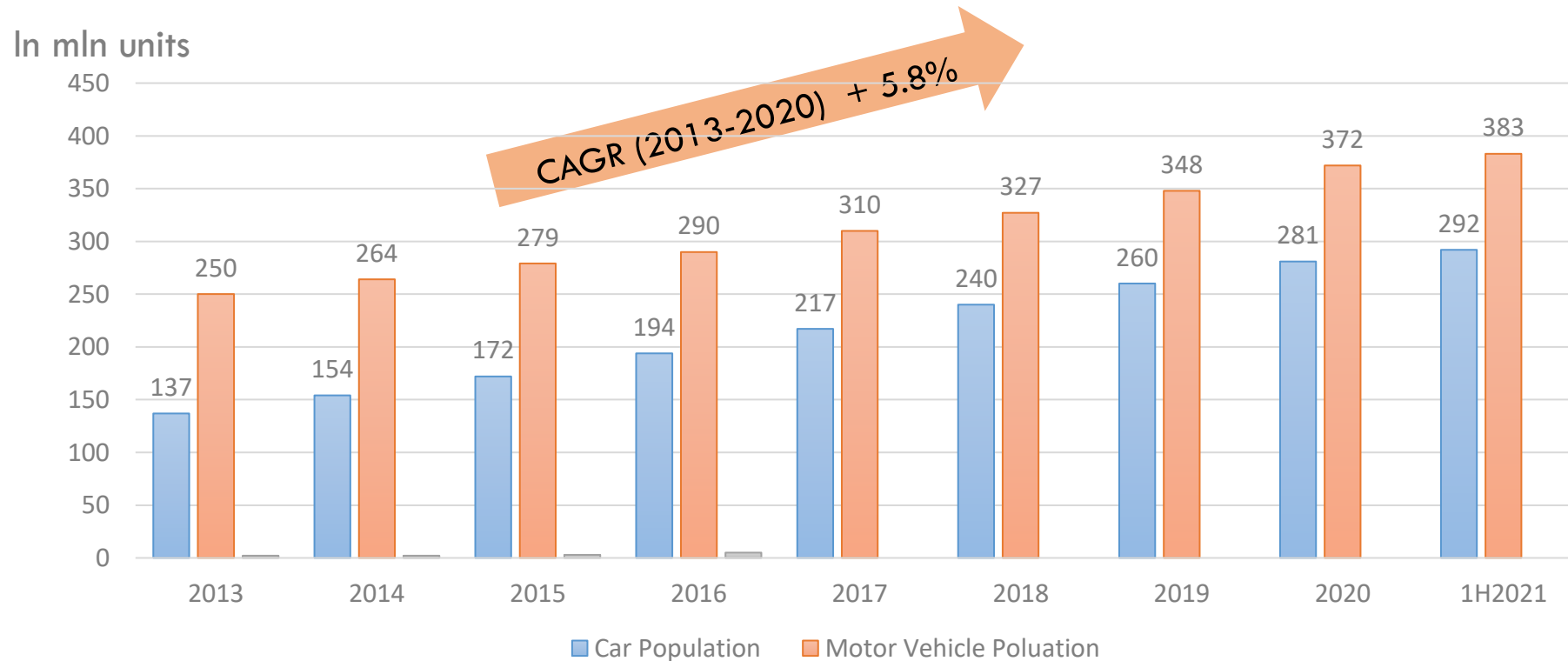


- 12.89 mln cars sold in China in 1H2021, up 25.6% y-o-y
- Boosted by New Energy Vehicles (NEV) sales



