



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

中国尚舜化工控股有限公司

2Q & 1H 2018 RESULTS BRIEFING

8 August 2018

PRESENTATION OUTLINE

Financial Overview

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Financial Overview

Financial Highlights

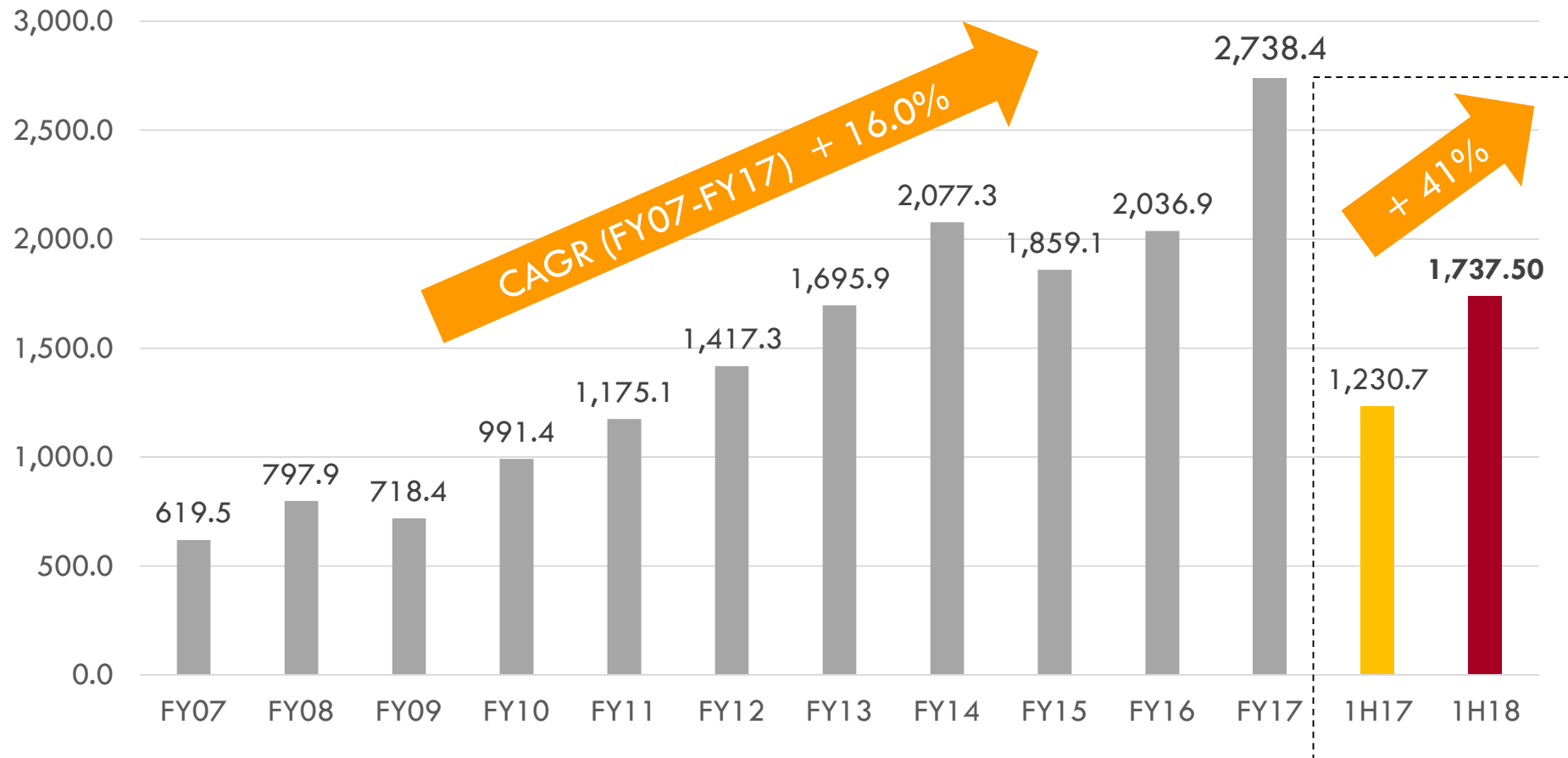
RMB 'mln	2 nd Quarter Ended			6 Months Ended		
	30 Jun 18	30 Jun 17	Change	30 Jun 18	30 Jun 17	Change
Group Revenue	880.6	656.2	34%	1,737.5	1,230.7	41%
Gross Profit	323.6	187.1	73%	622.4	327.1	90%
Gross Profit Margin	36.7%	28.5%	8.2 pts	35.8%	26.6%	9.2 pts
Profit Before Tax	214.8	92.9	131%	396.4	177.6	123%
Profit After Tax	239.7	74.5	222%	389.2	131.7	196%
EPS (RMB cents/SGD Cents*)	48.75/ 10.08	15.53/ 3.21	214%	79.15/ 16.36	27.90/ 5.77	184%
NAV per share (RMB cents/SGD Cents*)				421.14/ 87.04	314.30/ 64.96	

