尚舜化工

SUNSINE

CHINA SUNSINE CHEMICAL HOLDINGS LTD.

中国尚舜化工控股有限公司

3Q & 9M 2018 RESULTS BRIEFING

7 November 2018

PRESENTATION OUTLINE

Financial Overview

Key Developments

Industry Info and Outlook

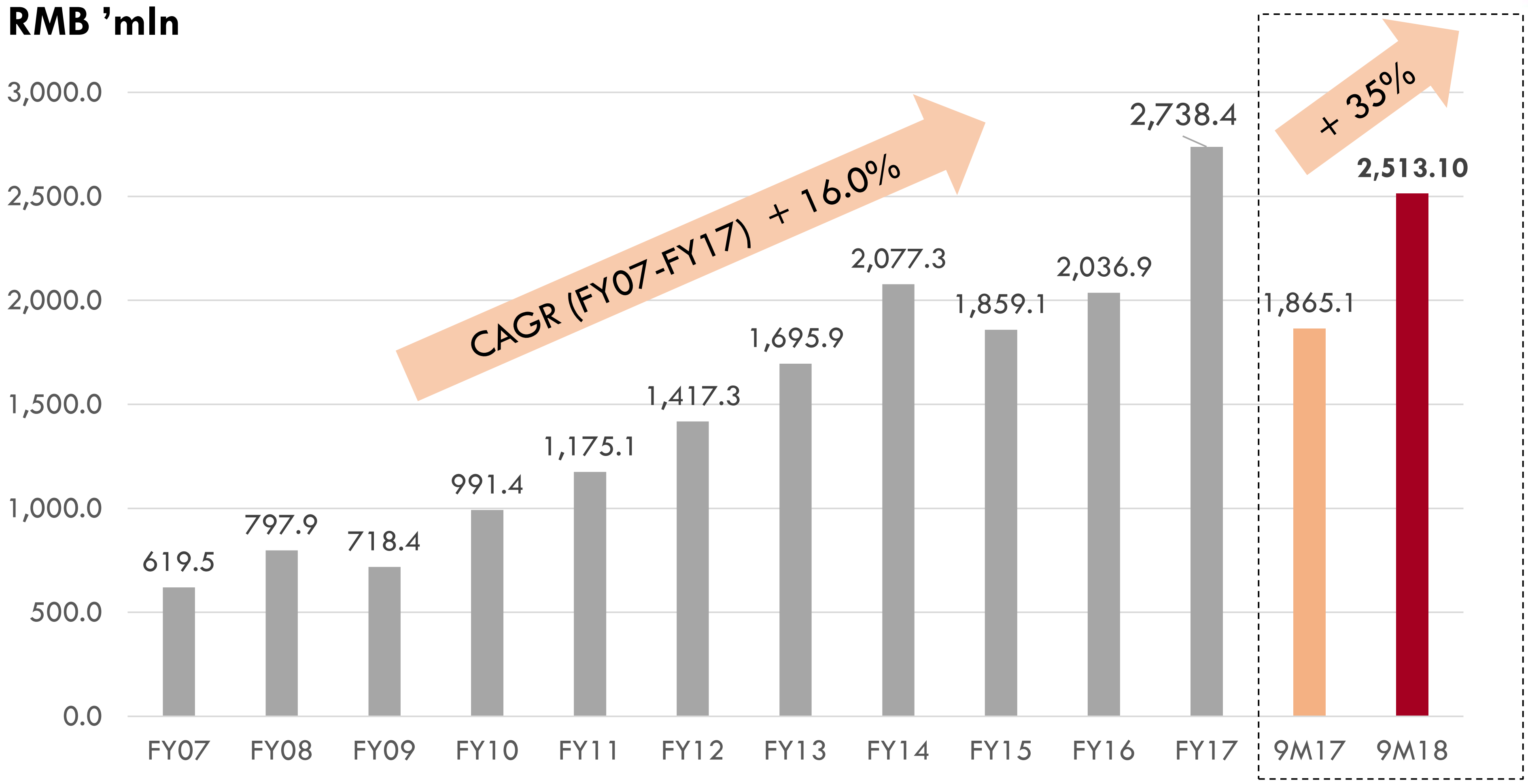
Financial Overview

P&L Highlights

RMB 'mln	3rd Quarter Ended			9 Months Ended		
	30 Sept 18	30 Sept 17	Change	30 Sept 18	30 Sept 17	Change
Group Revenue	**775.6**	634.4	22%	**2,513.1**	1,865.1	35%
Gross Profit	**254.0**	169.8	50%	**876.4**	496.9	76%
Gross Profit Margin	**32.7%**	26.8%	5.9 pts	**34.9%**	26.6%	8.3 pts
Profit Before Tax	**172.8**	103.6	67%	**569.2**	281.2	102%
Profit After Tax	**143.4**	77.6	85%	**532.6**	209.3	154%
EPS (RMB cents/SGD Cents*)	**29.18/ 5.80**	15.79/ 3.14	85%	**108.34/ 21.53**	43.74/ 8.69	148%