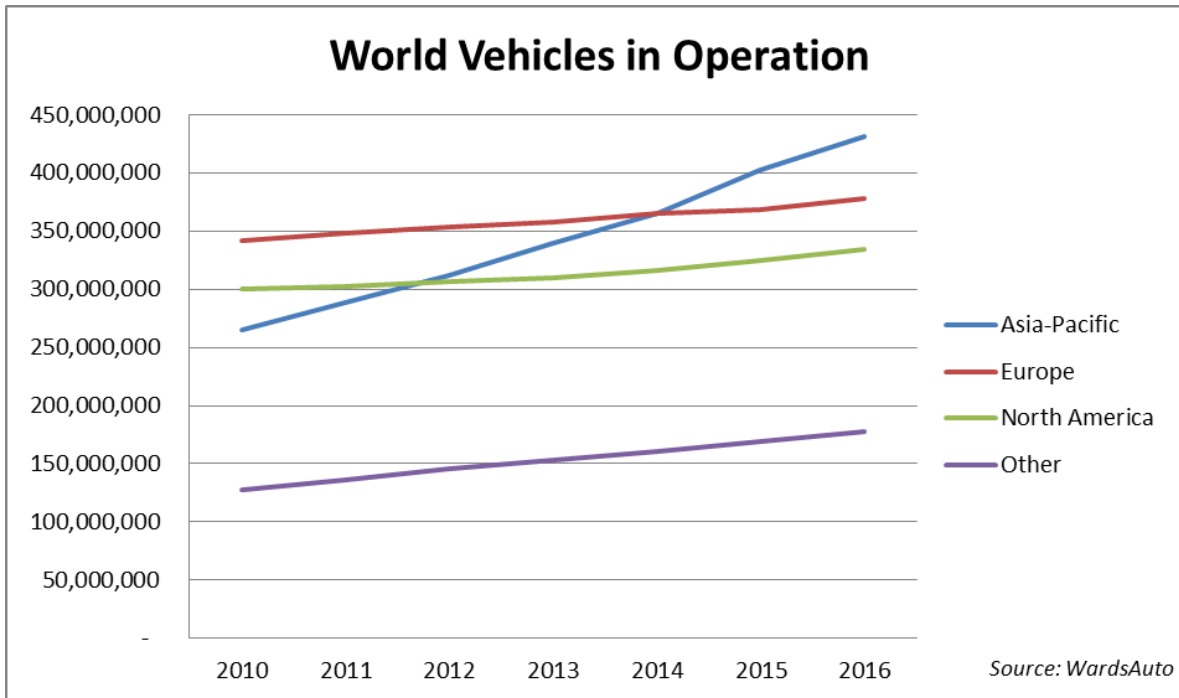
PRC Vehicle Population

PRC Motor Vehicle & Car Population

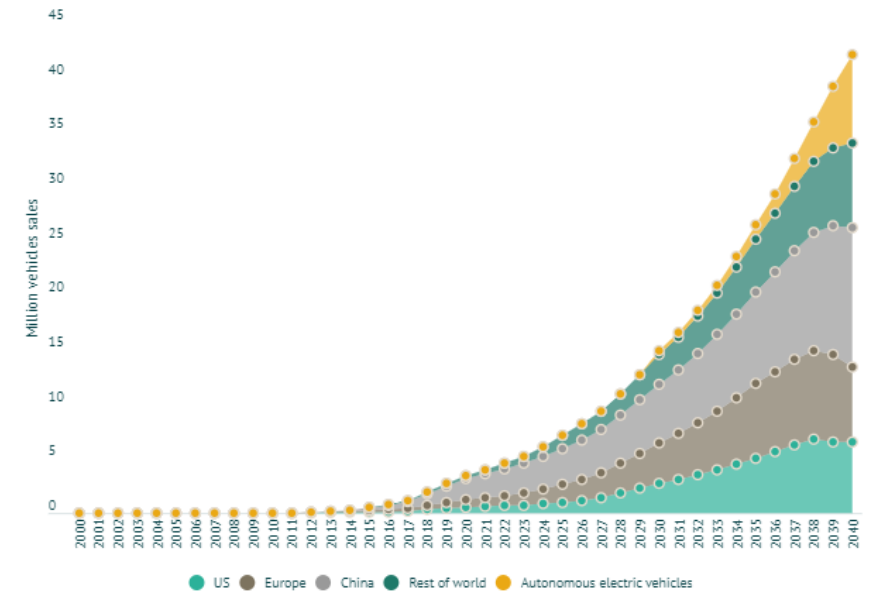


- China's car population, tied with US, ranks No. 1 in the world
- The Vehicles per 1000 people is only at the world average level

