



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

中国尚舜化工控股有限公司

1Q2018 RESULTS BRIEFING

26 April 2018

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Outlook

About China Sunsine Chemical



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

- ✓ 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

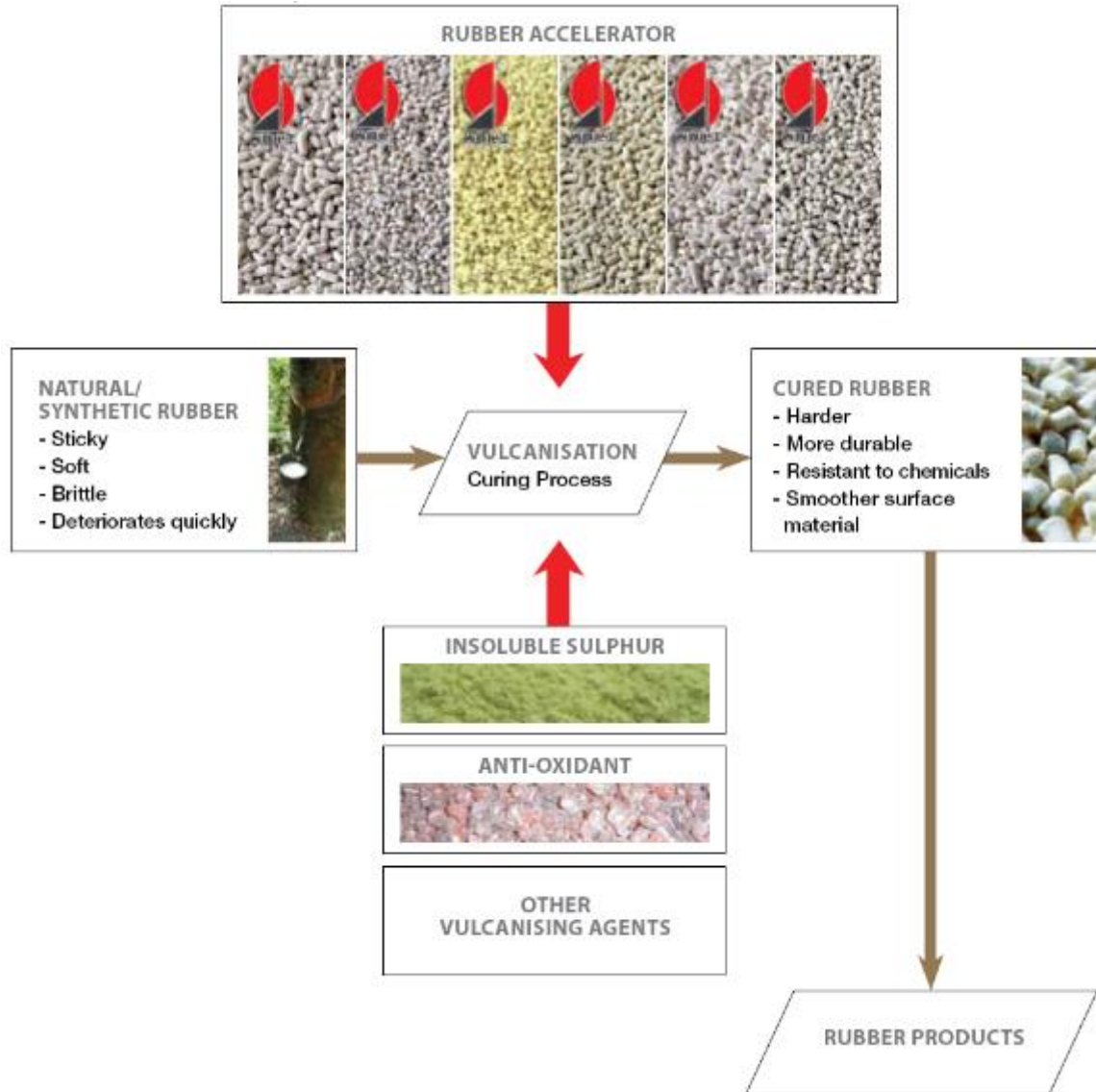


Anti-Oxidants

TMQ
6PPD
4010NA



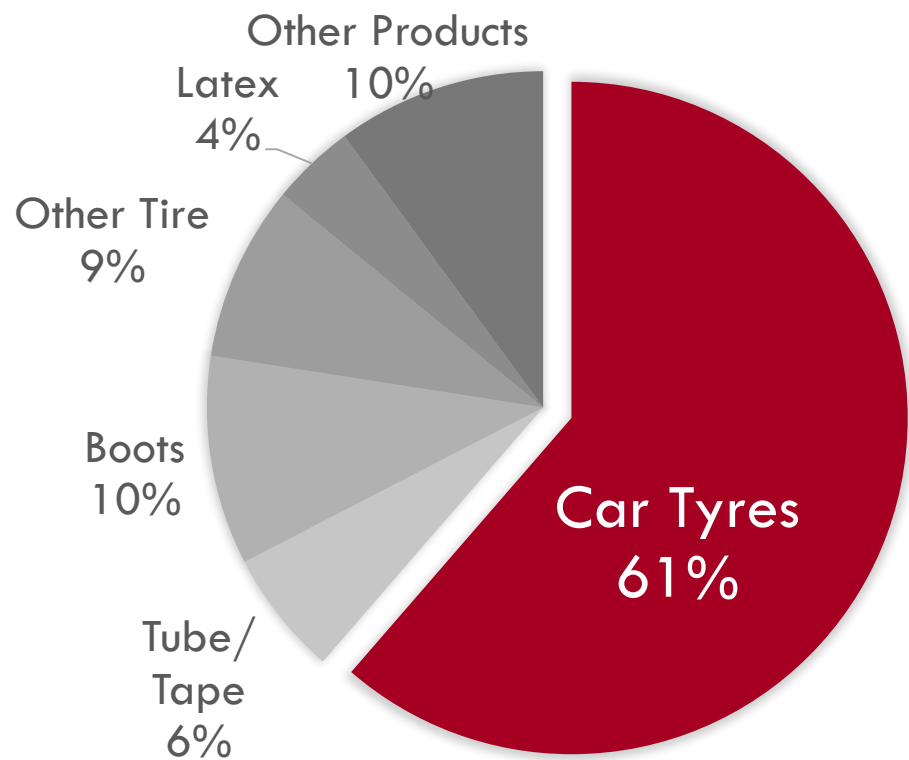
Our Products: Rubber Chemicals



Rubber Chemicals are *essential additives* in the production of rubber products



Global Consumption of Rubber

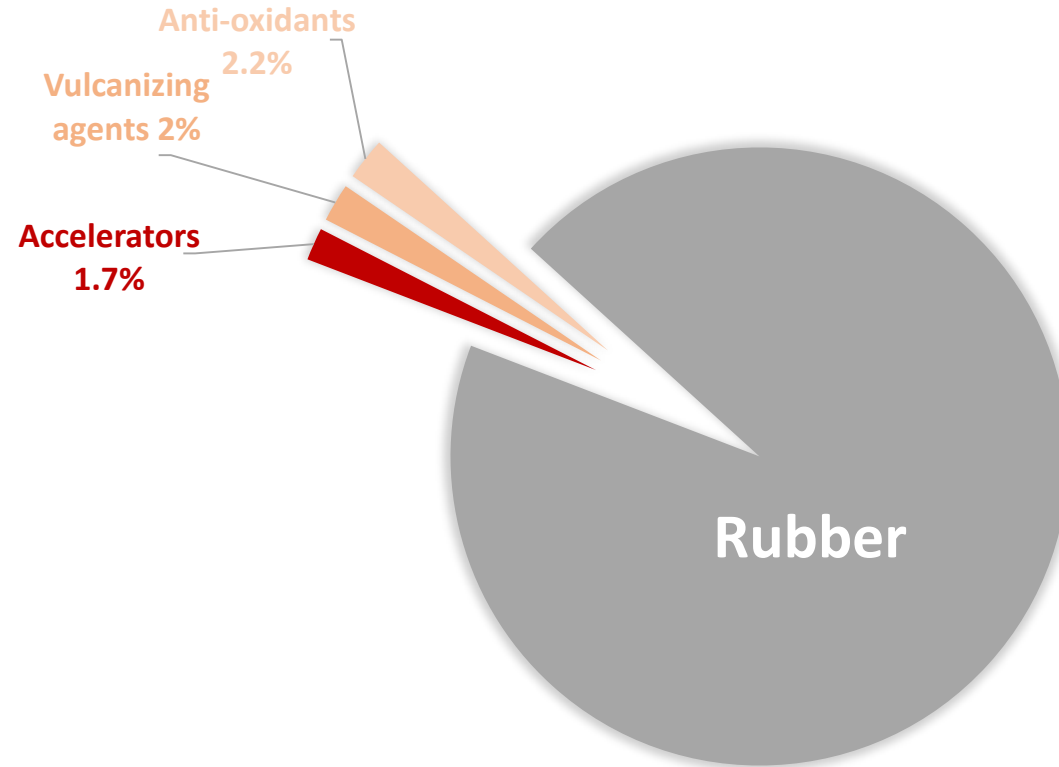


Car tyres consume **2/3** of Global Rubber Output



Global Consumption of Rubber Chemicals

- **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 tyre cost (**100:3**)