* SGD to RMB exchange rate @4.8386



Revenue Growth

RMB 'mln

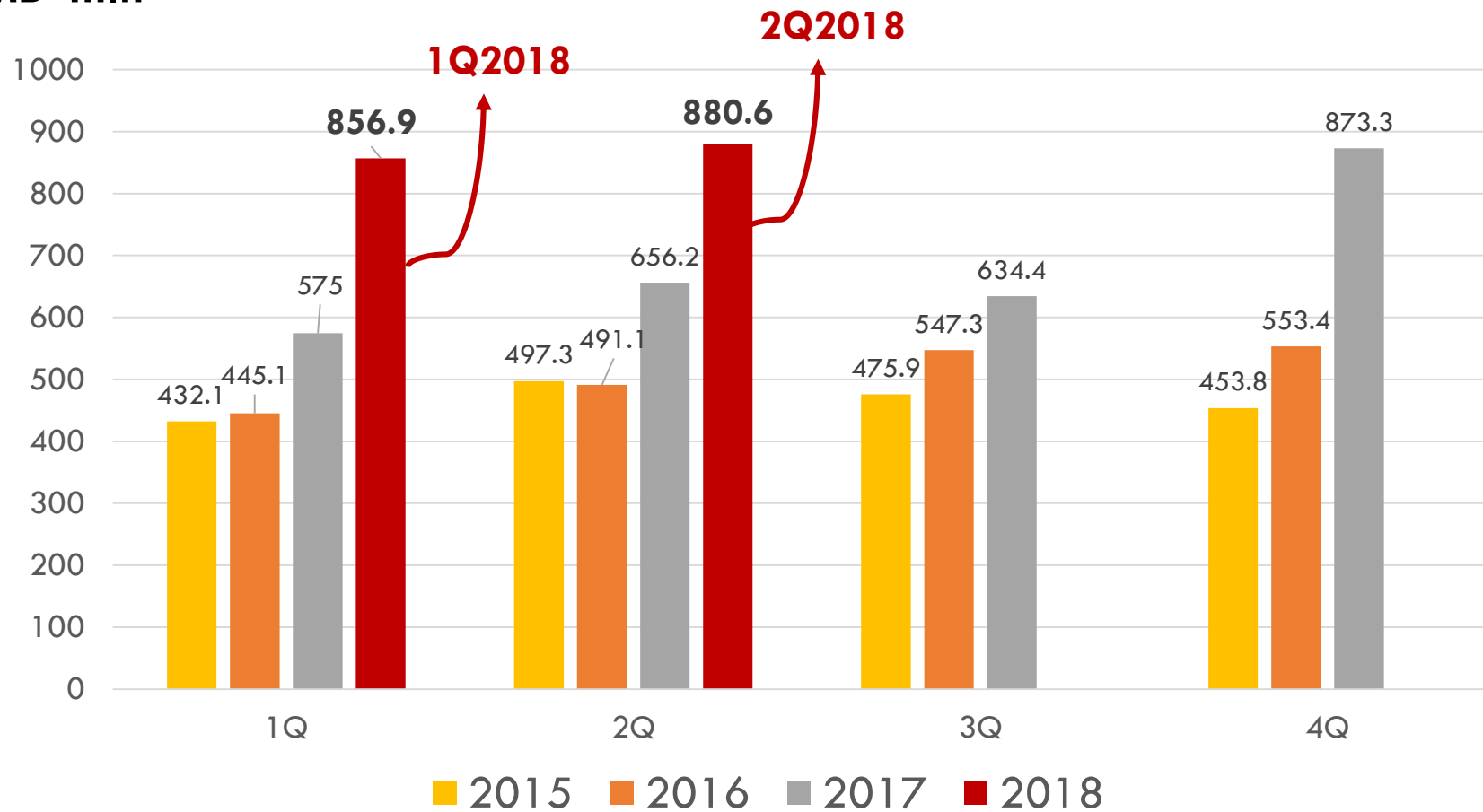


1H18 Revenue up 41% y-o-y mainly boosted by higher ASP



Revenue By Quarter

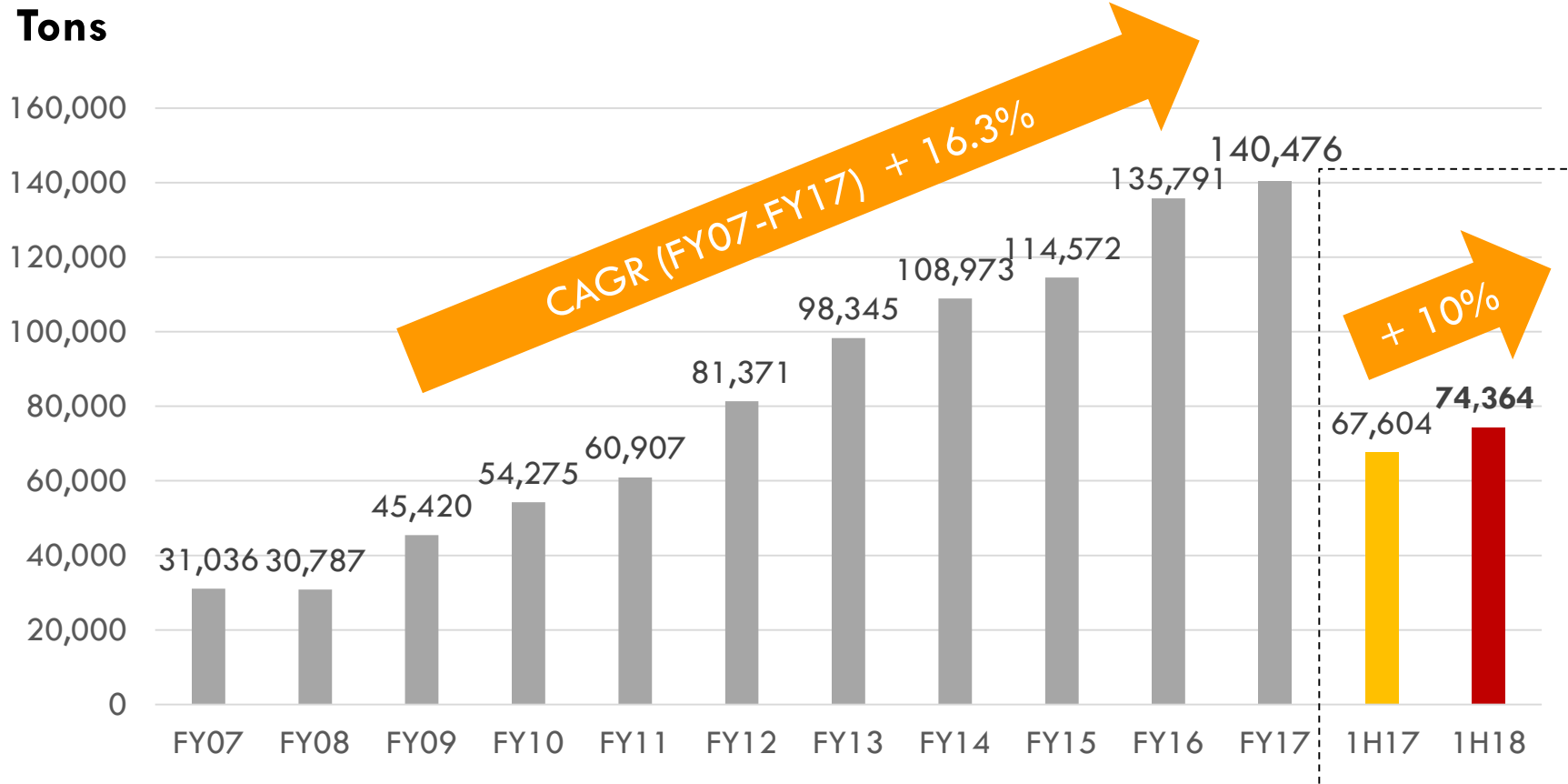
RMB 'mln



2Q18 vs 2Q17 : +34%
2Q18 vs 1Q18: +2.8%



Sales Volume

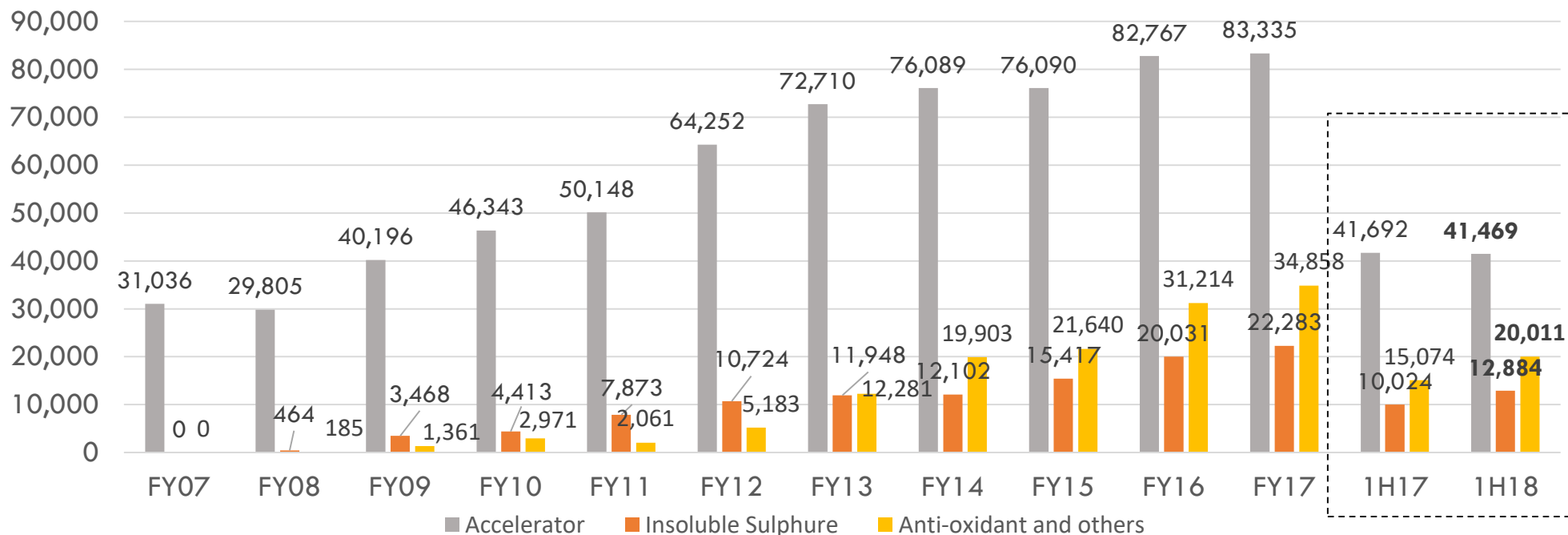


1H2018 Sales volume up 10% y-o-y due mainly to more orders received as tire makers recognize the Group's ability to provide stable supply