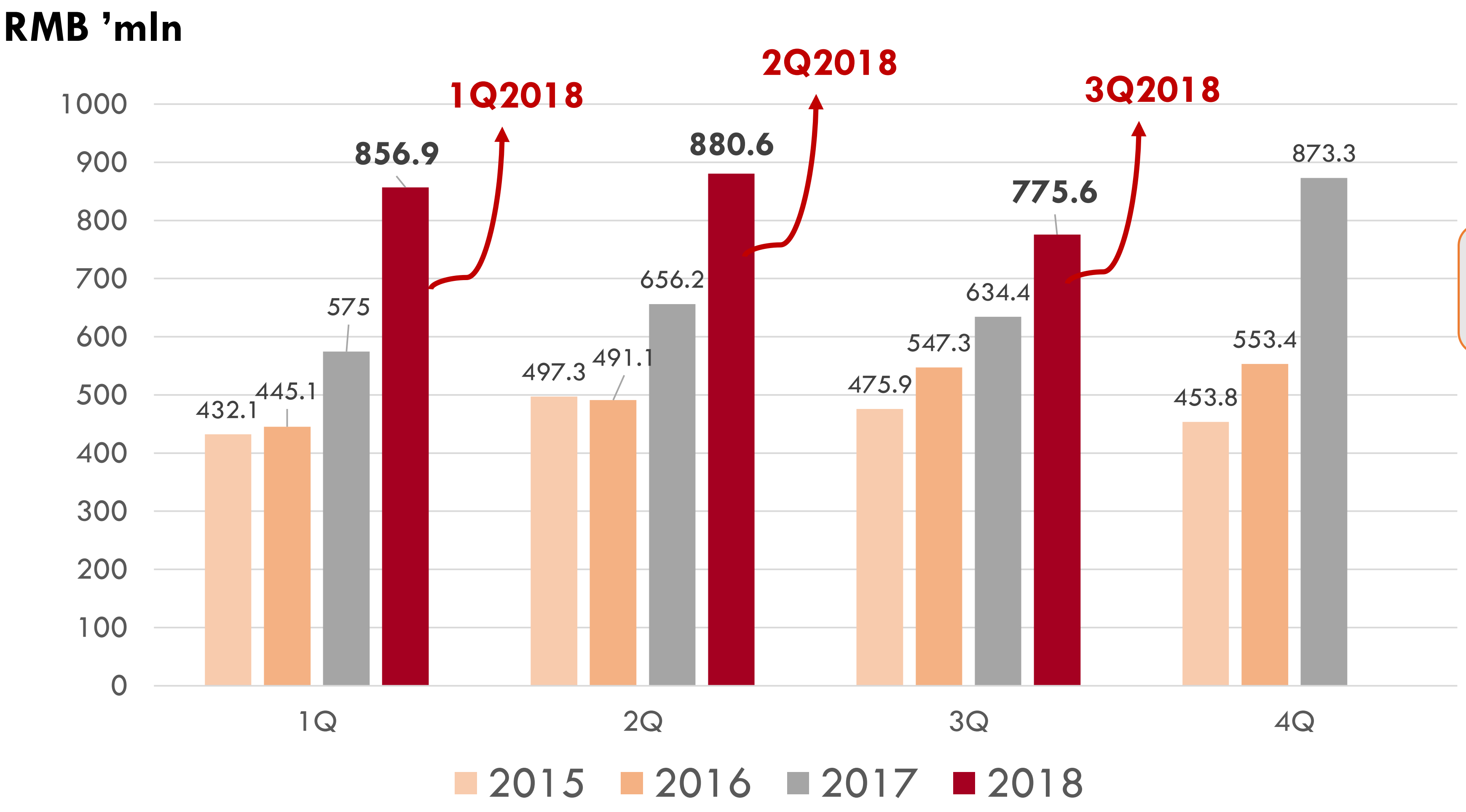
* SGD to RMB exchange rate @5.0315

Revenue Growth



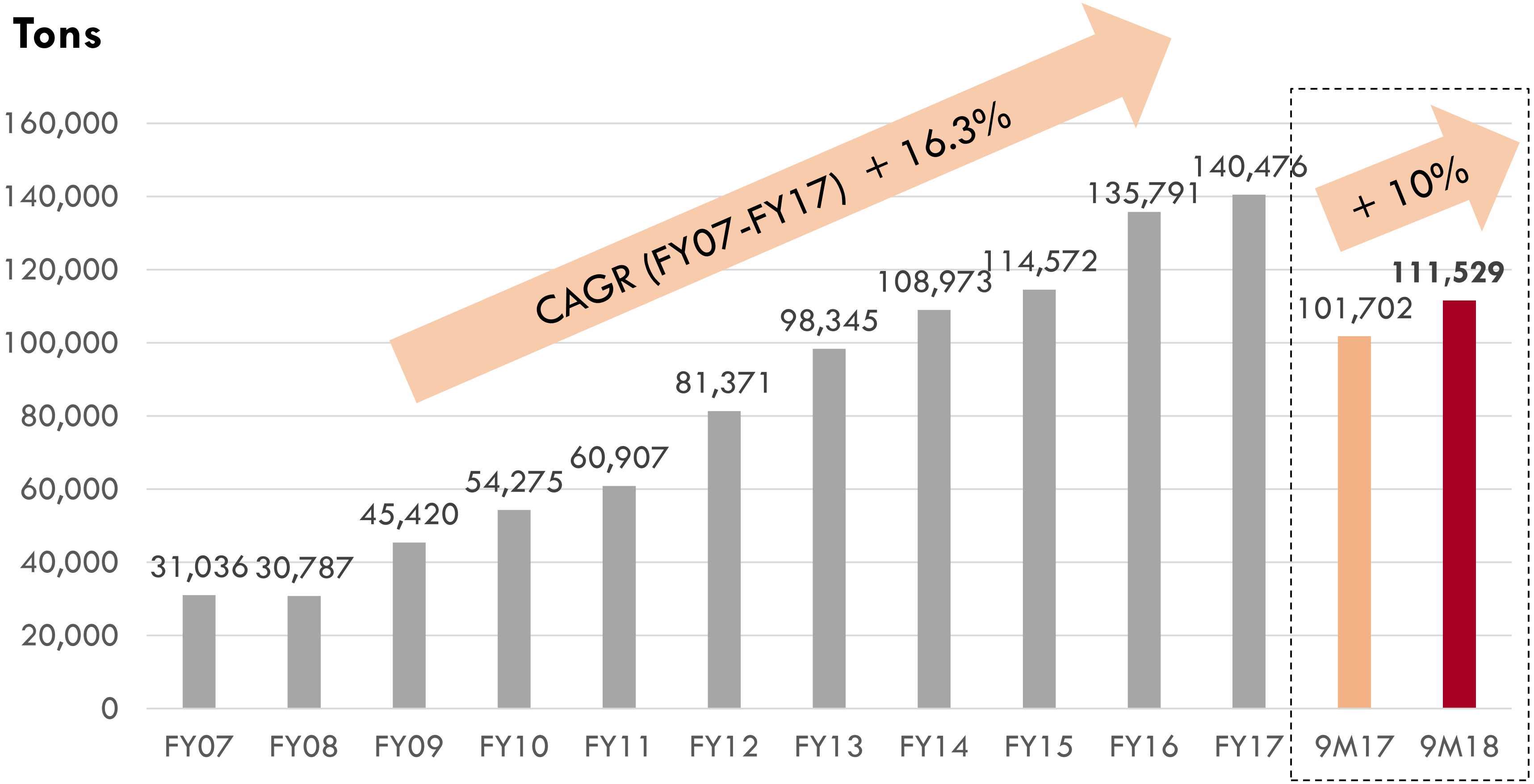
9M18 Revenue up 35% y-o-y boosted by higher ASP and sales volume

Revenue By Quarter



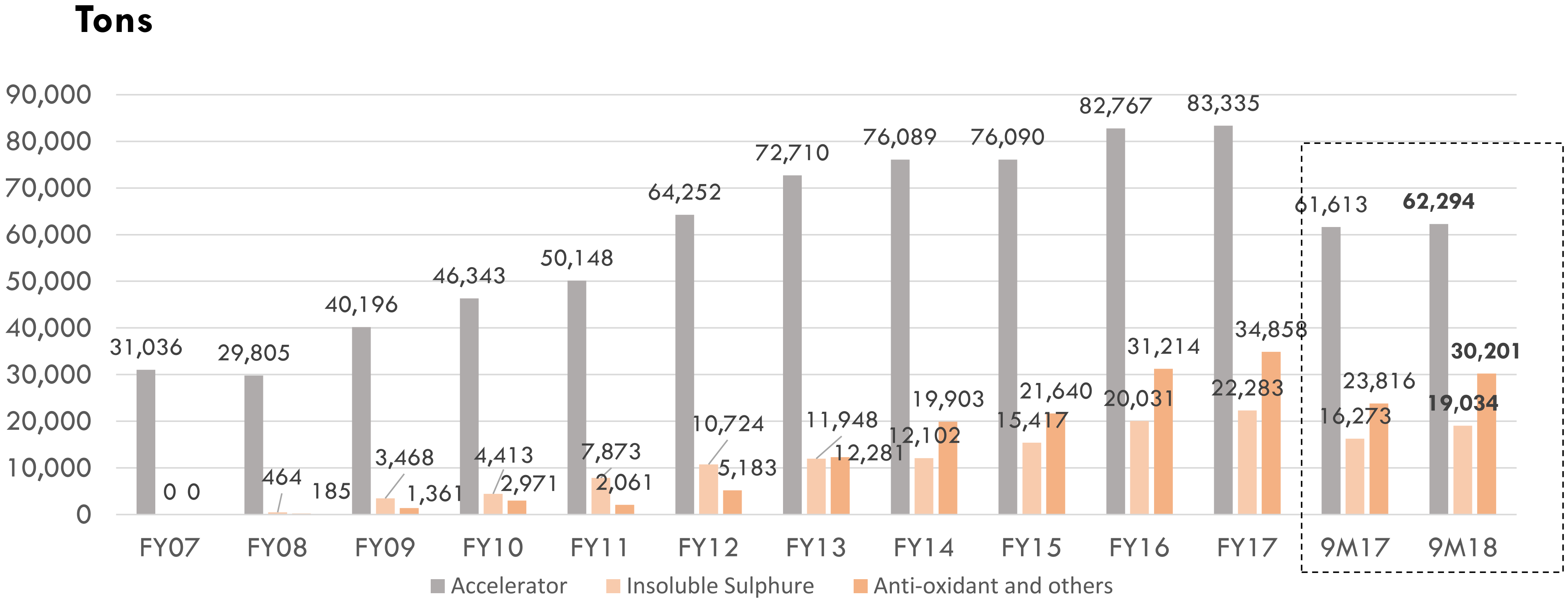
3Q18 vs 3Q17 : +22%
3Q18 vs 2Q18 : - 12%

Sales Volume



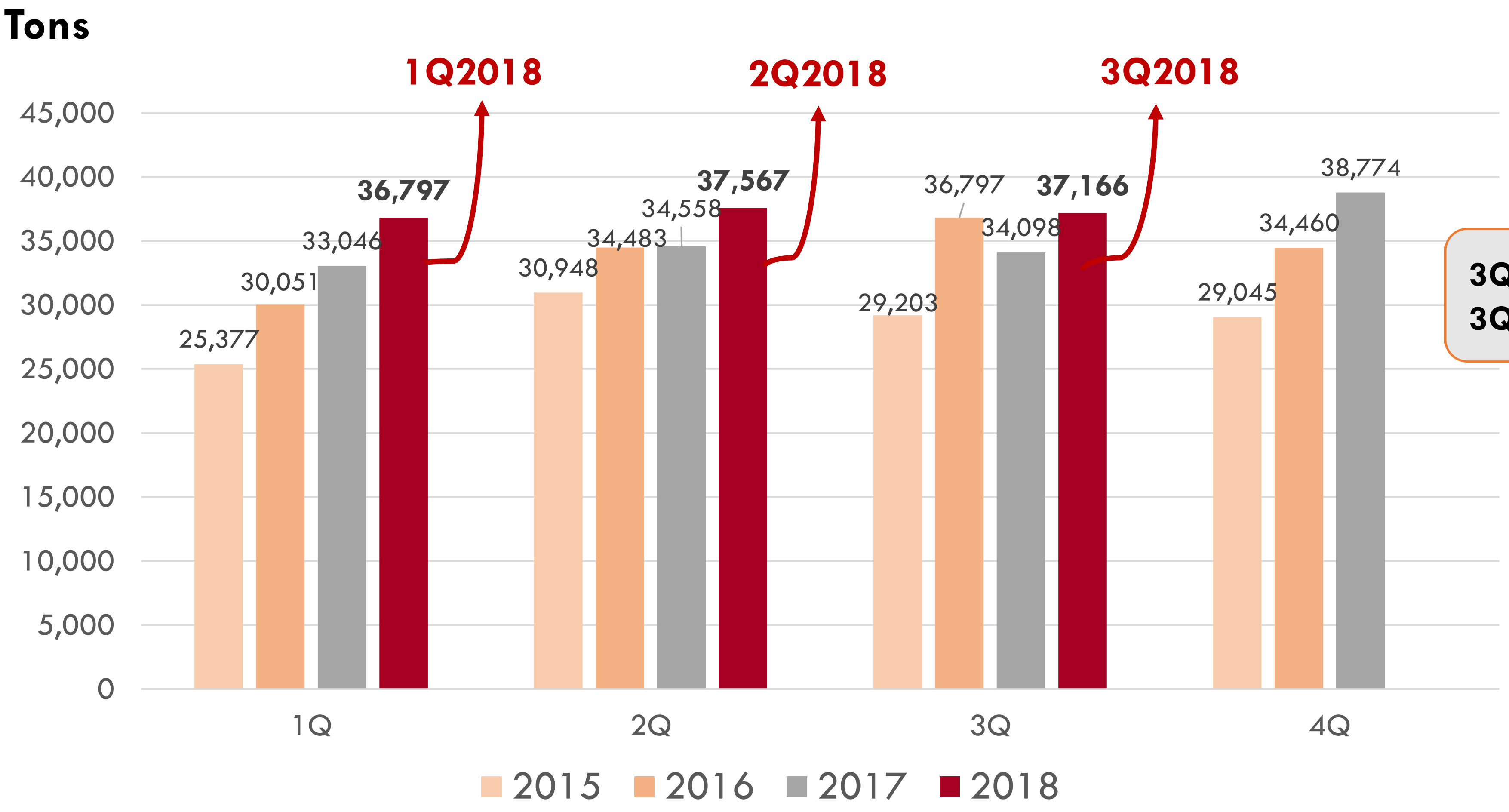
9M2018 Sales volume up 10% y-o-y due mainly to more orders received as tire makers recognize the Group's ability to provide stable supply