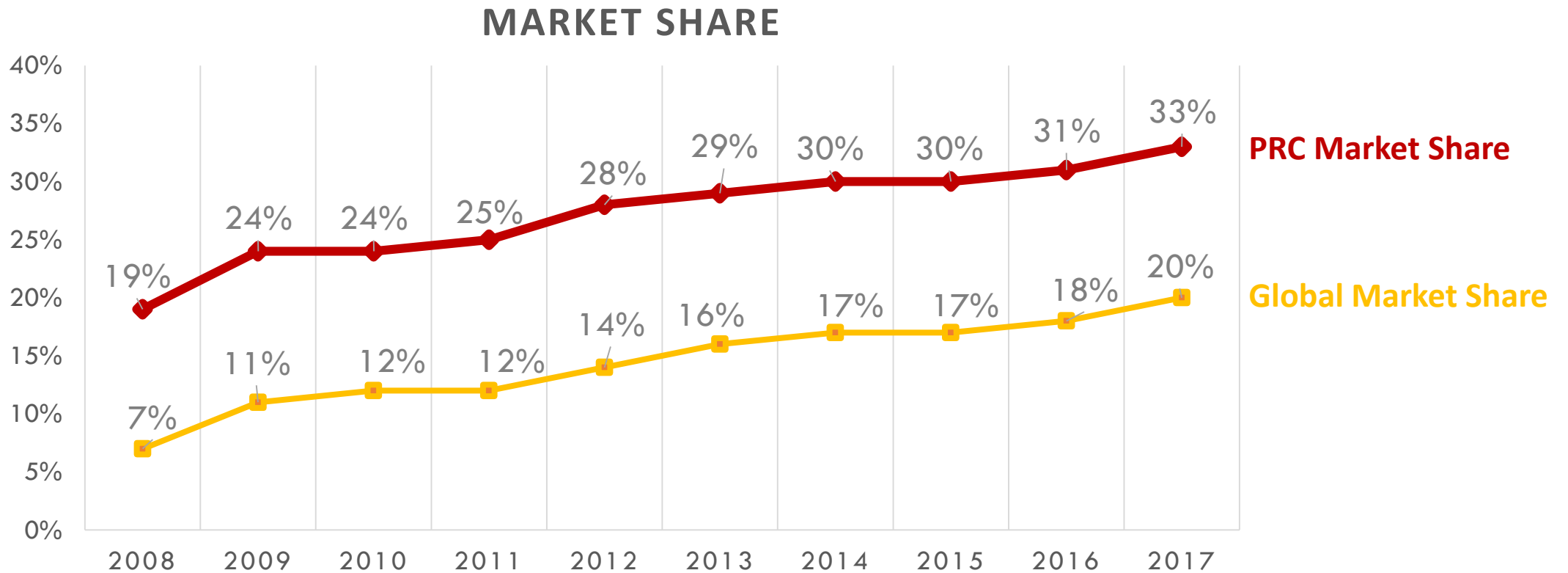
Global rubber consumption in 2017:

28.27 million tons

- By IRSG



Market Share: Rubber Accelerators



Our Market Leadership Position

GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2017
China Sunsine 中国尚舜	87,000 tons
Tianjin Kemai 天津科迈	51,000 tons
Yanggu Huatai 阳谷华泰	30,000 tons

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2017
China Sunsine 中国尚舜	20,000 tons
Yanggu Huatai 阳谷华泰	10,000 tons
Wuxi Huasheng 无锡华盛	10,000 tons



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

Financial Highlights

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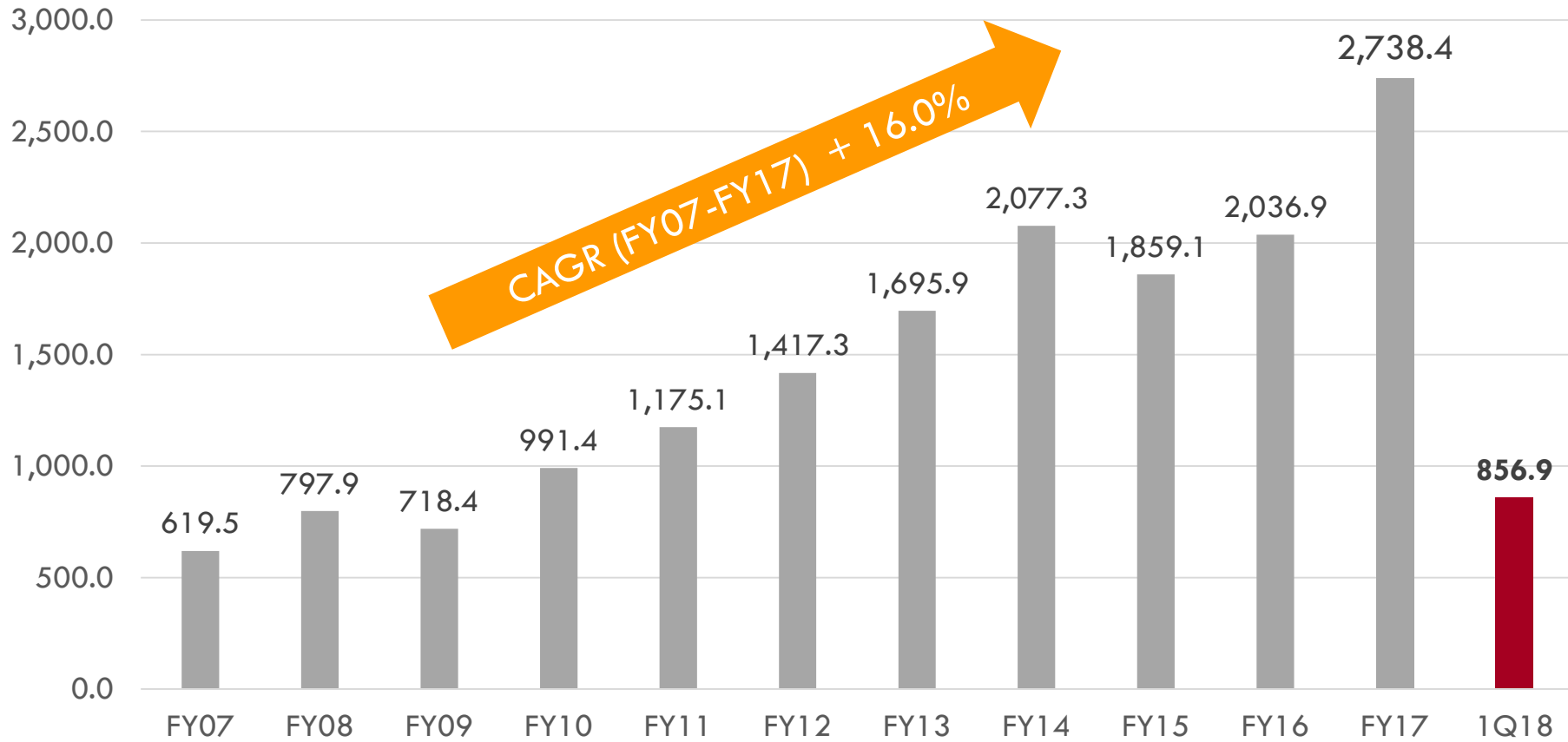
RMB 'mln	Quarter Ended		
	31 Mar 18	31 Mar 17	Change
Group Revenue	856.9	574.6	49%
Gross Profit	298.8	140.0	113%
Gross Profit Margin	34.9%	24.4%	10.5 pts
Profit Before Tax	181.6	84.7	114%
Profit After Tax	149.5	57.2	161%
EPS (RMB cents/SGD Cents*)	30.40/ 6.34	12.32/ 2.57	147%
NAV per share (RMB cents/SGD Cents*)	384.36/ 80.16	305.94/ 63.80	