Sales Volume by Products

Tons

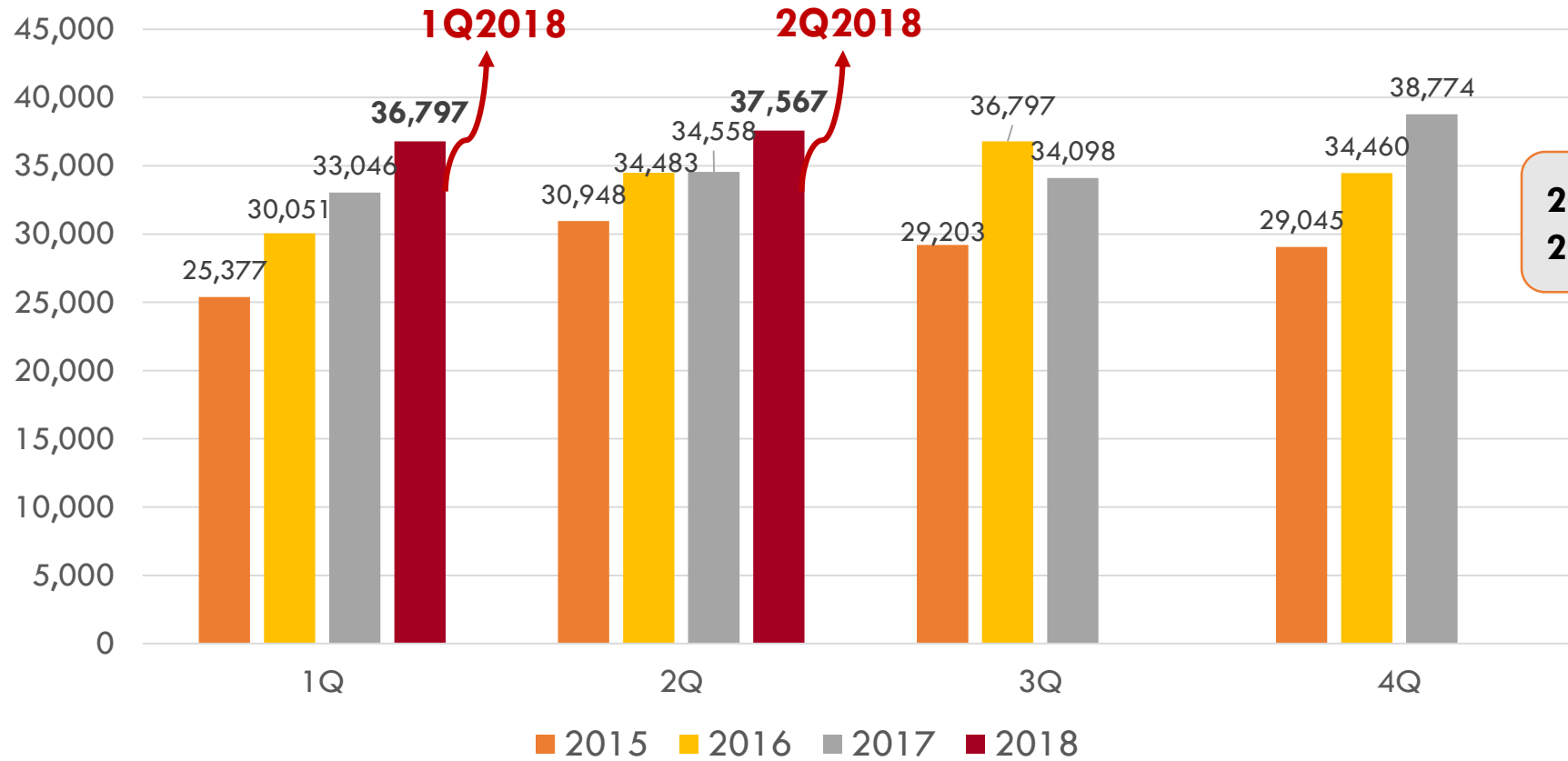


Sales Volume	1H18 vs 1H17
Accelerators	- 0.5%
Insoluble Sulphur	+ 29%
Anti-oxidants	+ 28%



Sales Volume By Quarter

Tons



Sales Contribution (By Region)

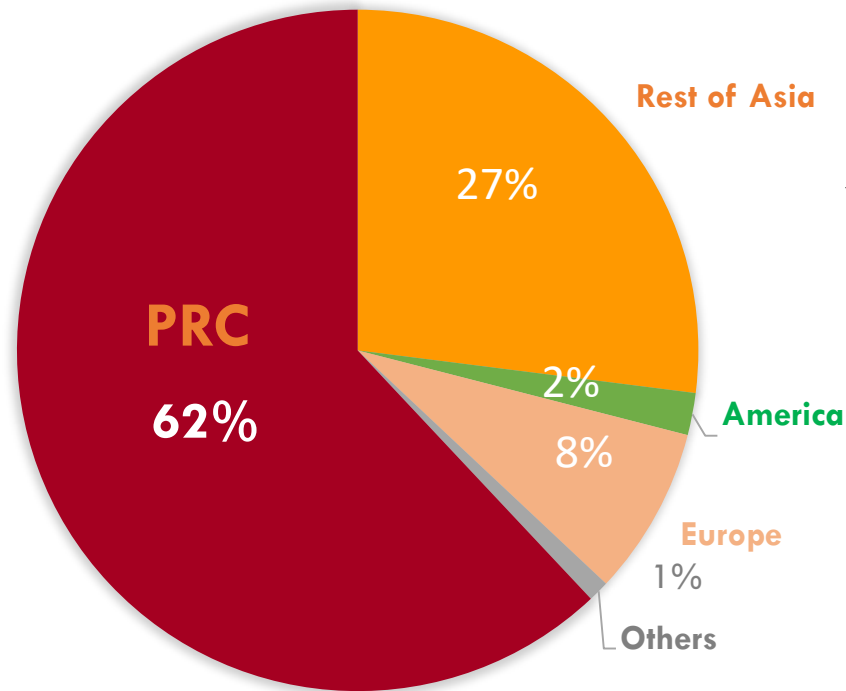
1H18 Sales Contribution (y-o-y)

PRC

Sales: RMB 1,072.8 mln +37%

Volume: 49,941 tons +9%

PRC sales increase due mainly to the rise in overall ASP and volume fueled by the continued short supply situation