Global Vehicle Population



Electric vehicle sales



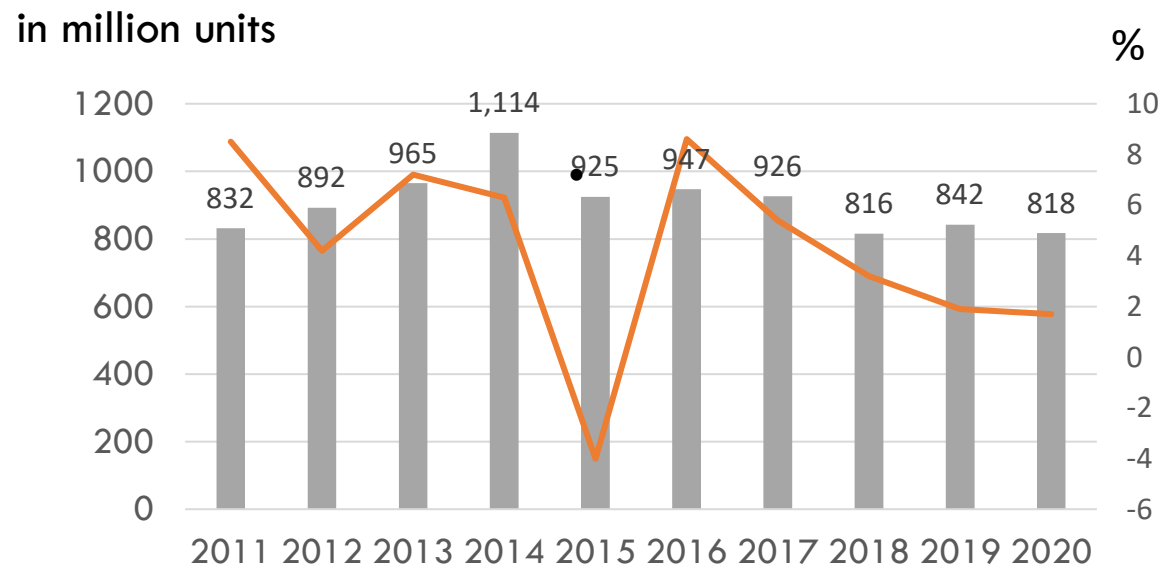
Source: Electric car forecast to 2040 | Wood Mackenzie



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

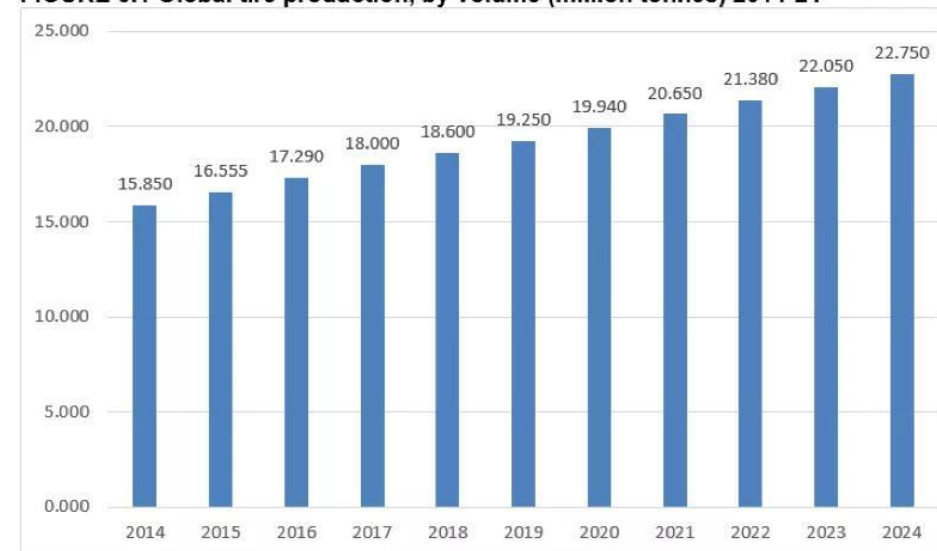
Riding on Rising Tire Consumption

PRC Vehicle Outer Tyre Production



Global Tyre Production 2014-2024

FIGURE 0.1 Global tire production, by volume (million tonnes) 2014-24



Notes: 2019 estimated, 2020-24 forecast

Source: Smithers Rapra



- OEM (for new cars) and replacement market account for approximately 30% and 70% respectively
- As overseas factories of Chinese tyre makers produce for export to the US and the EU, tyre production in China expected to grow moderately

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. The rubber chemicals for renowned tyre makers, which produce the bulk of global tyres, have 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 tyre consumption. Cars in-use consume the remaining 70% as replacement for old tyres. For passenger cars, every car needs to replace 1.5 piece of tyres 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	180

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 goods 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 tyre companies need our products. Rubber accelerators TBBS, CBS and DCBS are not in the U.S. tariff list. Tariffs on other rubber accelerators, currently at 25%, are borne by importers.
3. The US's import restrictions on tyres from China started in 2014; many tyre companies had set up their production outside China to avoid the restrictions since then