* SGD to RMB exchange rate @4.7950



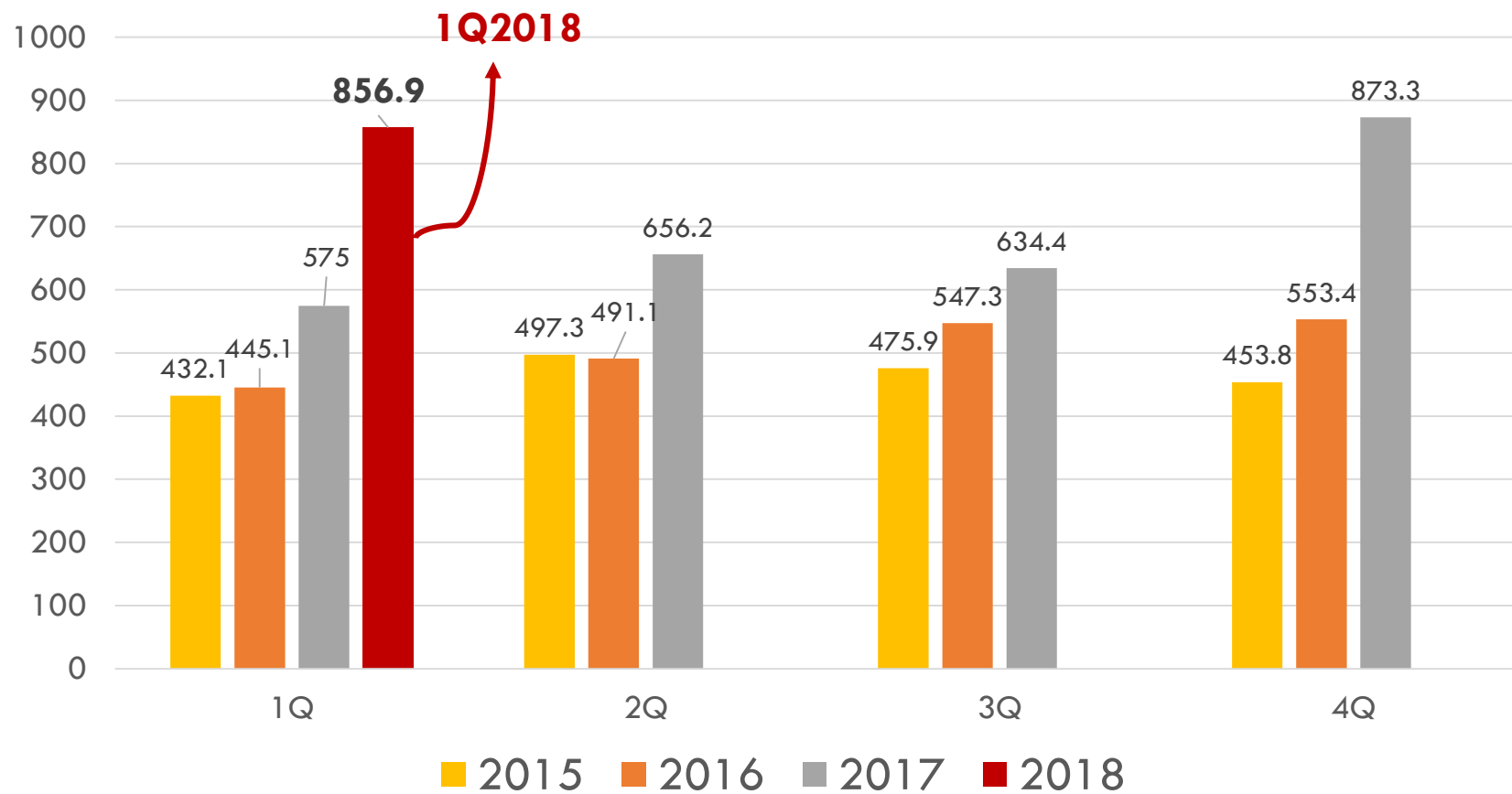
Revenue Growth

RMB 'mln



Revenue By Quarter

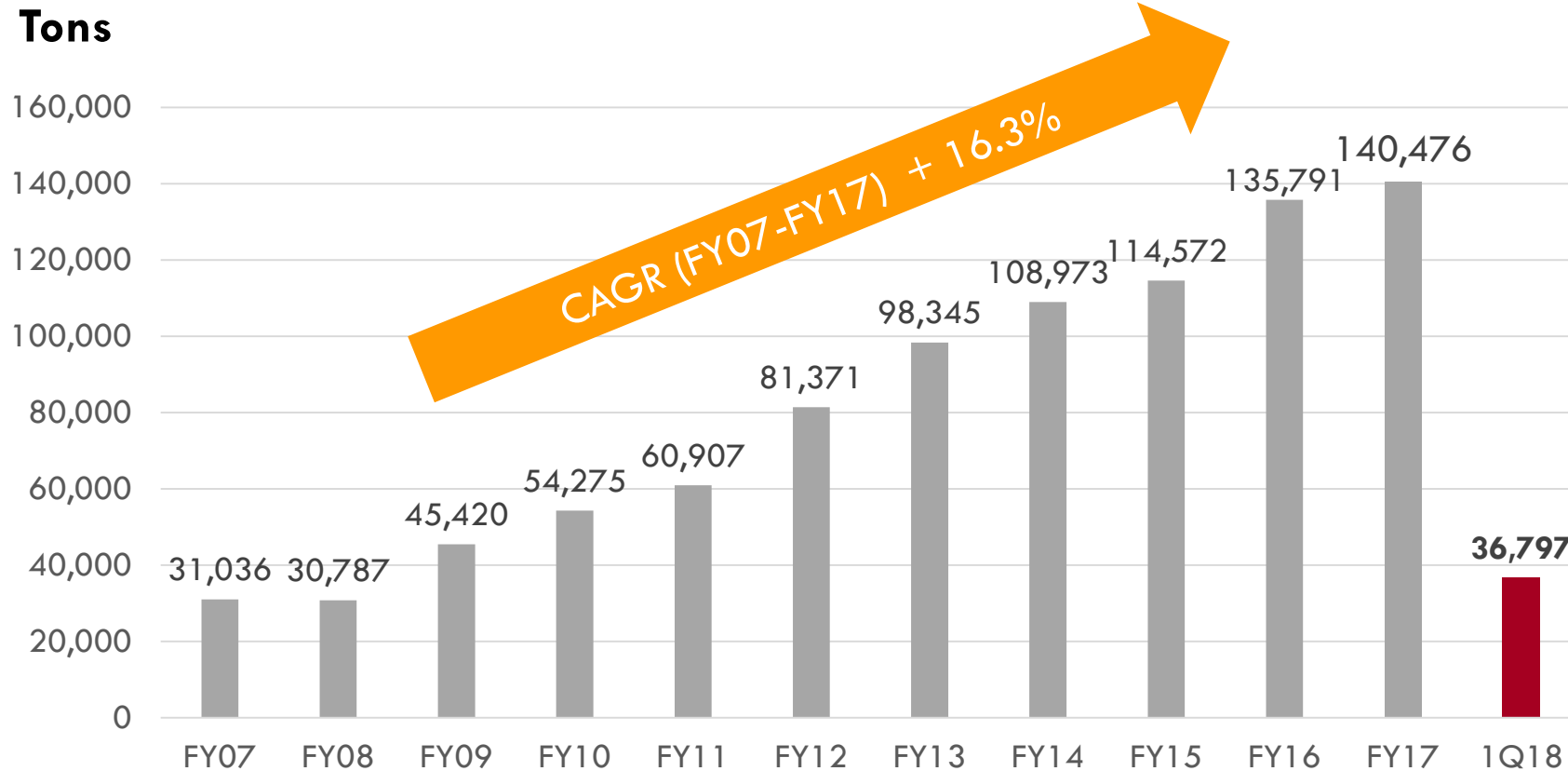
RMB 'mln



1Q18 vs 1Q17 : +49%
1Q18 vs 4Q17: - 2%



Sales Volume

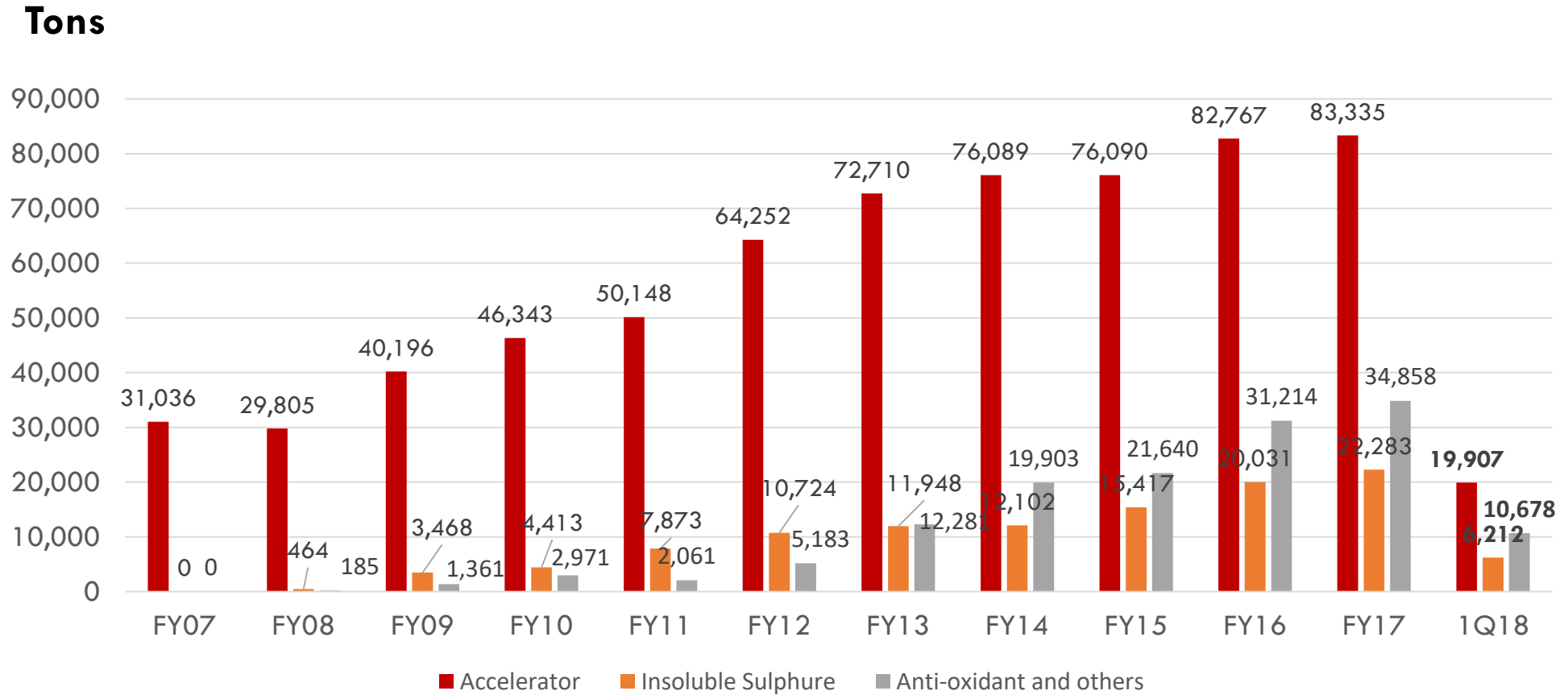


Priority in growing sales volumes and market share through the following methods:

- **Expanding capacities** to meet the growing market demand
- Continual emphasis on **environmental protection measures** over the years