EXPORT

Sales: RMB 656.2 mln +49%

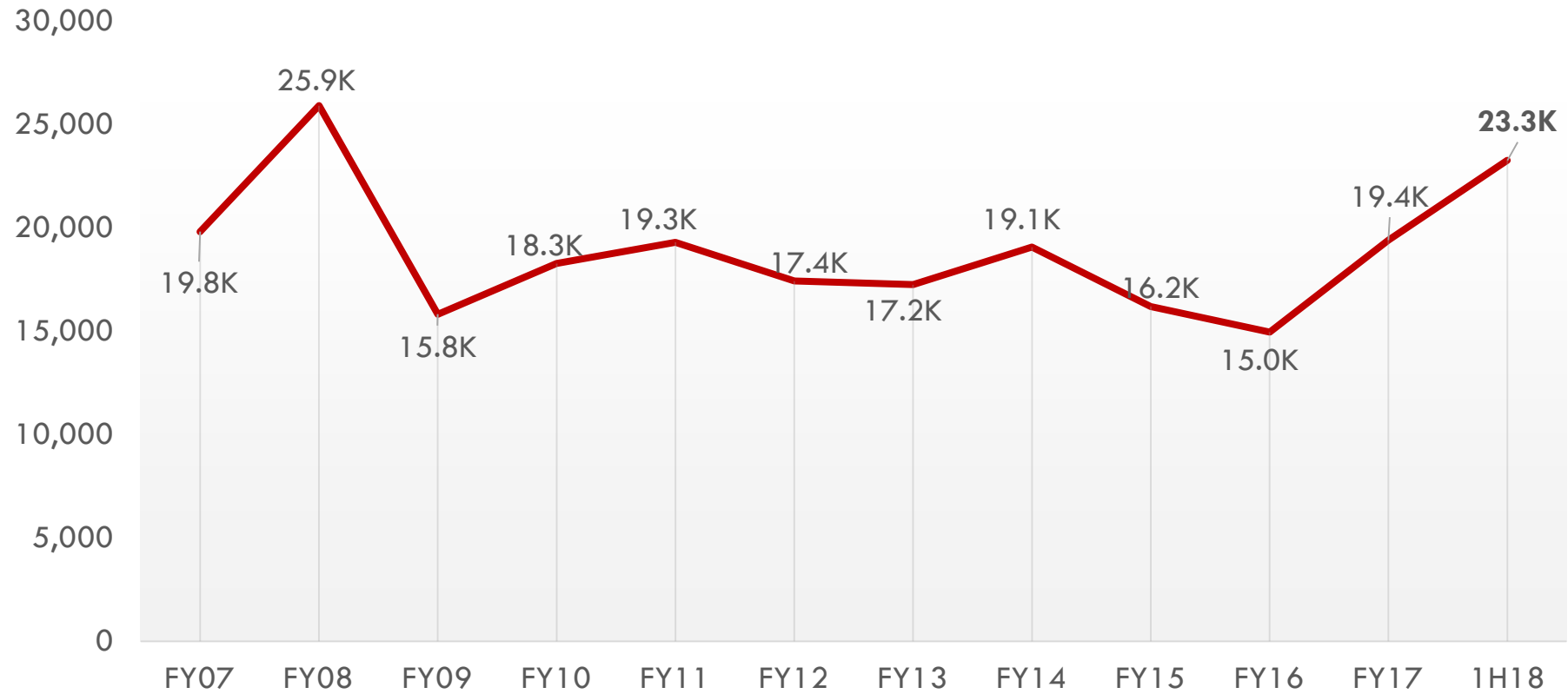
Volume: 24,423 tons +13%

International sales increase due to higher ASP and higher sales volume to South East Asia and Europe.
(Direct sales to US accounted 2% of total revenue)



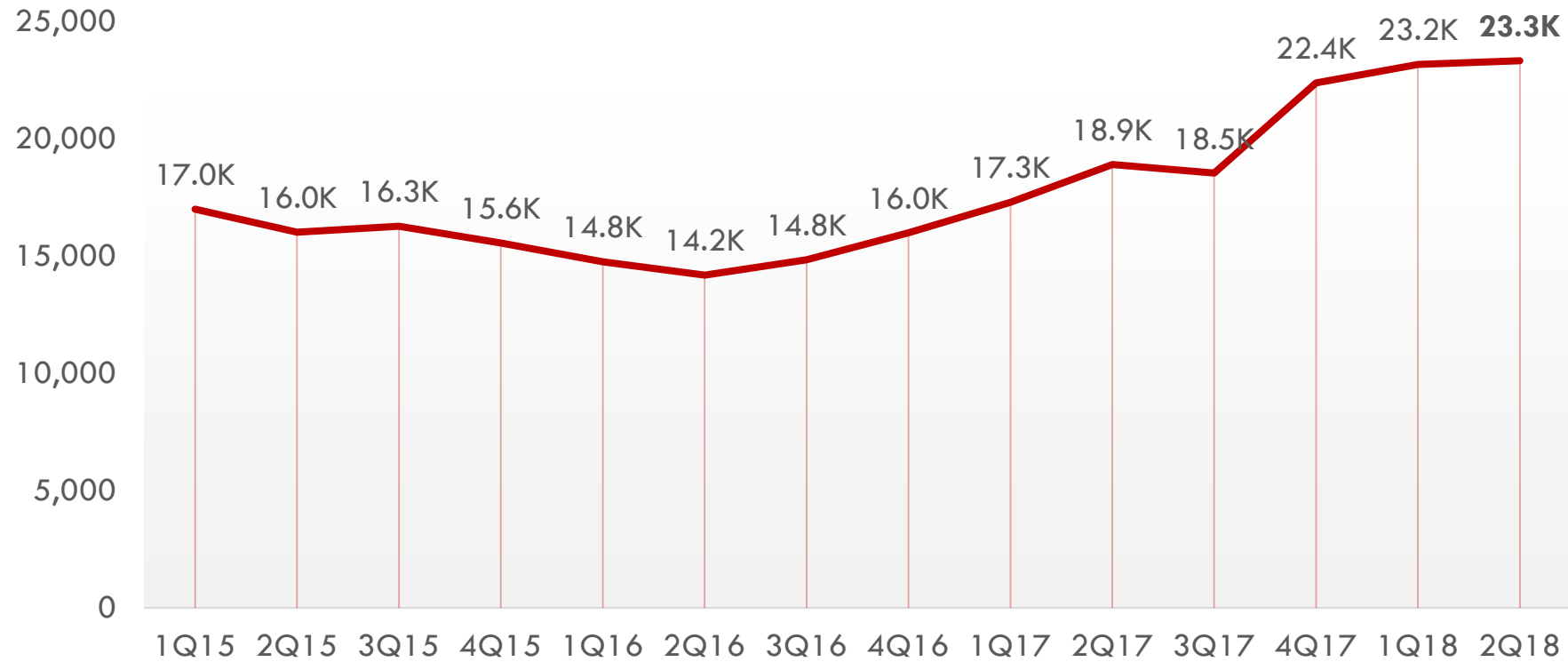
Overall Average Selling Price (ASP)