Sales Volume by Products



Sales Volume	9M18 vs 9M17
Accelerators	+ 1%
Insoluble Sulphur	+ 17%
Anti-oxidants & Others	+ 27%

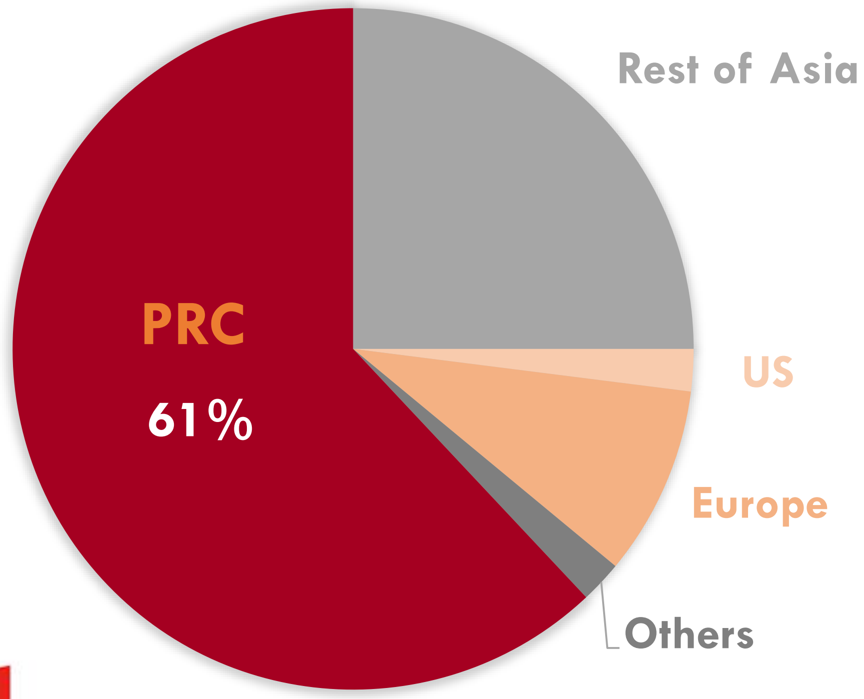
Sales Volume By Quarter



3Q18 vs 3Q17 : +9%
3Q18 vs 2Q18: -1%

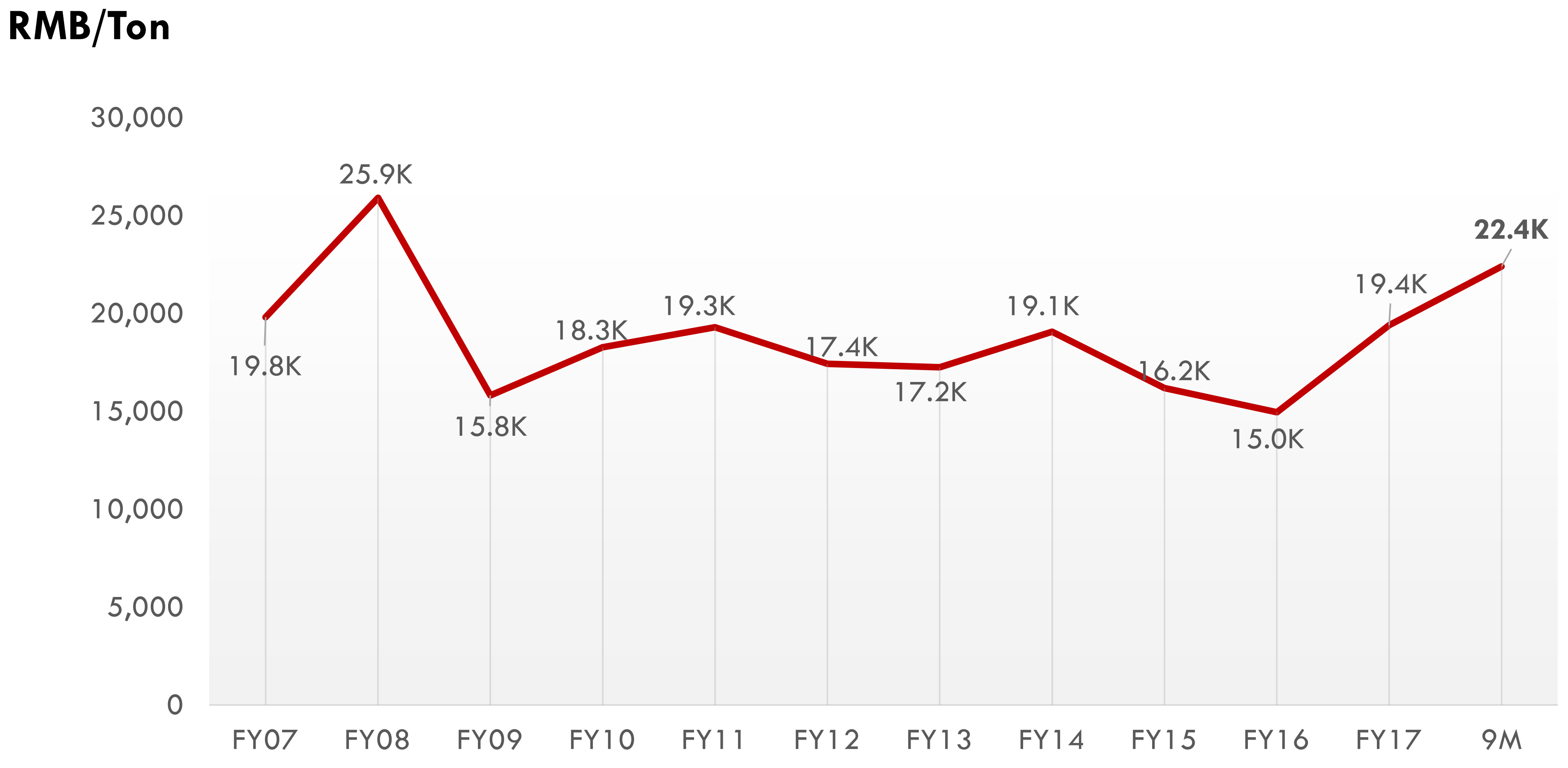
Sales Contribution (By Region)

9M18 Sales Contribution (y-o-y)