Sales Volume by Products

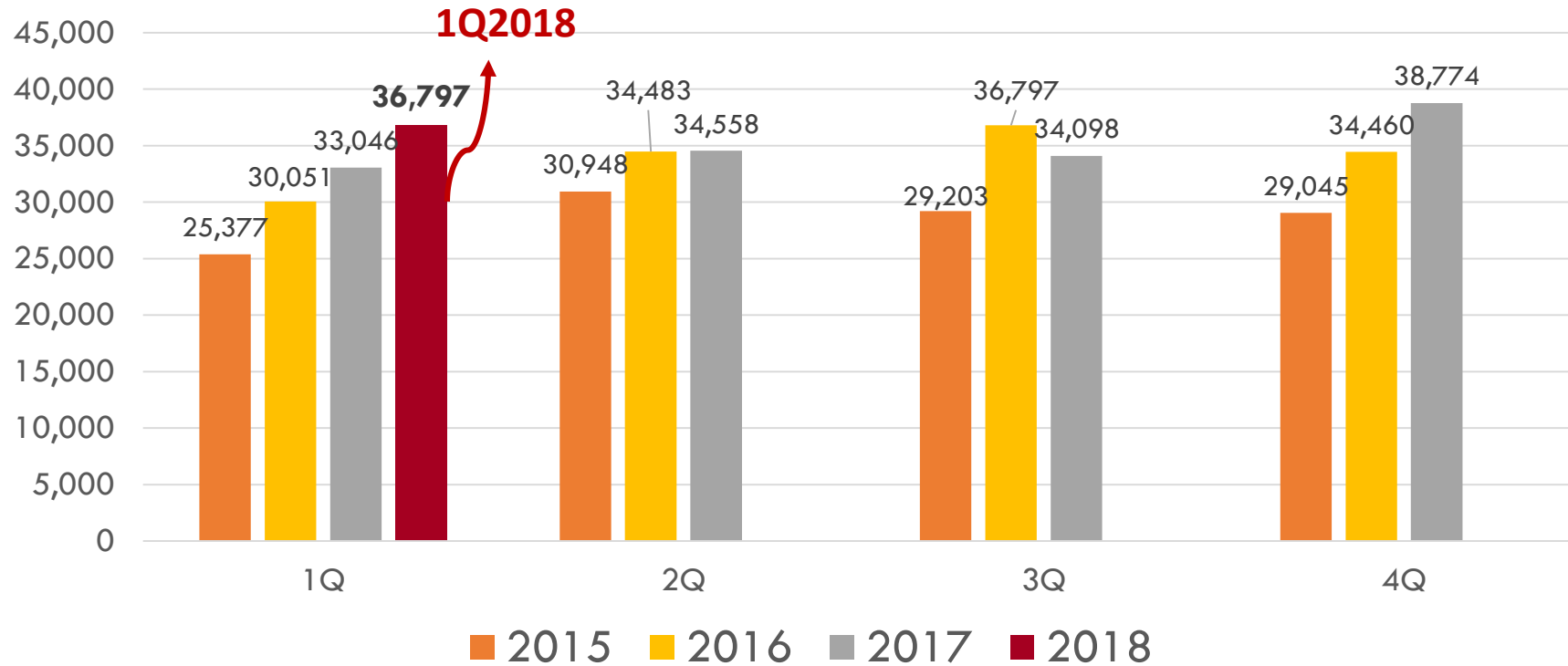


- Anti-oxidant TMQ & 6PPD newly introduced in 2008 and 2012 respectively
- Insoluble Sulphur introduced in 2008



Sales Volume By Quarter

Tons



1Q18 vs 1Q17: +11%
1Q18 vs 4Q17: -5%



- 1Q18 Sales volume increased y-o-y due to continued short supply situation in China
- IS sales volume increased by 22% due to new accreditation obtained
- Anti-oxidants sales volume increased by 44% due to customers recognising our ability to provide stable supply

Sales Contribution (By Region)

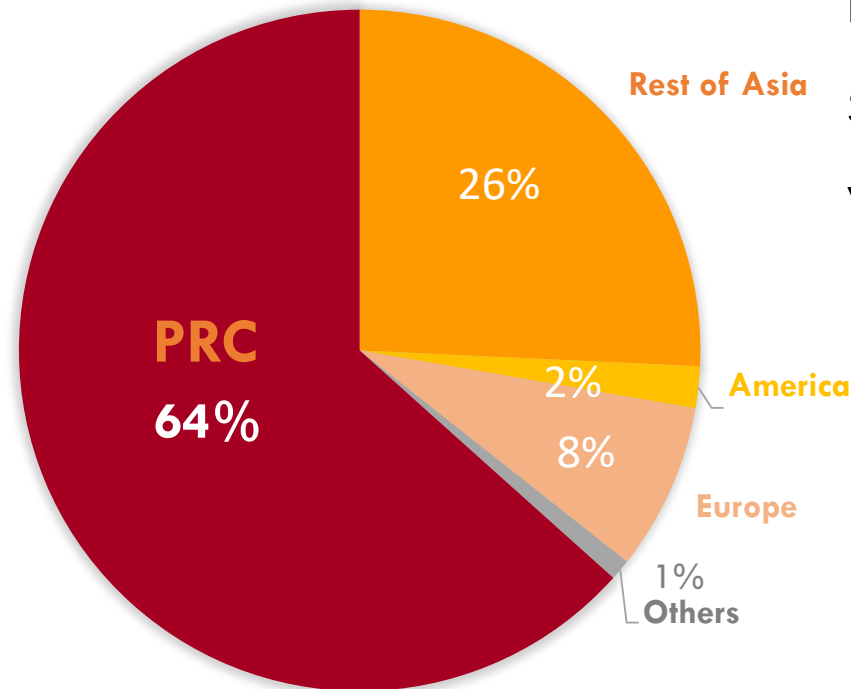
1Q18 Sales Contribution (y-o-y)

PRC

Sales: RMB 545.3 mln +47%

Volume: 25,155 tons +11%

PRC sales increased due mainly to the increase in overall ASP and strong demand to our products as the short supply situation continued



EXPORT

Sales: RMB 307.2 mln +54%

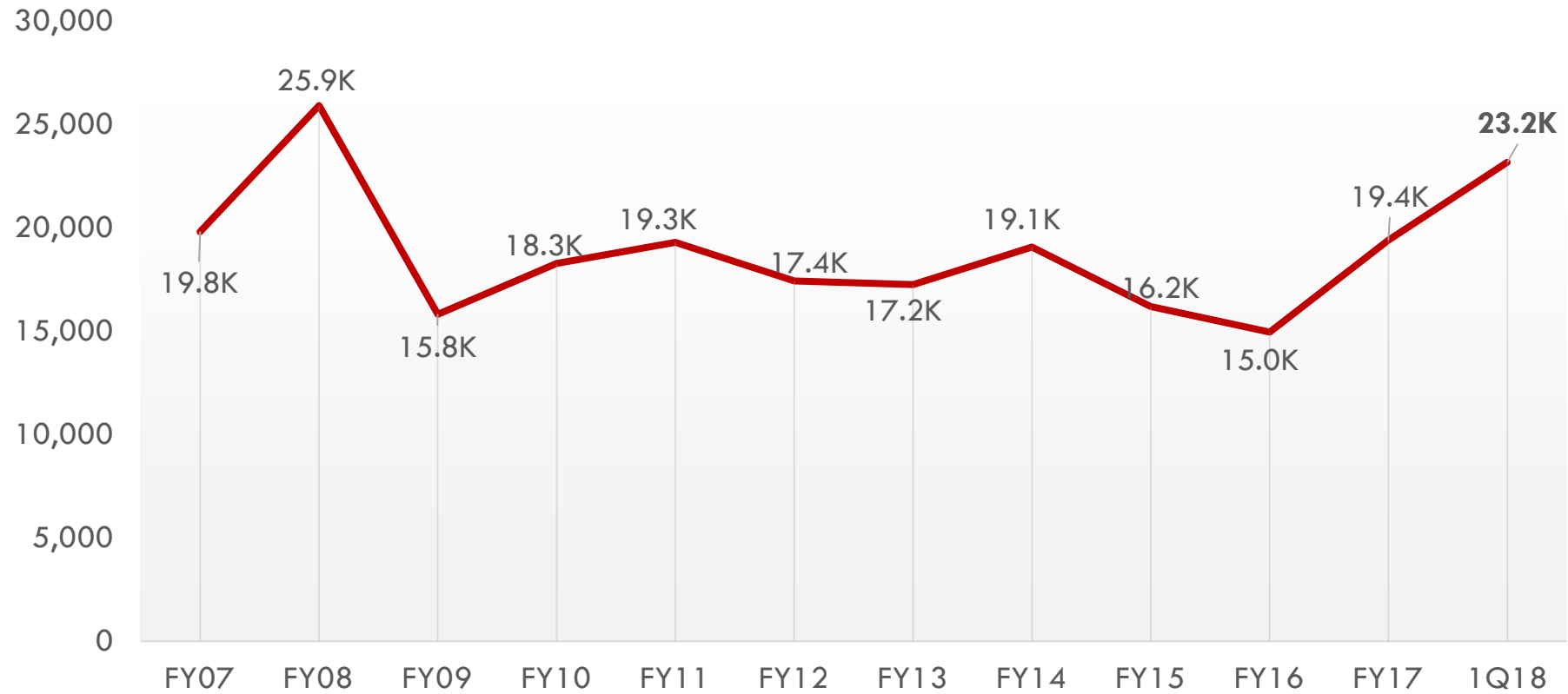
Volume: 11,642 tons +12%

International sales increase due to higher ASP and higher sales volume to South East Asia & Europe