RMB/Ton



ASP by Quarter

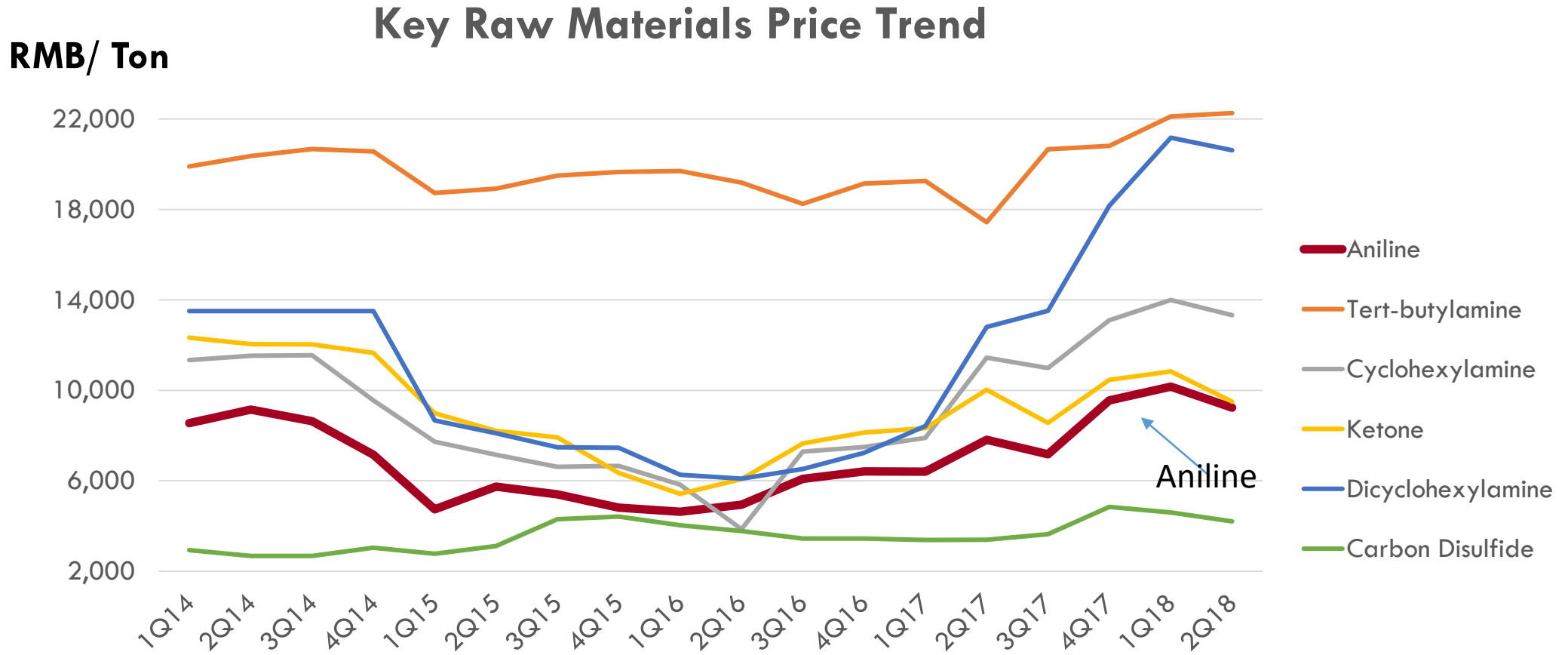
RMB/Ton



- 2Q18 ASP up 23% y-o-y due mainly to continued short supply situation in China since 2017