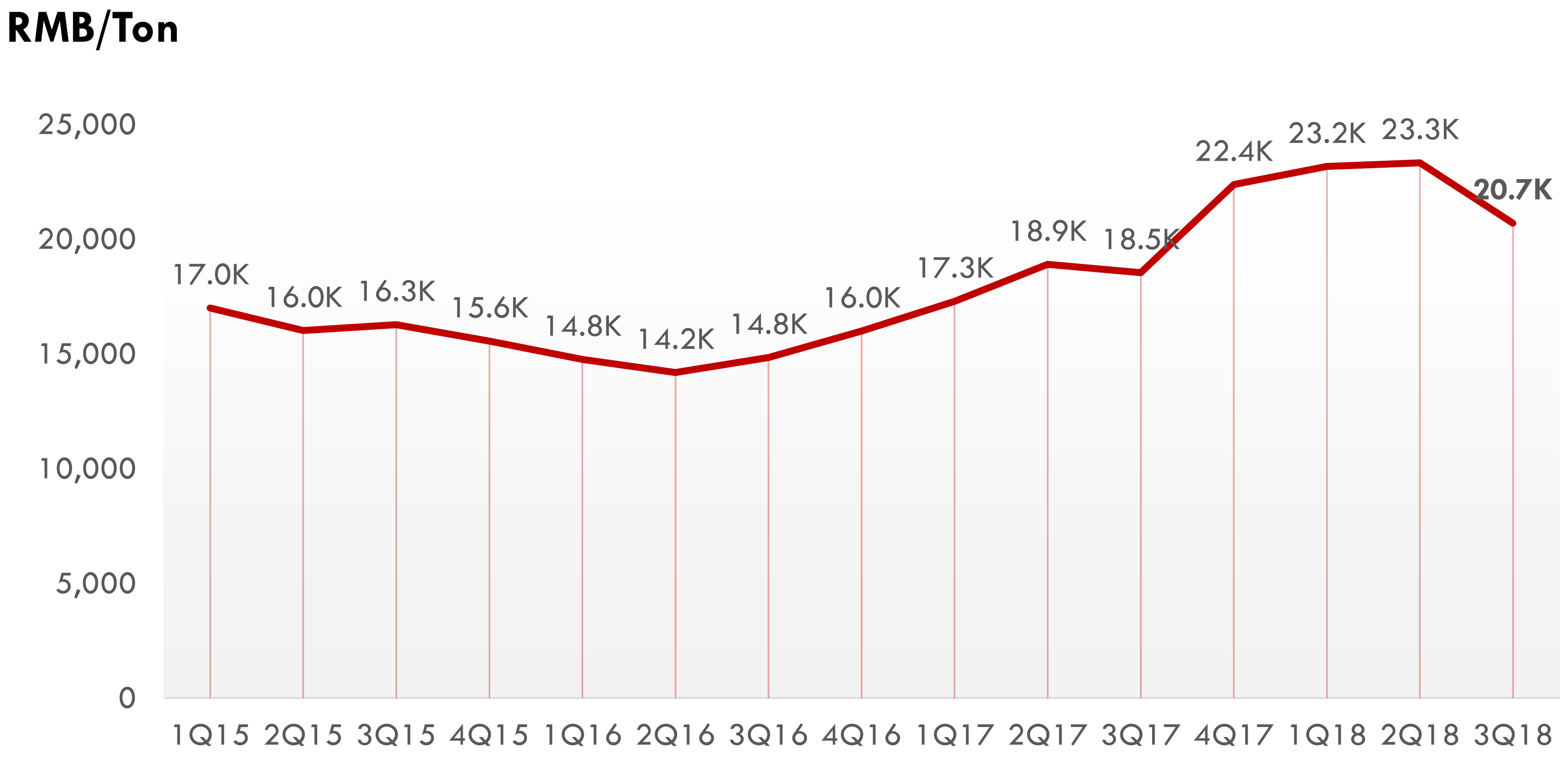


Region	3Q2018	9M2018	9M2017
China	59%	61%	64%
Rest of Asia	23%	25%	25%
US	3%	2%	6%
Europe	10%	9%	4%
Others	5%	2%	1%
Total	100%	100%	100%

Overall Average Selling Price (ASP)

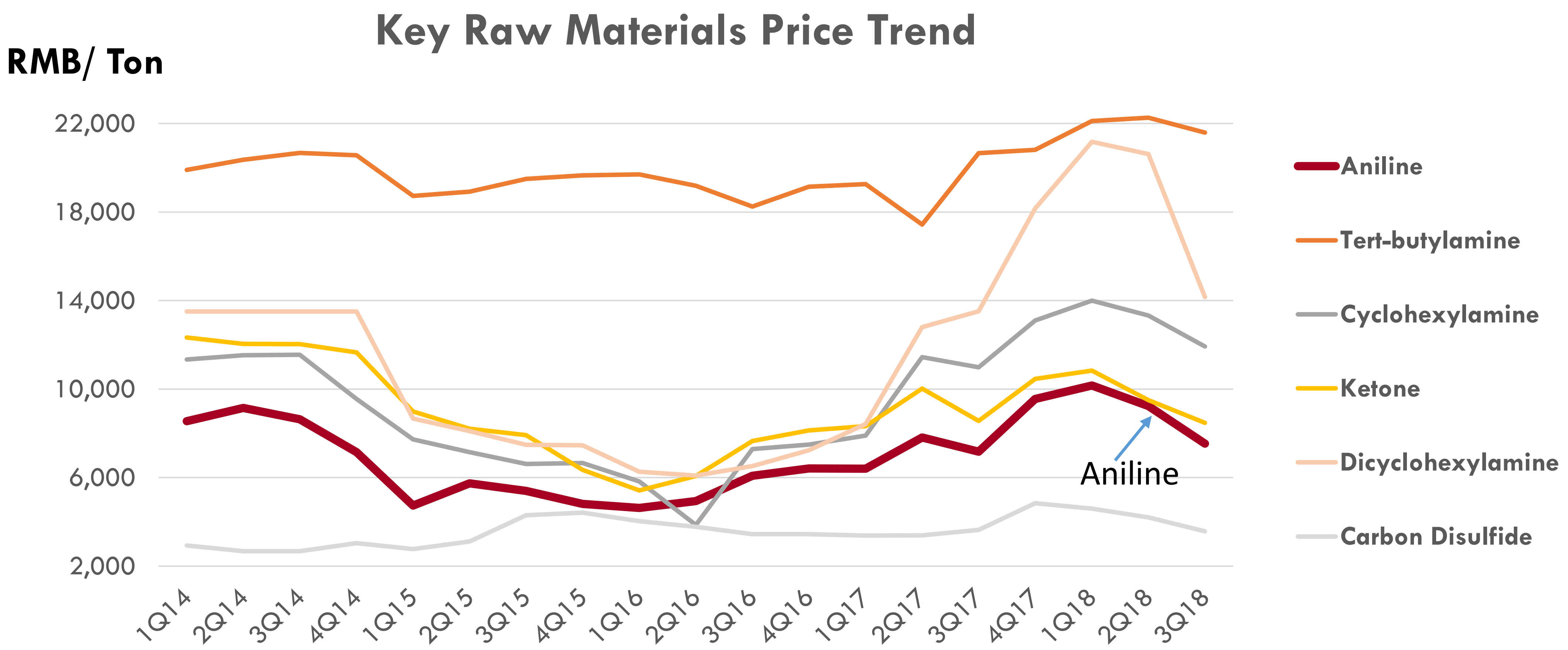


ASP by Quarter

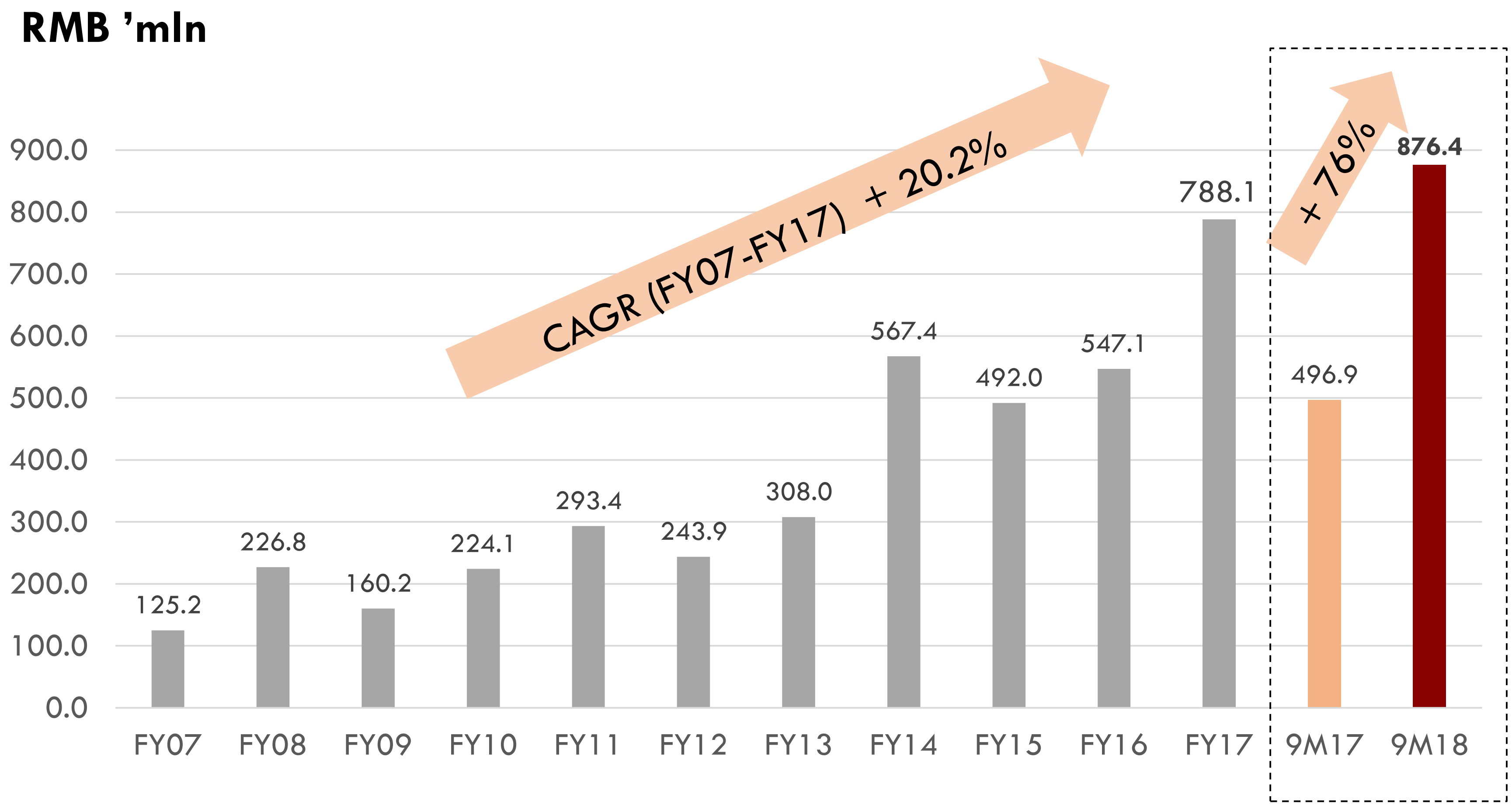


- 3Q18 ASP up 12% y-o-y due mainly to continued short supply situation in China since 2017
- 3Q18 ASP dropped 11% q-o-q due to the decrease in raw material prices and slowing demands