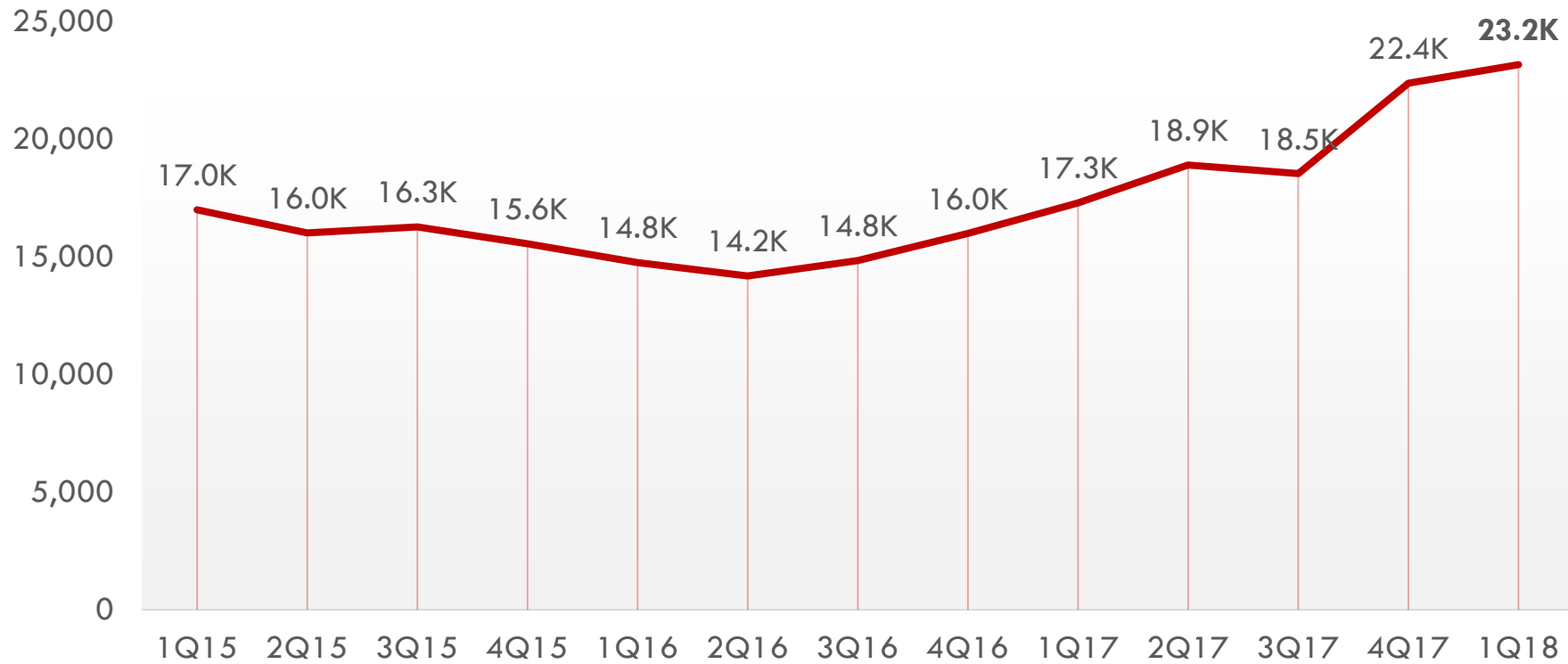
Overall Average Selling Price (ASP)

RMB/Ton



ASP by Quarter

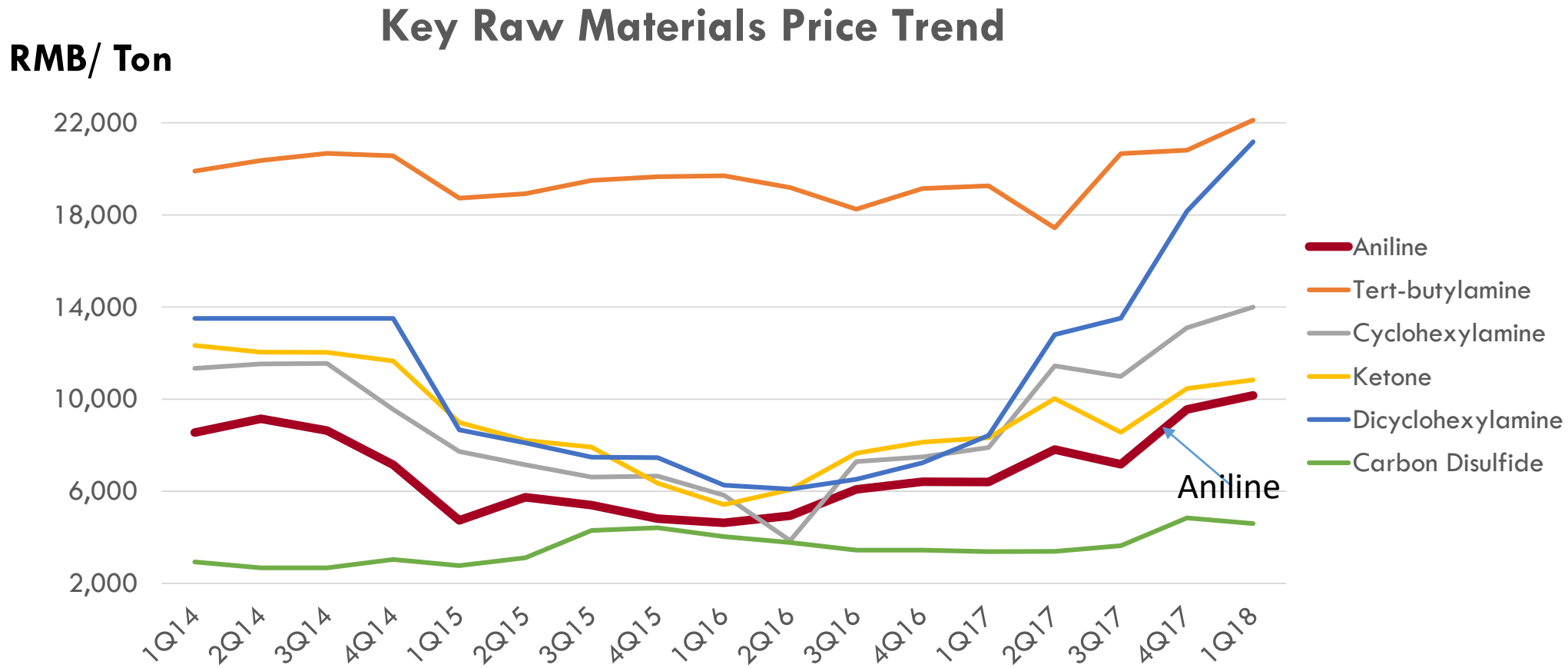
RMB/Ton



- 1Q18 ASP up 34% y-o-y due mainly to continued short supply situation in China as in 4Q17