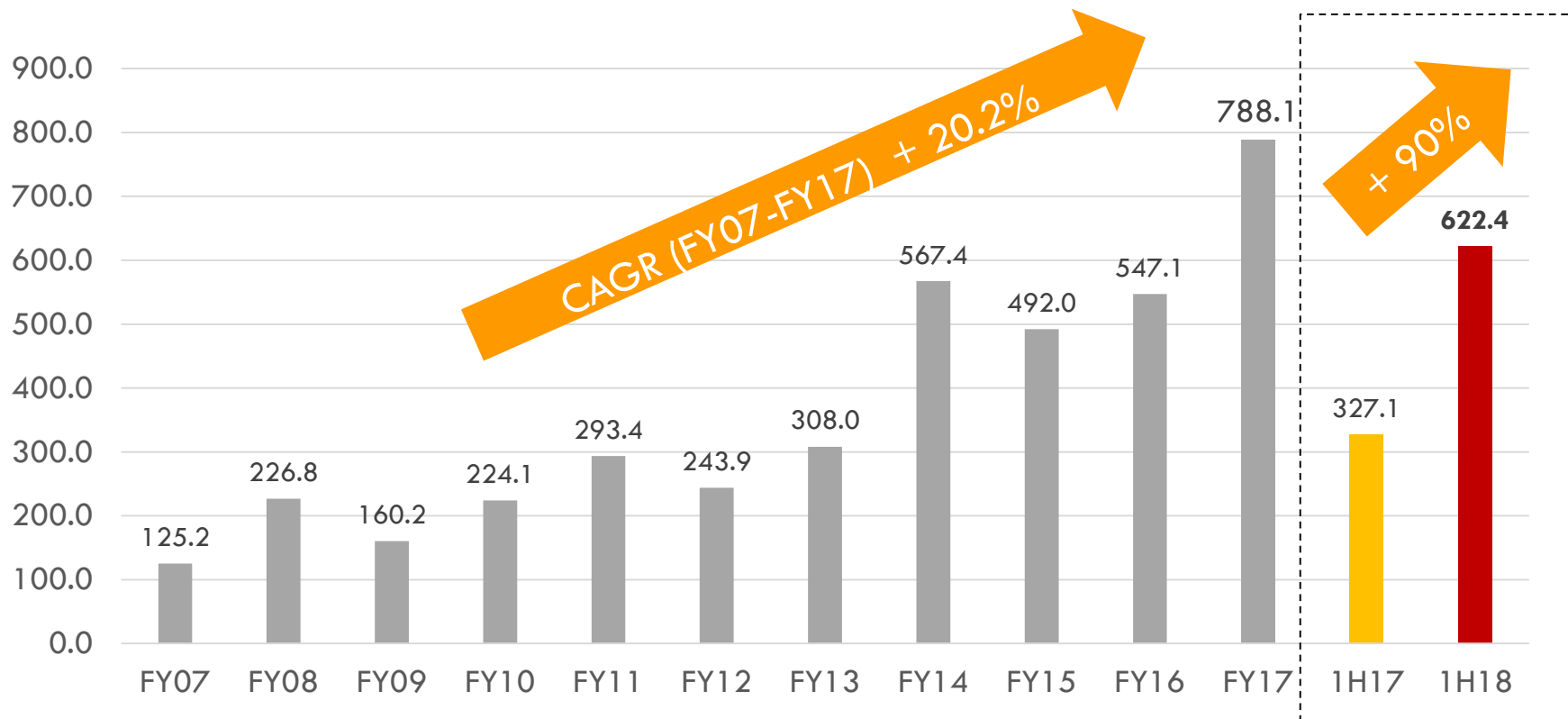


Main Raw Materials Cost



Gross Profit

RMB 'mln

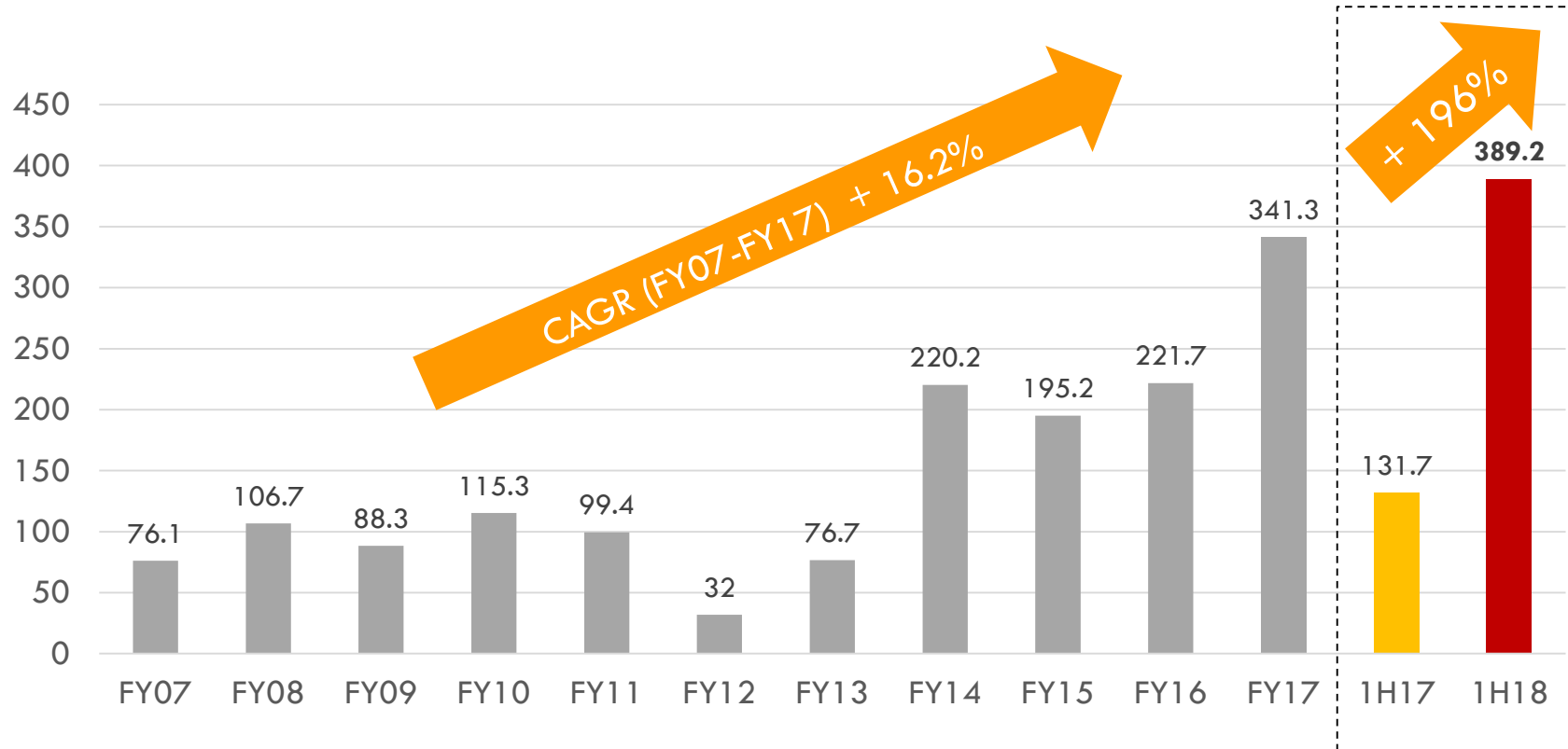


1H18 Gross profit grew 90% y-o-y due to higher ASP and sales volume



Net Profit

RMB 'mln

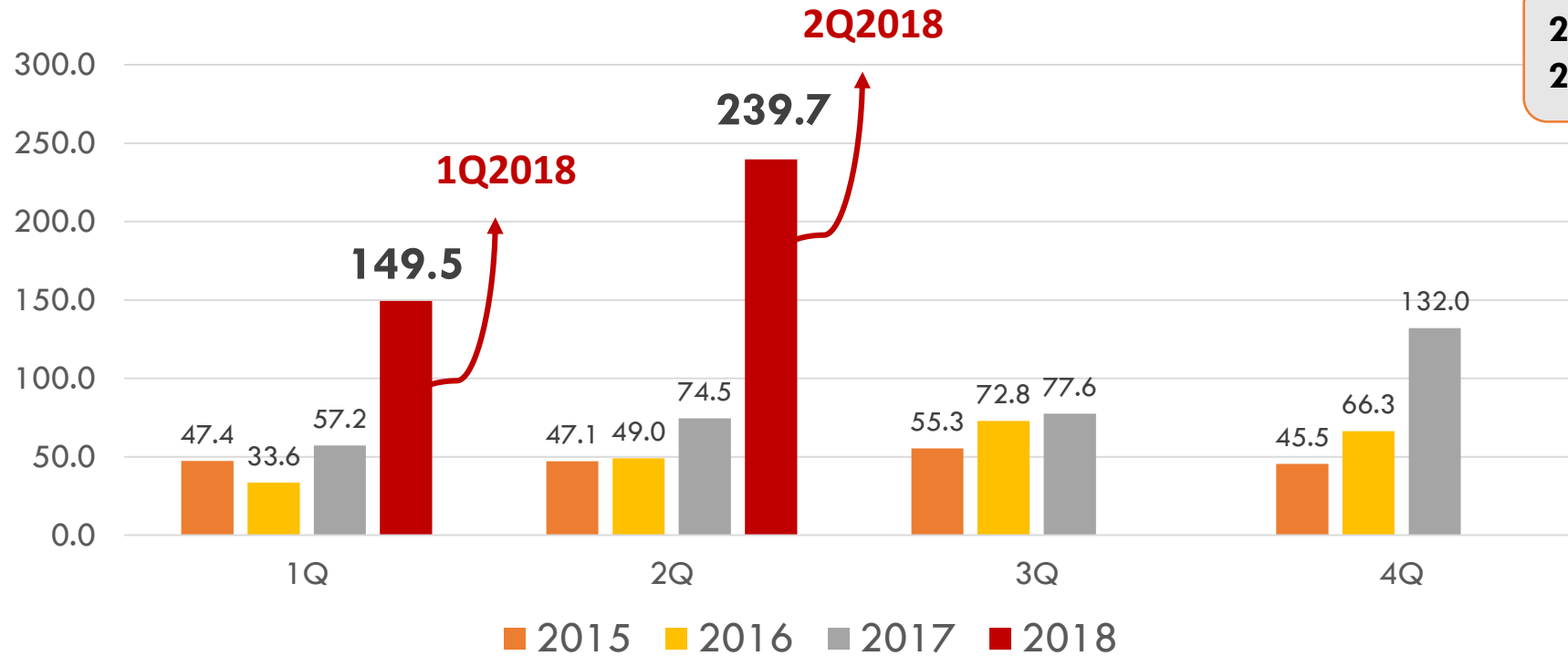


Group's main subsidiary, Shandong Sunline, obtained "High-tech Enterprise" status which allows the company to enjoy a concessionary tax rate of 15% for 3 years with effect from 1 Jan 2017