Main Raw Materials Cost

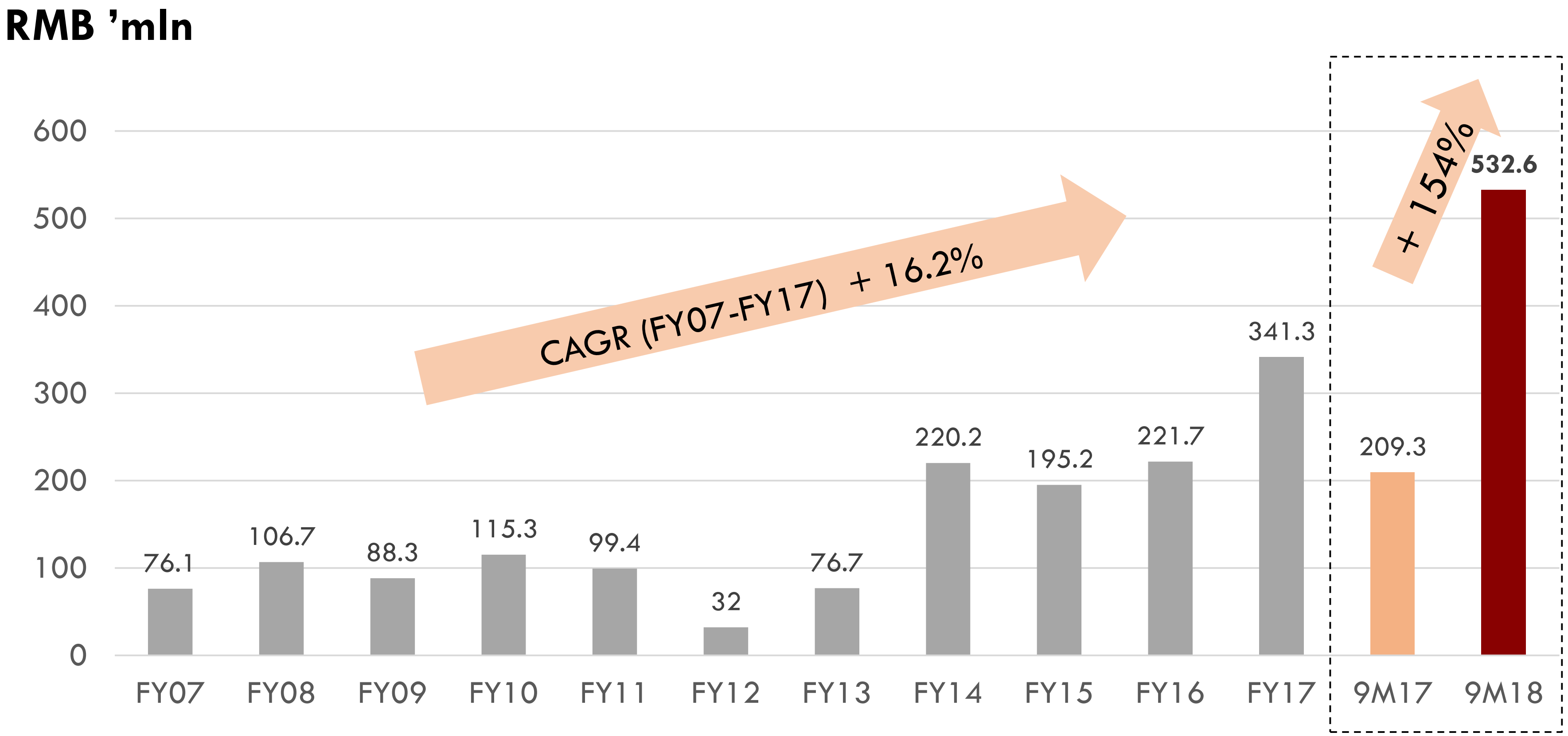


Gross Profit



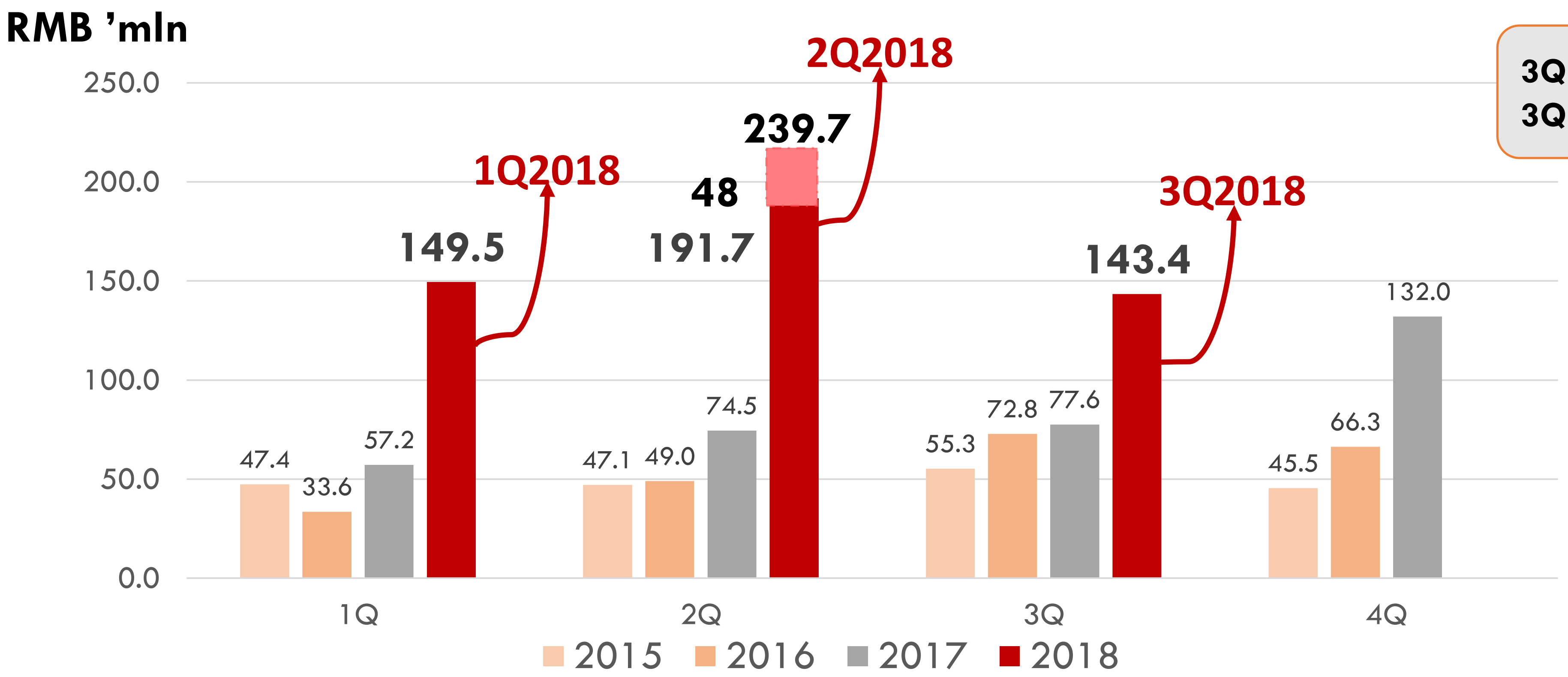
9M18 Gross profit grew 76% y-o-y due to higher ASP and sales volume

Net Profit



- Net Profit surge due to higher ASP and higher sales volume.
- Group’s main subsidiary-Shangdong Sunsine enjoys a concessionary tax rate of 15% throughout FY17, FY18 and FY19 due to its “High-tech Enterprise” status