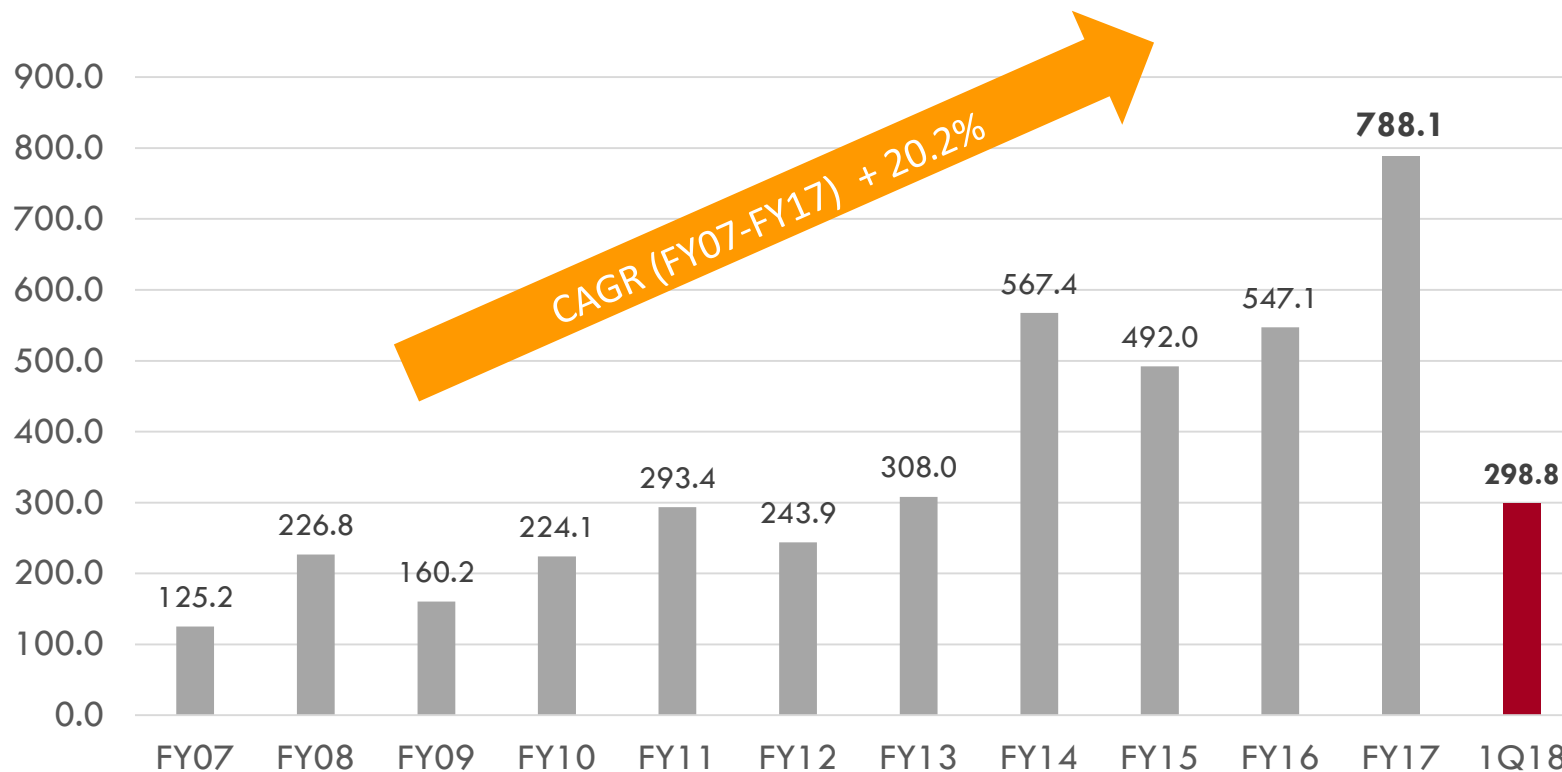


Main Raw Materials Cost



Gross Profit

RMB 'mln

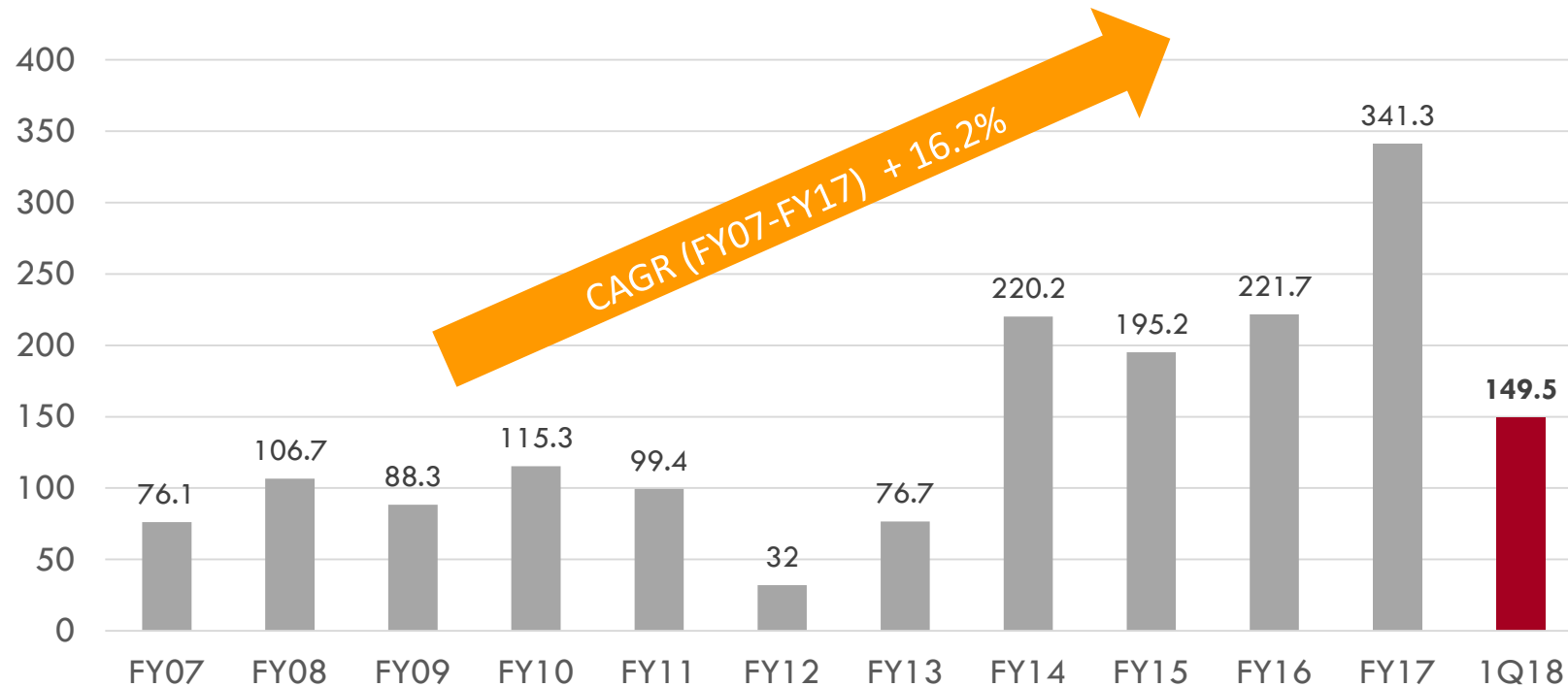


Since 2014, the Chinese government started to **enforce stringent environmental protection measures**. Some of our competitors had to cease their operations due to failures to meet the new environmental requirements



Net Profit

RMB 'mln

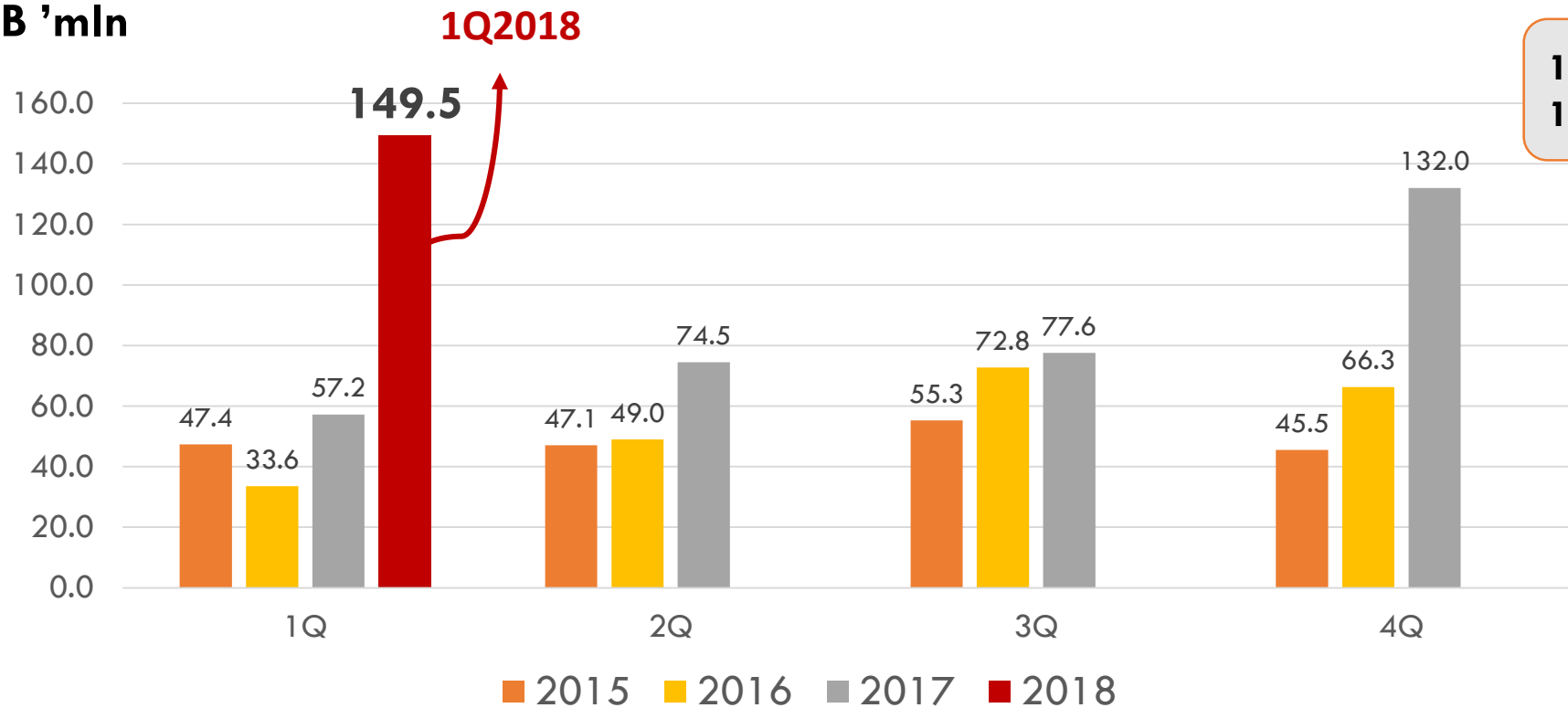


- Adopted flexible pricing strategy since FY09 to gain more market share
- FY12: One-off R&D cost for 6PPD abt RMB60 mln
- Since 2014, began to be benefited from stringent environmental laws and regulations implemented in China