Net Profit By Quarter

RMB 'mln

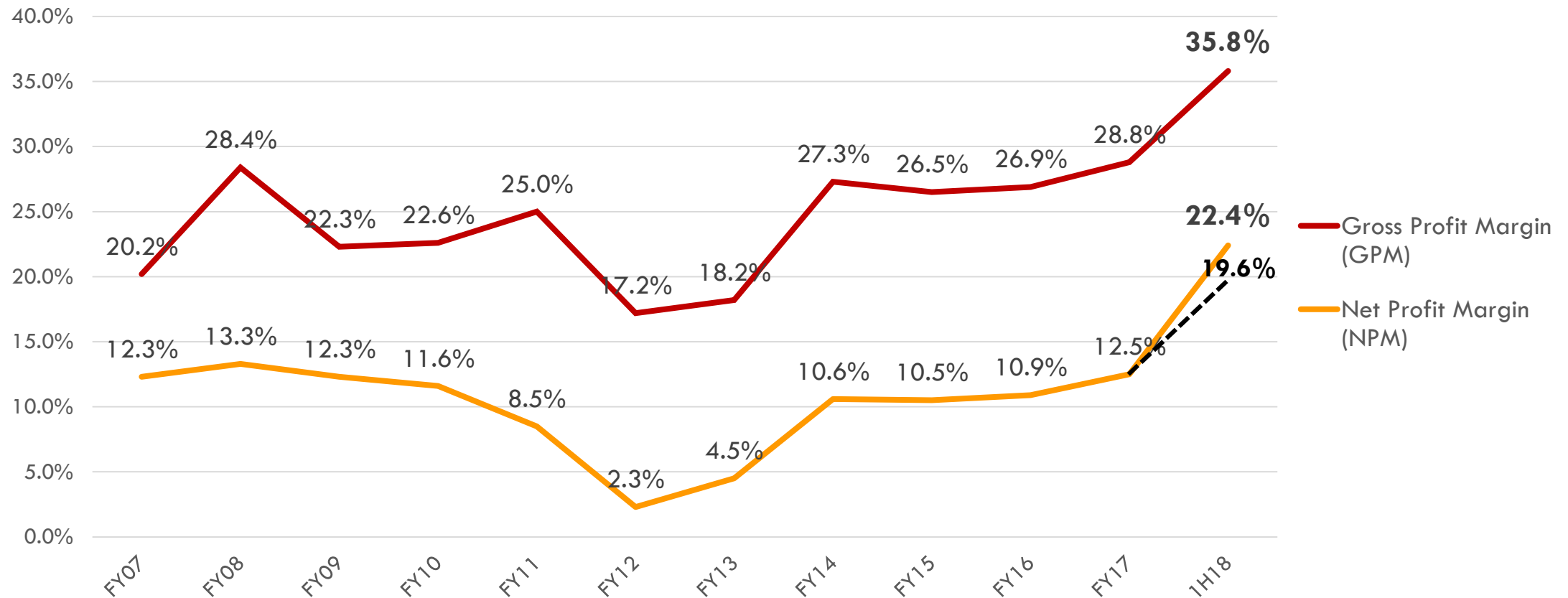


2Q18 vs 2Q17: +222%
2Q18 vs 1Q18: +60%

- 2Q18 Net profit surged 222% y-o-y due mainly to higher ASP with expanded profit margin
- As the “High-tech Enterprise” status was approved at end of FY2017, approximately RMB 48 mln tax expensed was credited back in 2Q2018



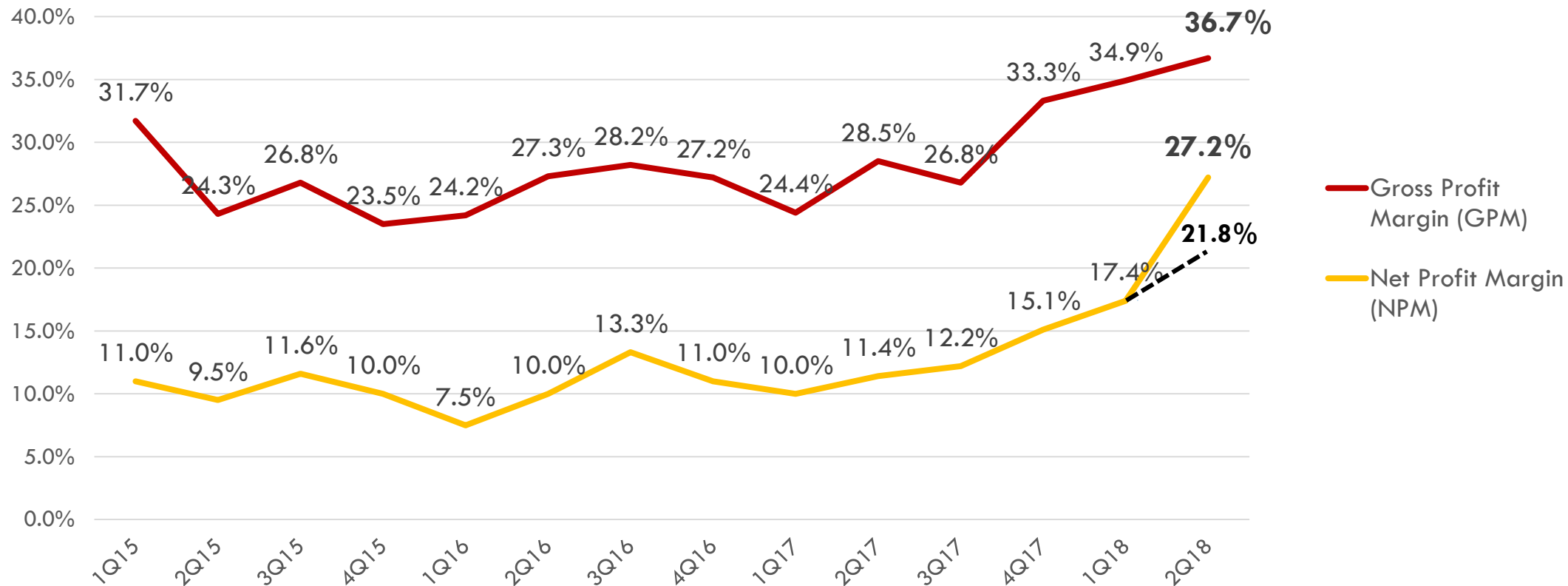
Margins Analysis



--- 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

	30/06/2018	31/12/2017	31/12/2016
Current assets (RMB'mln) *	1,738.8	1,424.6	1,050.5
Current liabilities (RMB'mln)	390.8	385.3	280.8
Current Ratio	4.45	3.70	3.74
Shareholders' equity (RMB'mln)	2,070.7	1,742.4	1,361.6
D/E ratio **	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	421.14/ 87.04	354.37/ 73.23	293.42/ 60.64

* Including Cash RMB 566.4 mln + Notes RMB 357.9 mln

** No bank borrowing since end of FY2016



Key Developments

Ongoing Projects

Project	Scheduled Completion Date	Status	CapEx
30,000-ton Accelerator TBBS: Phase I of 10,000-ton capacity at Shanxian P lant	Phase I construction and installation completed at the end of 2016	Pending trial run approval	RMB 100 mln
Insoluble Sulphur: 10,000-ton production line at Dingtao plant	Construction completed by end of 2017	Pending trial run approval	RMB 50 mln
Heating Plant: Add one boiler and one electric generator	Construction completed by end of 2017	Undergoing grid integration	RMB 100 mln