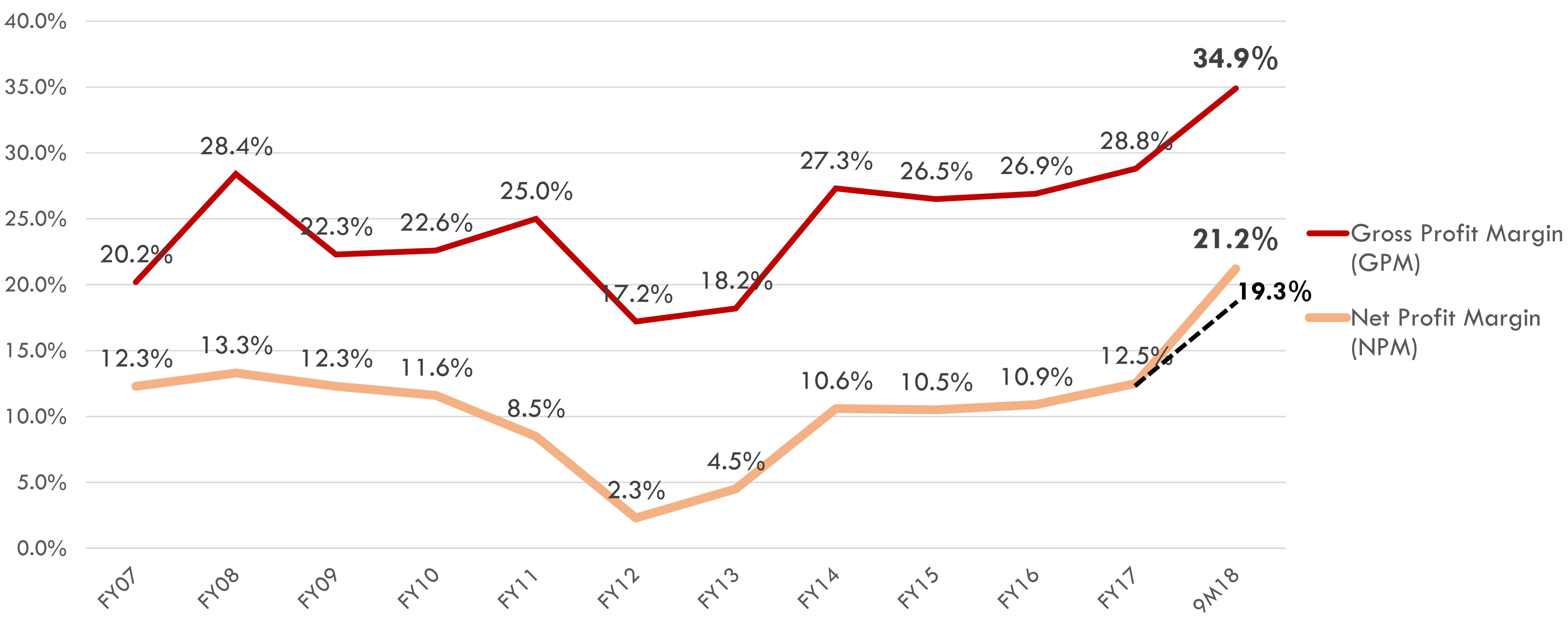
Net Profit By Quarter



3Q18 vs 3Q17: +85%
3Q18 vs 2Q18: - 25%

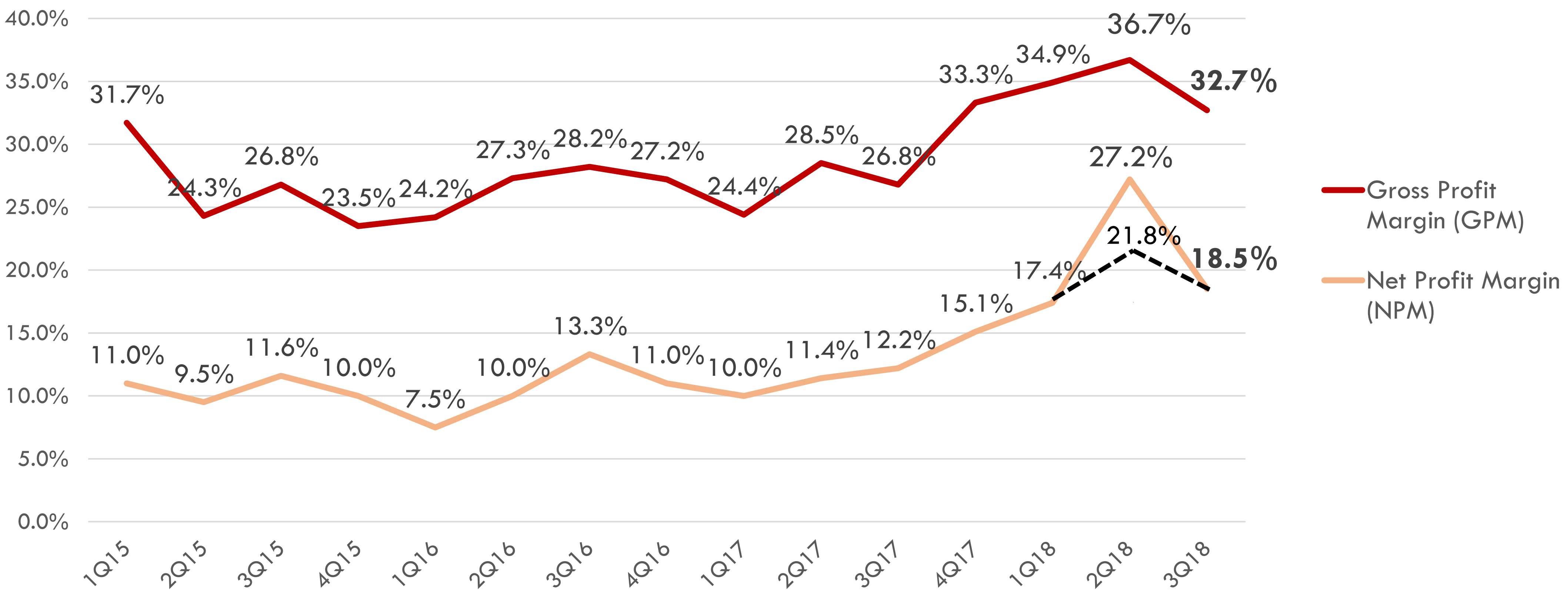
- 3Q18 Net profit jumped 85% y-o-y mainly due to higher ASP and higher sales volume with expanded profit margin
- 3Q18 Net profit dropped 25% (excluding one-time tax credit of RMB48 mln) q-o-q due to the decline in ASP

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

	30/09/2018	31/12/2017	31/12/2016
Current Assets (RMB'mln) *	**1,932.9**	1,424.6	1,050.5
Current Liabilities (RMB'mln)	**443.2**	385.3	280.8
Current Ratio	**4.36**	3.70	3.74
Shareholders' Equity (RMB'mln)	**2,212.3**	1,742.4	1,361.6
D/E ratio **	**0**	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	**450.28/ 89.50**	354.37/ 73.23	293.42/ 60.64
Net Cash per share (RMB cents) (equivalent to SGD cents)	**167.4 33.3**	101.6/ 20.2	56.1/ 11.1

* Including Cash RMB 822.3 mln + Notes RMB 351.0 mln

** No bank borrowing since end of FY2016

Key Developments

Ongoing Projects

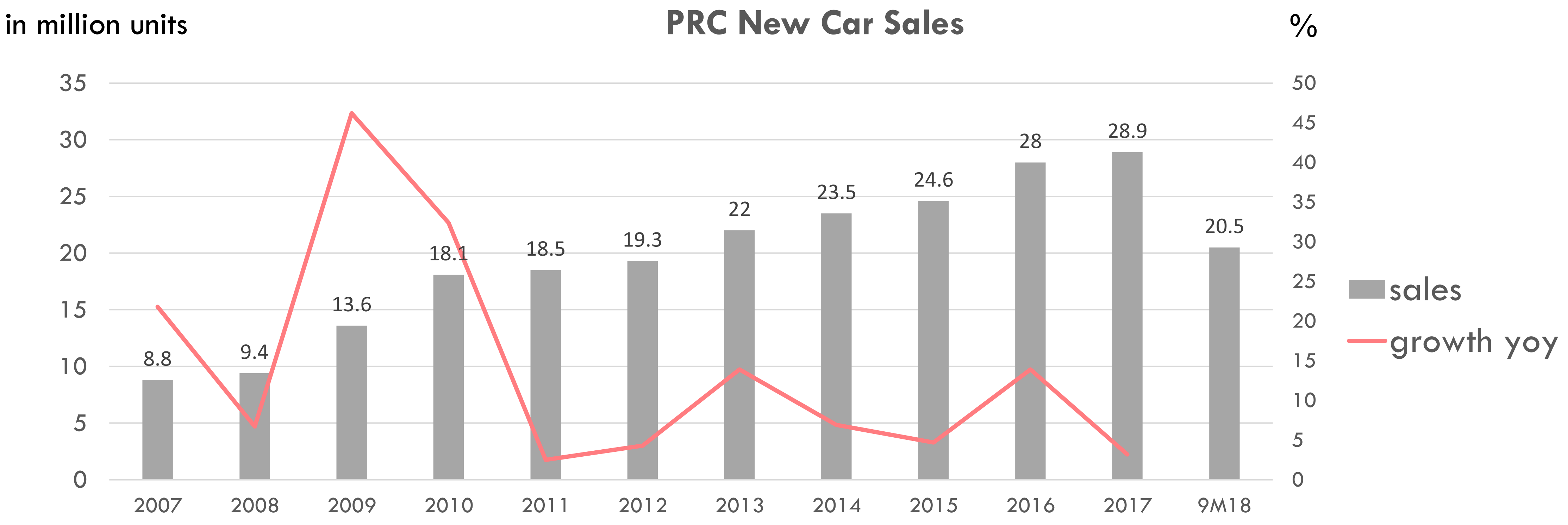
Project	Status	CapEx
30,000-ton Accelerator TBBS: **Phase I of 10,000-ton capacity at Shanxian Plant**	At final stage of trial run approval	RMB 100 mln
Insoluble Sulphur: **10,000-ton production line at Dingtao plant**	At final stage of trial run approval	RMB 50 mln
Heating Plant: **Add one boiler and one electric generator**	Started to trial run	RMB 100 mln