Net Profit By Quarter

RMB 'mln

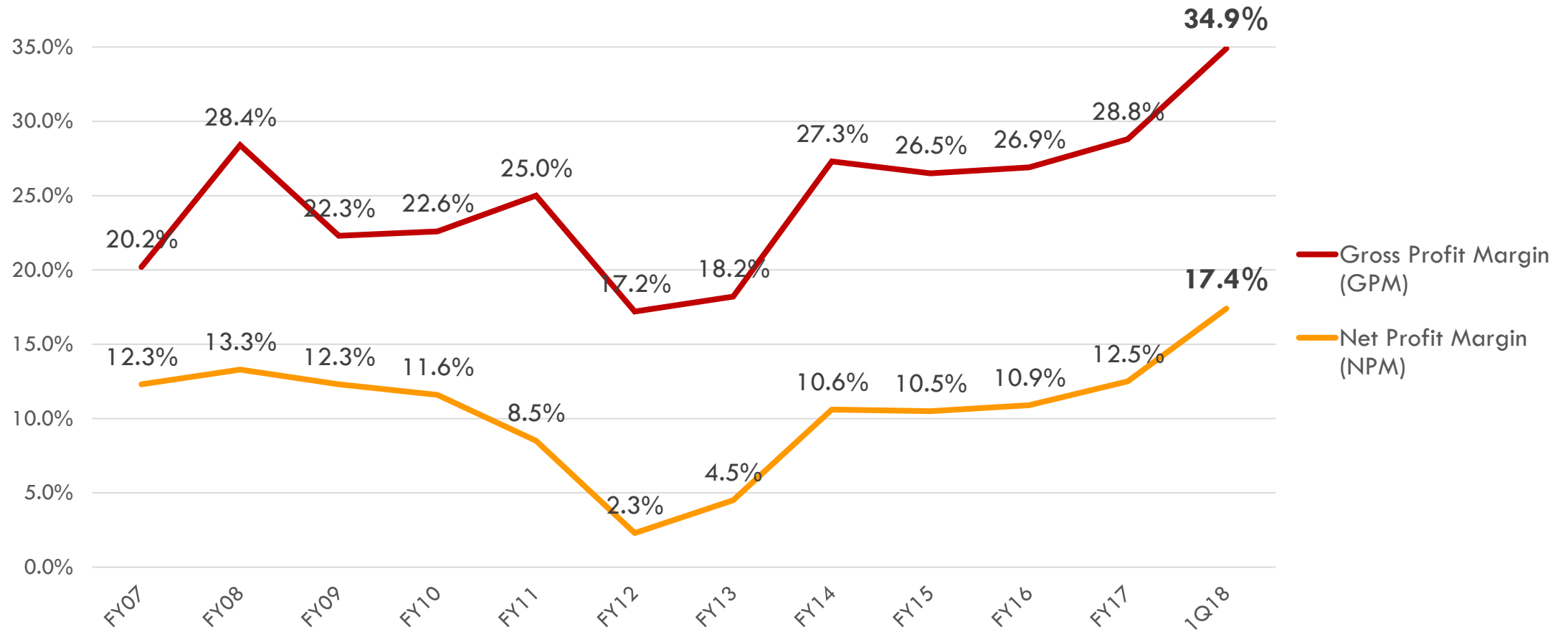


1Q18 vs 1Q17: +161%
1Q18 vs 4Q17: +13%

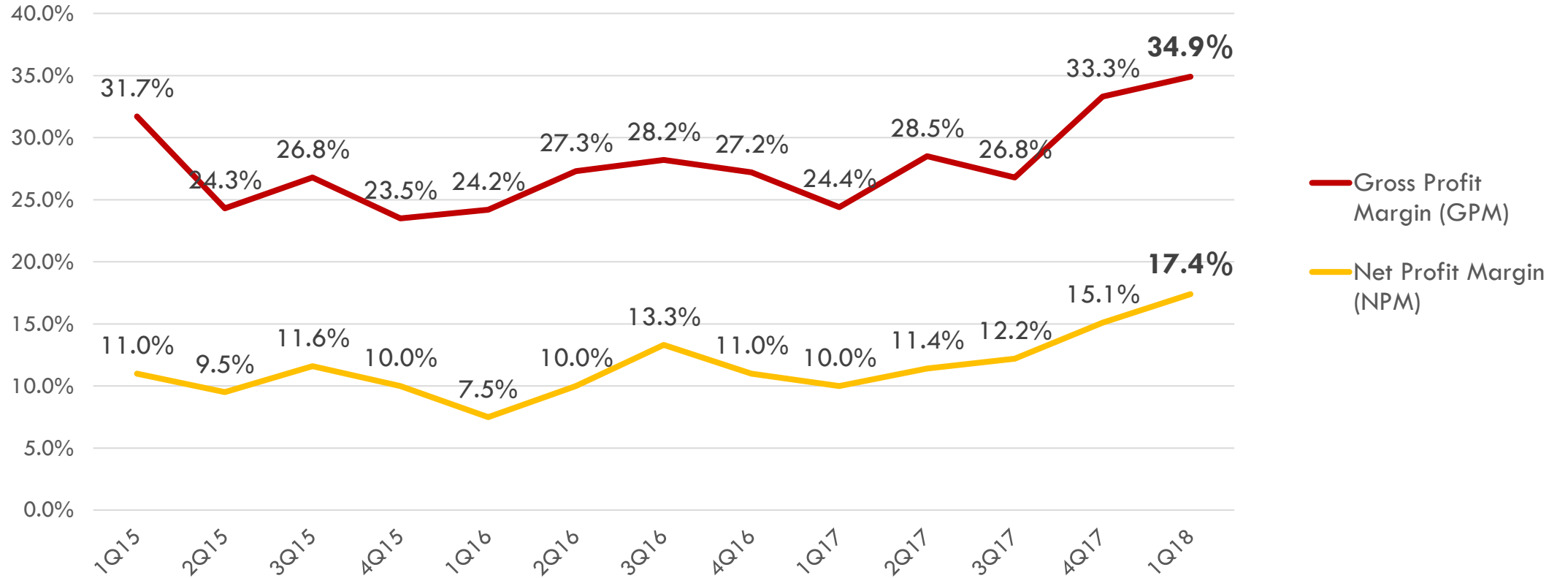


- 1Q18 Net profit surged due to higher ASP and strong sales volume
- Subsidiary, Shandong Sunshine, enjoys a concessionary tax rate of 15% as “High-tech Enterprise” status awarded

Margins Analysis



Margins Analysis By Quarter



Balance Sheet Highlight

	31/03/2018	31/12/2017	31/12/2016
Current assets (RMB'mln) *	1,601.8	1,424.6	1,050.5
Current liabilities (RMB'mln)	423.9	385.3	280.8
Current Ratio	3.77	3.70	3.74
Shareholders' equity (RMB'mln)	1,889.9	1,742.4	1,361.6
D/E ratio **	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	384.36/ 80.16	354.37/ 73.90	293.42/ 61.19

* Including Cash RMB 508.7 mln + Notes RMB 282.0 mln

** Bank borrowings fully repaid in FY2016



Key Developments

Ongoing Projects

Project	Scheduled Completion Date	Status	CapEx
<u>30,000-ton Accelerator TBBS:</u> Phase I of 10,000-ton capacity at Shanxian Plant	Phase I construction and installation completed at the end of 2016	Pending trial run approval	RMB 100 mln
<u>Insoluble Sulphur:</u> 10,000-ton production line at Dingtao plant	Construction completed by end of 2017	Pending trial run approval	RMB 50 mln
<u>Heating Plant:</u> Add one boiler and one electric generator	Construction completed by end of 2017	Undergoing machinery testing To start trial run by end of 2Q2018	RMB 100 mln



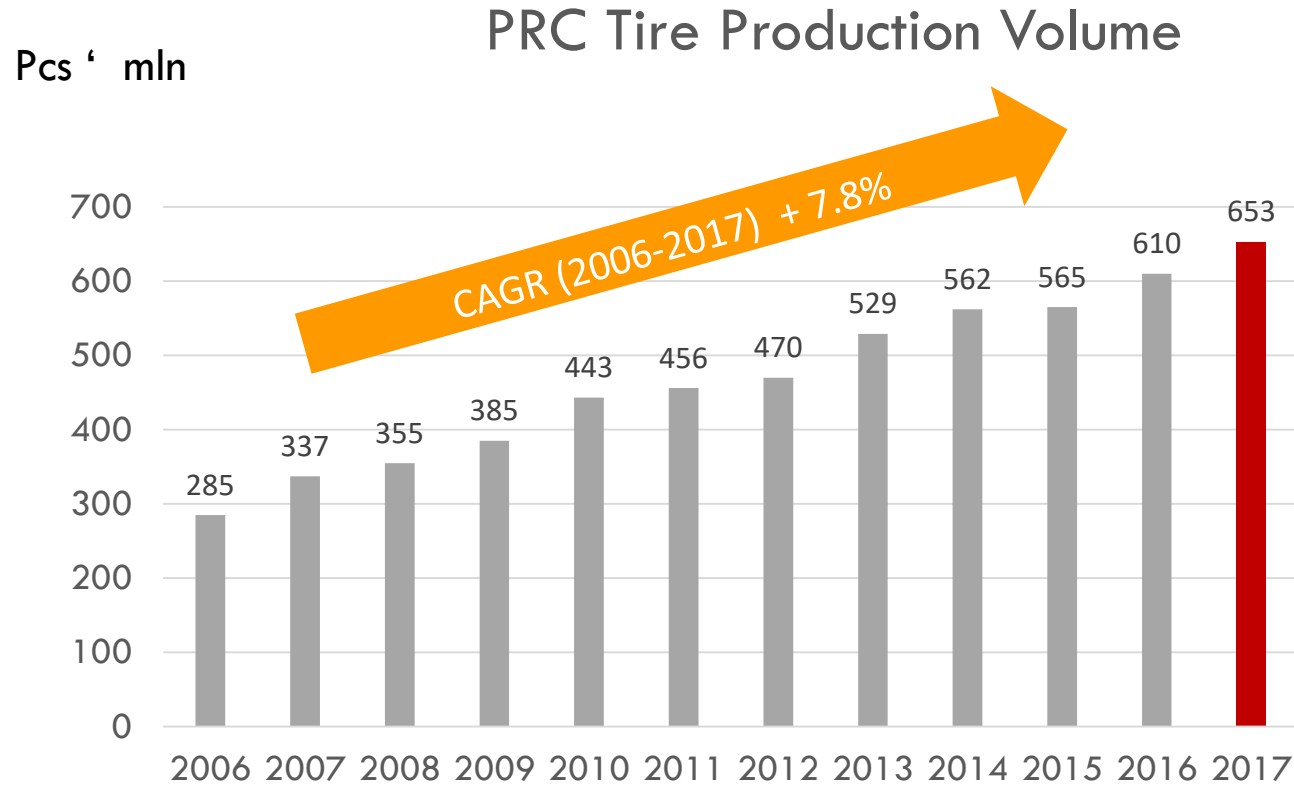
Annual Capacity

	2007 (before IPO)	FY17	FY18e	Note
Rubber Accelerators	32,000	87,000	97,000	<u>Shanxian:</u> 71,000-ton <u>Weifang:</u> 26,000-ton
Insoluble Sulphur	nil	20,000	30,000	<u>Shanxian:</u> 10,000-ton <u>Dingtao:</u> 20,000-ton
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	<u>Shanxian:</u> 10,000-ton TMQ 30,000-ton 6PPD 5,000-ton 4010
Total	32,000	152,000	172,000	

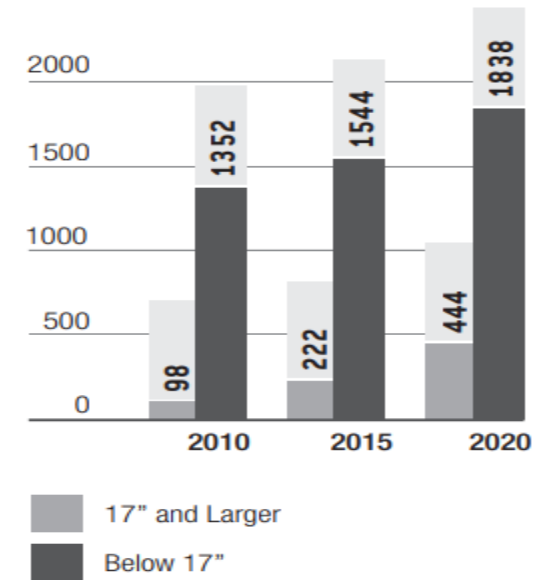


Outlook

Rising Tire Consumption



GLOBAL CONSUMER TIRES (in millions)