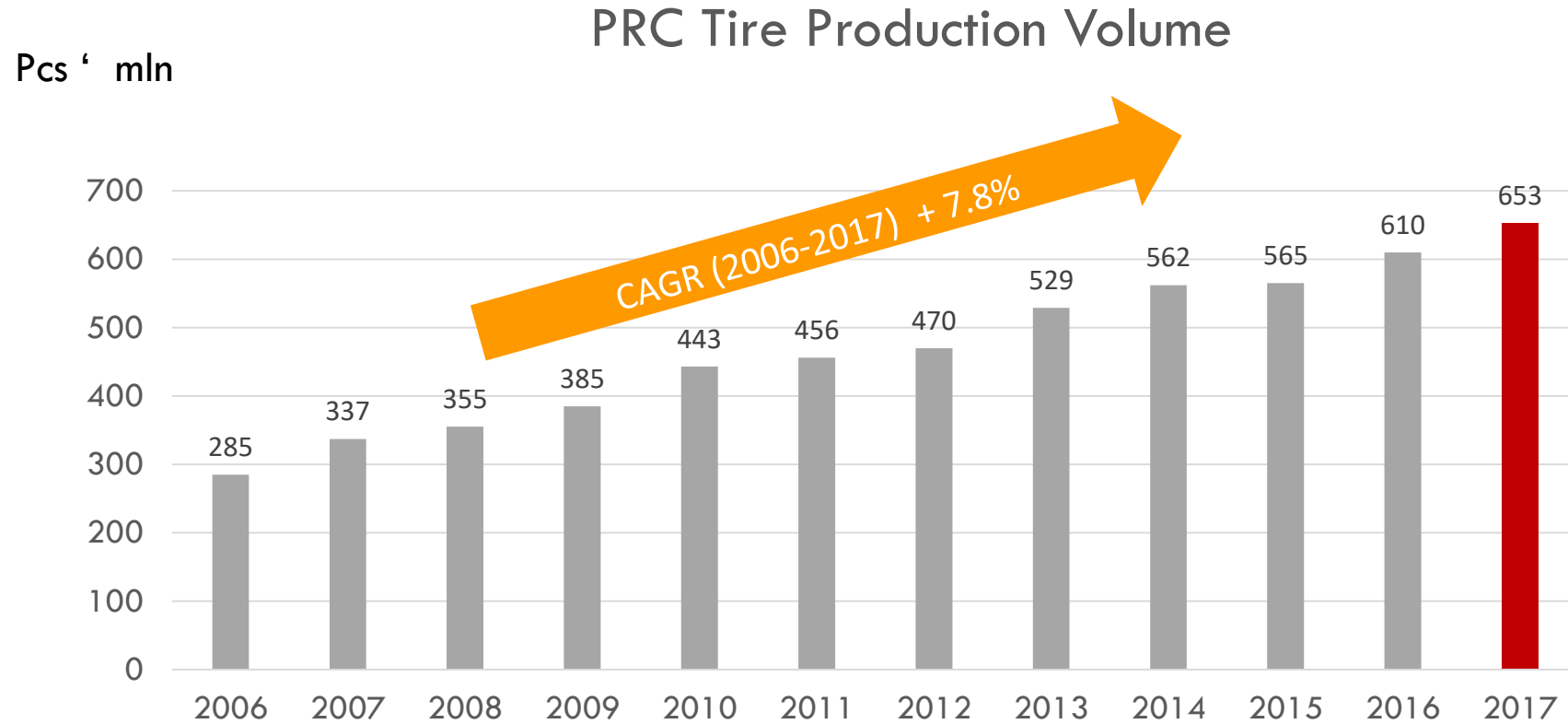
Annual Capacity

	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>Dingtiao:</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

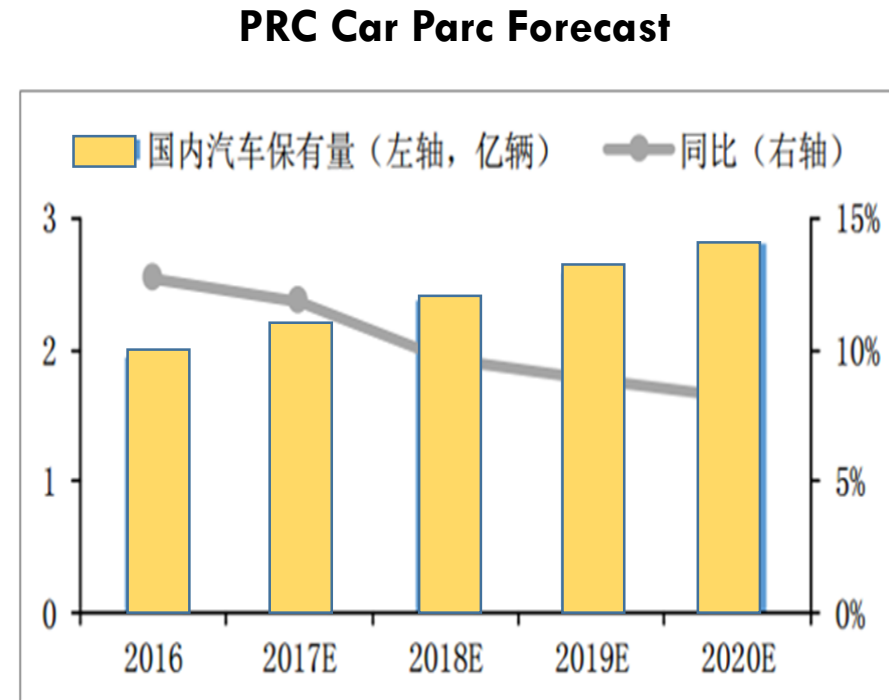
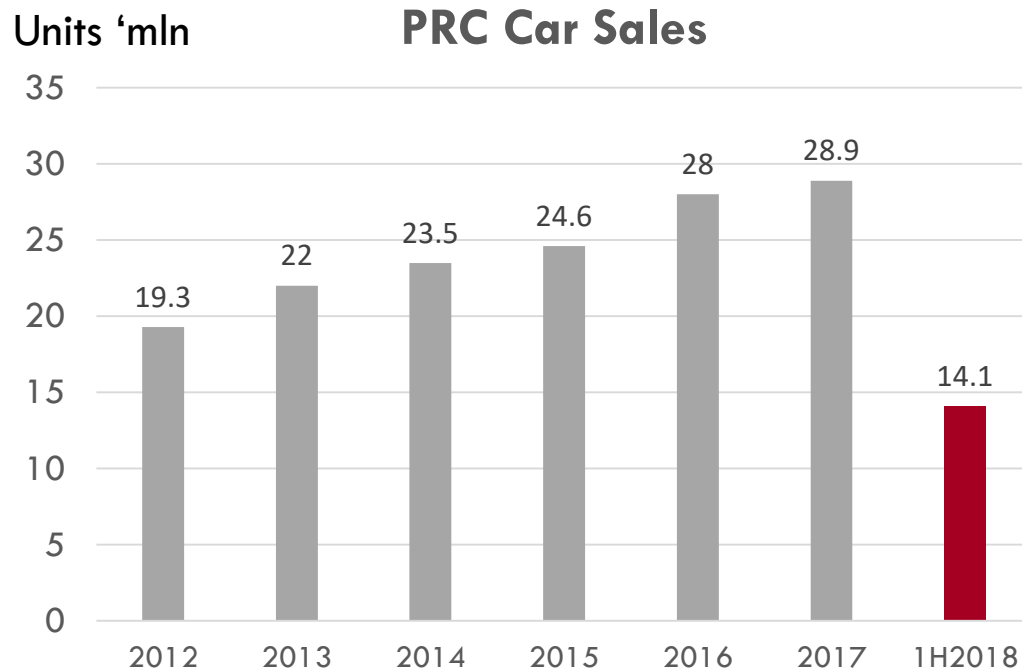


Source: <http://www.tyrefh.org/>



- 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



- 1H2018 PRC car sales totaling 14.1 mln units, up 0.83% y-o-y
- After a robust growth in the past decade, China's new car sales forecasted to grow moderately
- China's motor parc as of 1H2018 reached 319 million makes the demand for tire strong and sustainable

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

- High quality
- Stable supply
- Full range of varieties

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
- Land spaces available in our production facilities
- Built-up infrastructures



Challenges and Opportunities Ahead

Challenges

The 3-year “Battle for a Blue Sky” initiative affects all chemical companies in China



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



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



Fluctuation of raw material prices, a perennial concern



Declining tire demand may result in lower utilization rate of tire manufacturing



Opportunities

Environmental rectification causing industry consolidation which may benefit bigger players

Group’s sustainable growth driven by organic expansion of capacity for a long-term

Group’s sales to US account for about 2-3%. The impact on our exports is minimal, indirect and manageable

Group is able to maintain a reasonable margin and pass on the increased material price onto customers

China is the world largest tire and auto market. It provides a stable consumption based on a strong replacement tire market



Listed On SGX Mainboard

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SHARE PERFORMANCE (China Sunshine vs STI)



- P/E below 6 times (Rolling EPS SGD0.25 for last four quarters)
- P/B ratio about 1.6



Chairman's Message

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I am proud that the Group has achieved such outstanding performance in the first half of 2018. As China's economy is facing a slowdown in its growth amidst trade war tensions, China's tire capacity utilisation rate is falling. We expect the selling price of rubber chemicals to continue to normalise. In addition, as the Chinese government continues to enforce stringent environmental protection regulations and conduct frequent inspections under "The Battle for a Blue Sky", this may materially affect all chemical companies in China. We remain positive of our performance in the next 12 months.



Mr. Xu Chengqiu
Executive Chairman



Q & A

MEDIA/INVESTOR CONTACT

Tong Yiping, CFO, tongyiping@ChinaSunsine.com
Jennie Liu, IR Manager, jennie@ChinaSunsine.com

112 Robinson Road #11-01
Singapore 068902
(+65) 6220-9070
www.ChinaSunsine.com