Annual Capacity

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

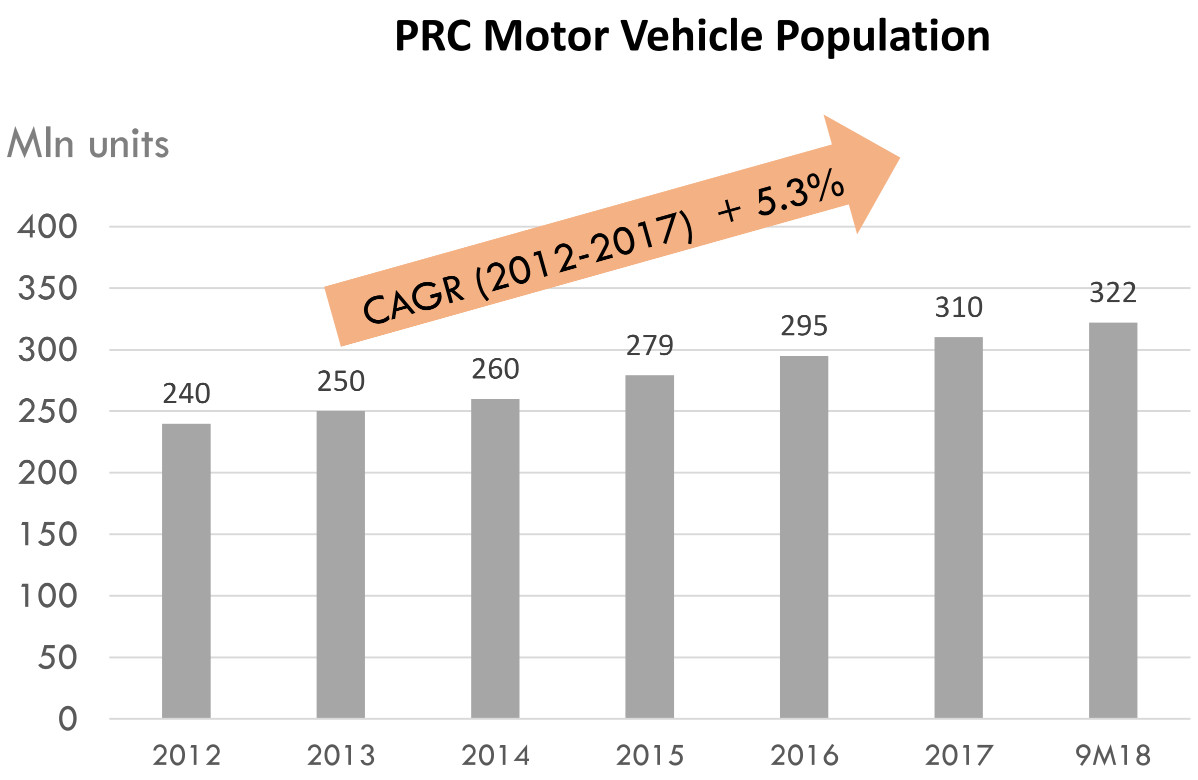
Industry Info and Outlook

China's New Car Sales

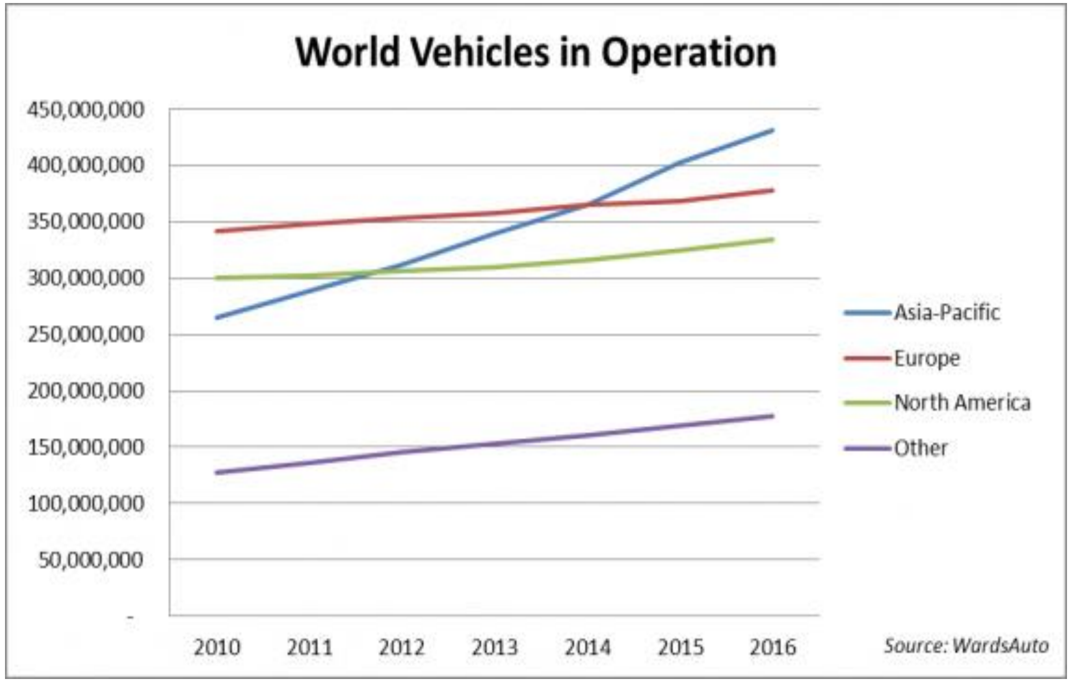


- 20.5 mln cars sold in China in the first 9 months of 2018, up 0.83% y-o-y
- China remains the largest auto market in the world. After robust growth in the past decade, China's new car sales expected to grow moderately on a high base

Global Vehicle Population



http://www.chyxx.com/industry/201705/521742.html

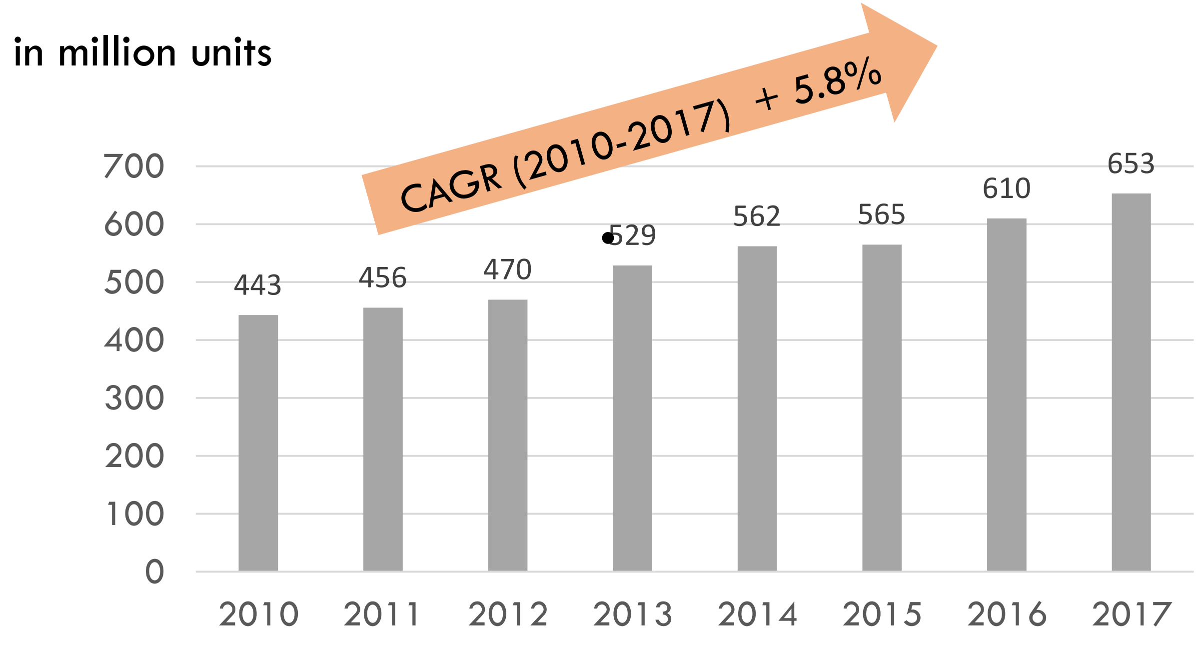


http://subscribers.wardsintelligence.com/analysis/world-vehicle-population-rose-46-2016

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

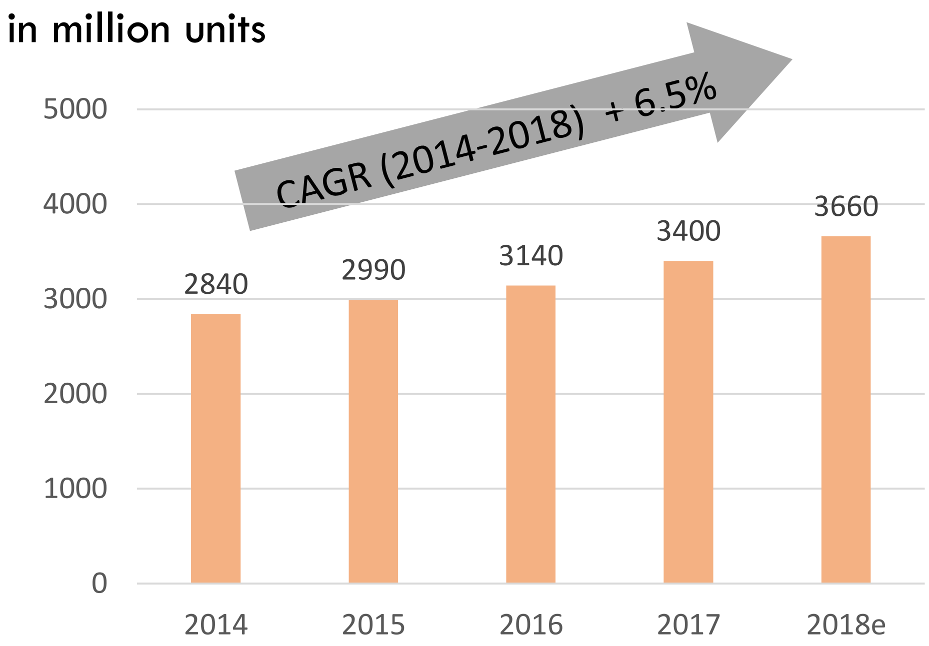
Riding on Rising Tire Consumption

PRC Tire Production Volume



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

Projected worldwide tire market volume from 2014 to 2018



www.statista.com

- Replacement tires and new car 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	- 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

Some Investors' Concerns -1

Q : Are rubber chemical products commodities?