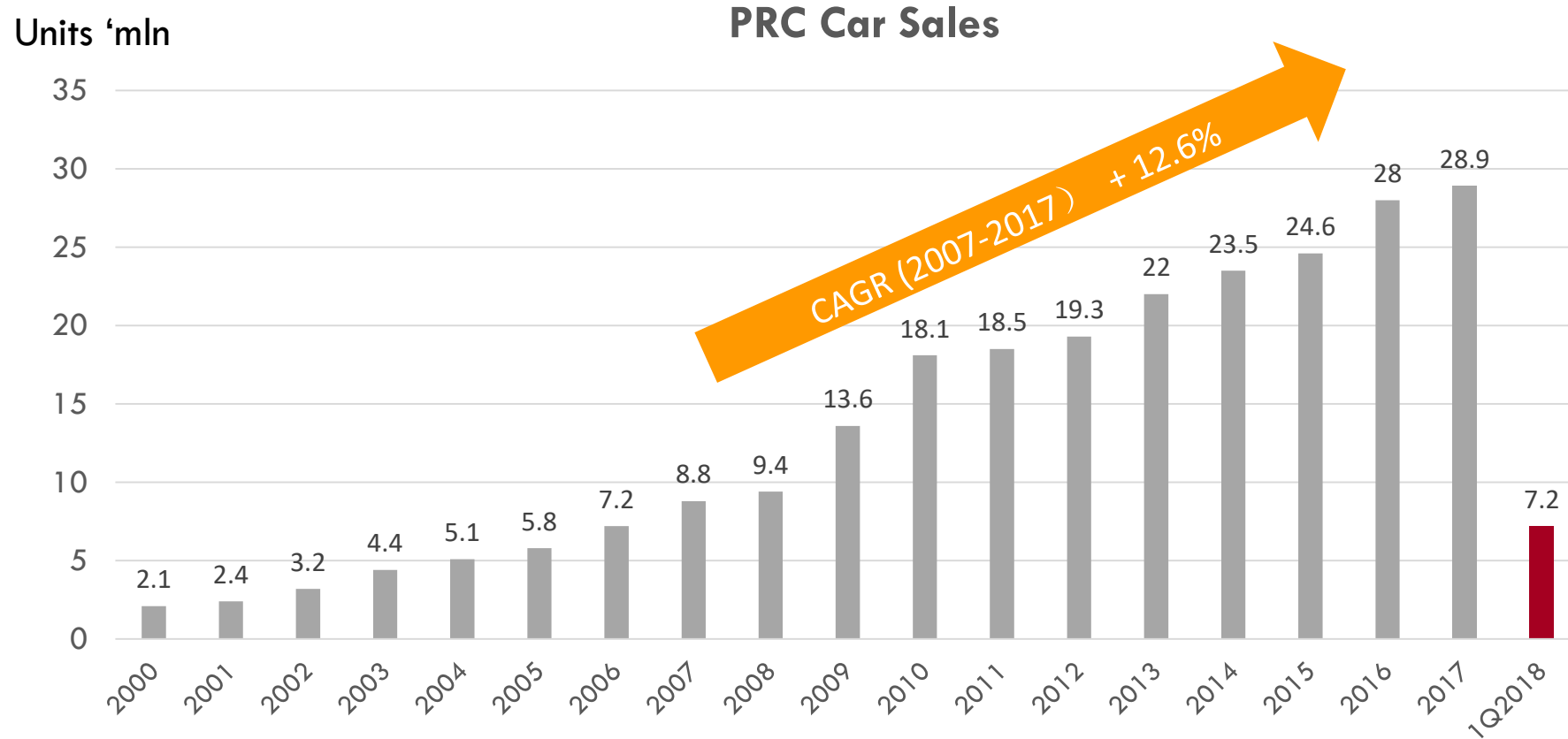


Source: Goodyear Annual report 2016



- Replacement tires and new car tire sales account for 70% and 30% respectively
- For passenger cars, every car needs to replace 1.5 piece of tires every year (source: Linglong Tyre's IPO prospectus)

Riding on Rapid Growth of Car Market



www.caam.org.cn

- 1Q2018 PRC car sales totaling 7.2 mln units, up 2.8% y-o-y
- PRC car sales remains robust due to the improvement of people's disposable income and higher living standards



General Concerns and Opportunities Ahead

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General Concerns

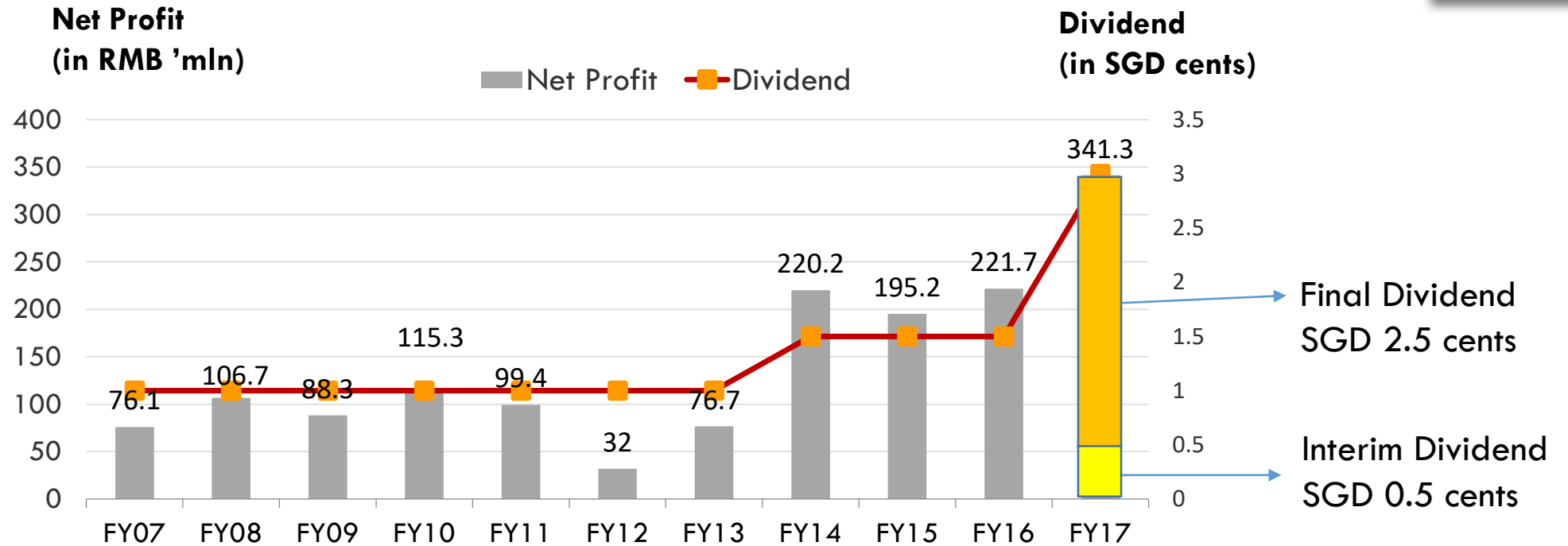
- Environmental protection and safety inspection in China have become commonplace and prevalent
- Shortage of supply will be relieved as some affected productions will be resumed gradually which lead to normalisation of ASP
- Fluctuation of raw material prices

Opportunities

- Automobile industry in China is still poised for further growth
- Industry consolidation may benefit bigger players
- Large competitive advantage due to our stringent standards in safety and environmental protection
- Stay competitive through our ability to provide high quality and comprehensive range of products, stable supply supported by economies of scales, and continued investment in R&D and innovation



Dividend Payment History



- IPO price : SGD 39 cents
- Total dividend paid : SGD 17.5 cents (for 11 consecutive years)
- FY2017 : SGD 3 cents (interim SGD 0.5 cents + final SGD 2.5 cents)
(Ex-dividend Date: 08/05/2018, Pay Date: 28/05/2018)
- Dividend Policy : Payout not less than 20% of net profit for FY17 & FY18



Listed On SGX Mainboard

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SHARE PERFORMANCE

China Sunshin Chemical Holdings Ltd. (CH8.SI) ☆

SES - SES Delayed Price. Currency in SGD

1.45 -0.01 (-0.68%)

At close: 2:47PM SGT



- No rights issue or new share placement since IPO
- Total share buyback 5.5% or 27,653,200 shares of issued shares
- Placed out all treasury shares in May 2017 to institutional investors to expand investor base and increase liquidity



Investment Merits

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- ✓ Leverage on the increasing demand of tire and car markets
- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Organic growth supported by ready resources (such as cash, land, the build-up of infrastructures, etc.)
- ✓ Strong operating cashflows, RMB509 million cash on hand with no bank loan
- ✓ 10-year track record & annual dividend payment (min 20% payout for FY17 & FY18)
- ✓ P/E at about 8 times (Rolling EPS SGD0.185 for last four quarters)



Chairman's Message

“As we have said previously, we believe that the price of rubber chemicals is likely to normalise, with the bigger players investing more in environmental protection and safety production measures, and some smaller players eventually complying with the environmental protection regulations and resuming their production.

However, with our strong balance sheet and healthy bank balances, we are in a good position to stay ahead of the curve and boost production capacity as and when required. We will also continue to focus on production technology and innovation, and investment in R&D, to gain a competitive edge over other producers. I therefore remain positive of our performance in the next 12 months.”



Mr. Xu Chengqiu
Executive Chairman



Q & A

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