- The global economy growth is forecast to 6% in 2021 from 3.5% contraction in 2020, but widening gaps between advanced economies and many emerging market – *IMF forecast July 2021 Update*
- The Chinese economy shows strong resilience and a robust rebound. In 1H2021, GDP grew 12.7%, the first and only major economy to recover. But main economic indicators showing a slight fallback in 2H2021 as compared to that in 1H2021
- The growth of China's new car sales expected to be slower after 28 consecutive years of expansion, whereas the new-energy vehicle segment expected to considerably outpace the mass market. - CAAM



- The utilization rate of tyre manufacturing was improving in 1H2021, driven by the economy recovery and robust auto market, but it appears to have declined since May 2021
- 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 and polarization. Bigger players are able to obtain and fulfill more orders with their competitive advantages



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 for 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



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

SHARE PERFORMANCE



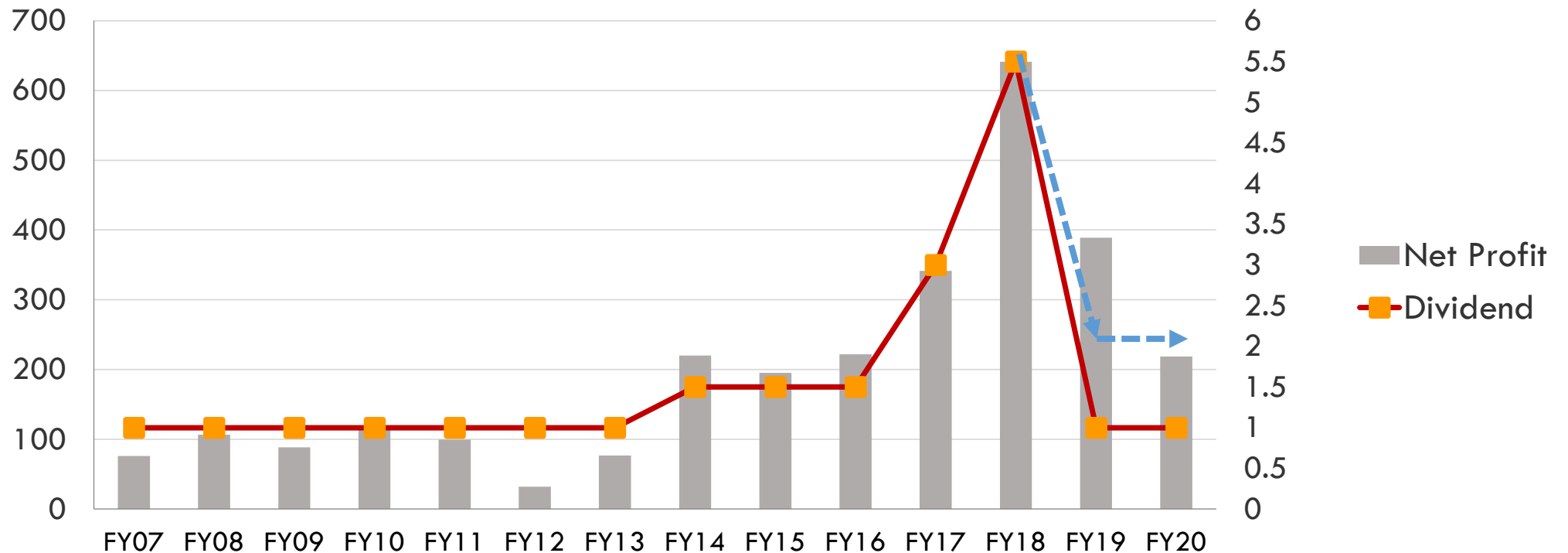
- Since IPO, no new share placement and rights issue



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 SGD0.287) with no bank loan
- ✓ 14-year track record & annual dividend payment since IPO
- ✓ NAV per share SGD0.63. Price/NAV only 0.8X



Chairman's Message

“We are pleased to deliver a strong set of financial results in 1H2021. China’s economy was recovering rapidly in the first half of this year from the devastation of COVID-19. The Chinese rubber chemicals industry has experienced consolidation over the past few years. Now, we see market polarization. Like us, more prominent players are able to acquire more orders due to their large capacity and comprehensive strengths, such as reputation, superior quality, strong financial position, advantages in environmental protection and safety production, etc.

The Group will continue with its strategy of ‘sales production equilibrium’, and at the same time, seek to improve its sales volume. We remain confident about the Group’s profitability in the next 12 months.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

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