A : NO – They are products in the niche market.

Reasons:

1. Rubber chemicals are not produced in a large scale

2. Renowned tire makers, which account for the bulk of the global tire production, require rubber chemicals to satisfy their special, onerous specifications. High technology and talents are required to make such rubber chemicals

3. China Sunsine has been profitable since 1998

Some Investors' Concerns -2

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 also required to produce specialty chemicals.
3. Stringent supplier selection process by renowned tire makers, taking into account of production capabilities, capacity, quality of products & services and compliance with government's regulations etc.
4. Rubber chemical industry currently undergoing consolidation.
5. Difficult to get approval for new capacities

Some Investors' Concerns -3

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 only 30% of tire consumption. Existing cars 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

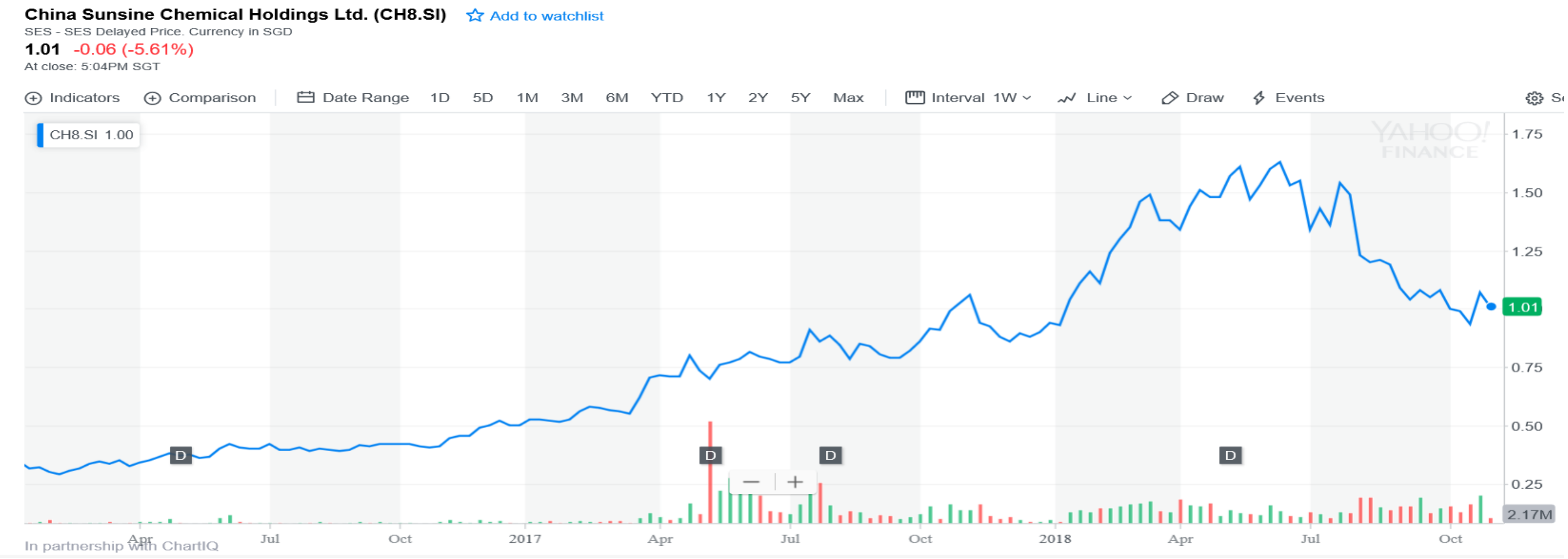
https://en.wikipedia.org/wiki/List_of_countries_by_vehicles_per_capita

Turning Challenges into Opportunities

Challenges	Opportunities
The 3-year "Battle for a Blue Sky" initiative affects 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 resuming gradually which could lead to the normalisation 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 2-3%. Wherever they are located, tire factories all over the world need rubber chemicals
Fluctuation of raw material prices	With "cost-plus pricing", Sunsine is able to maintain a reasonably good gross margin

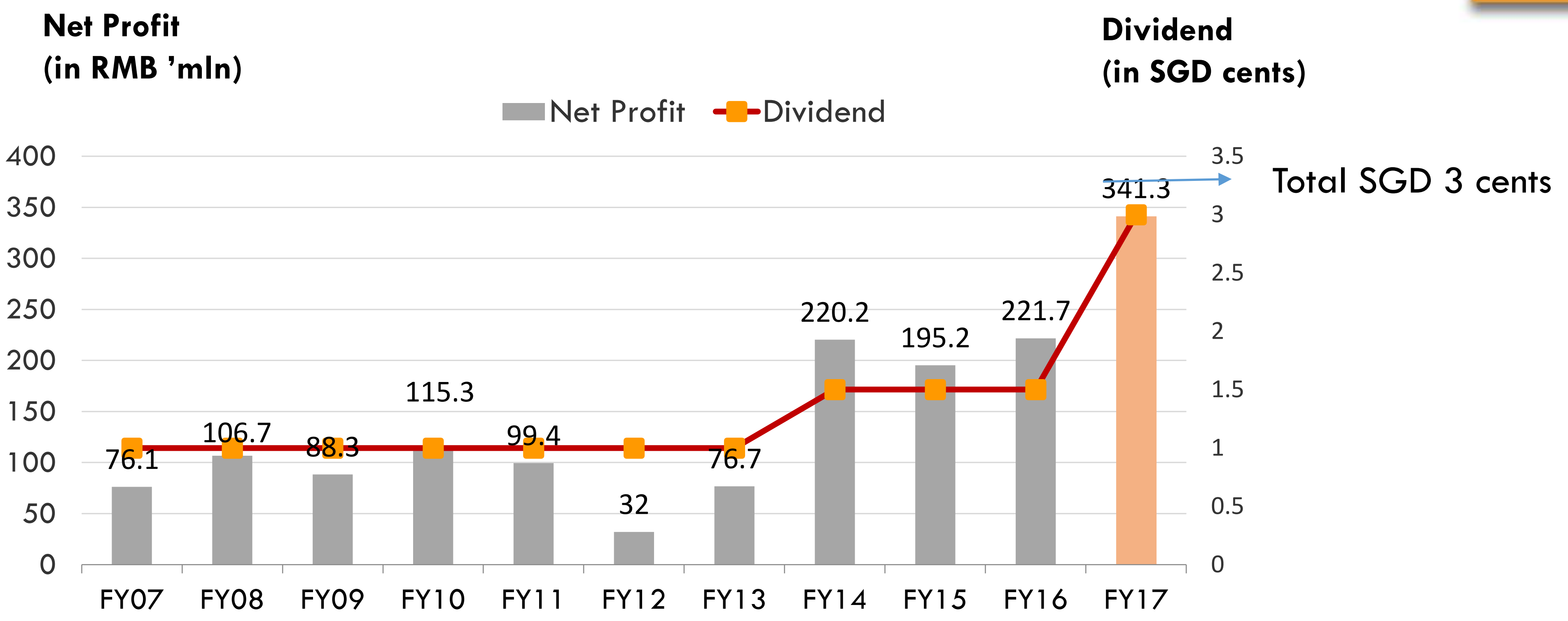
Listed On SGX Mainboard

SHARE PERFORMANCE



- No rights issue and new share placement since IPO
- P/E less than 4 times (Rolling EPS for last four quarters SGD 0.27)
- P/B ratio 1.13 times (NAV per share SGD 0.895)

Dividend Payment History



IPO price	:	SGD 39 cents
Total dividend paid	:	SGD 14.5 cents (for 11 consecutive years)
Dividend Policy	:	Payout not less than 20% of net profit for FY17 & FY18

Chairman's Message

Despite a decline in ASP in this quarter, the Group was able to maintain a reasonably good margin level due to its core competences of stable delivery and superior quality. Stringent environmental protection and safety requirements and frequent inspections remain key imperative in next three years. The Group continues to place emphasis on and invest heavily in environmental protection & safety and technology innovation, to further strengthen its market leader position.

We can see that the ASP has stabilised in October and the Chinese tire makers have started to increase their production utilization rate in 4Q2018. With our strong competitive advantages, we remain cautiously optimistic on the Group's performance in the next 12 months, and are confident of its sustainable and stable growth.

Mr. Xu Chengqiu
Executive Chairman

Q & A

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