



**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**

## 2H2021 & FY2021 Results Briefing

24 February 2022

# PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

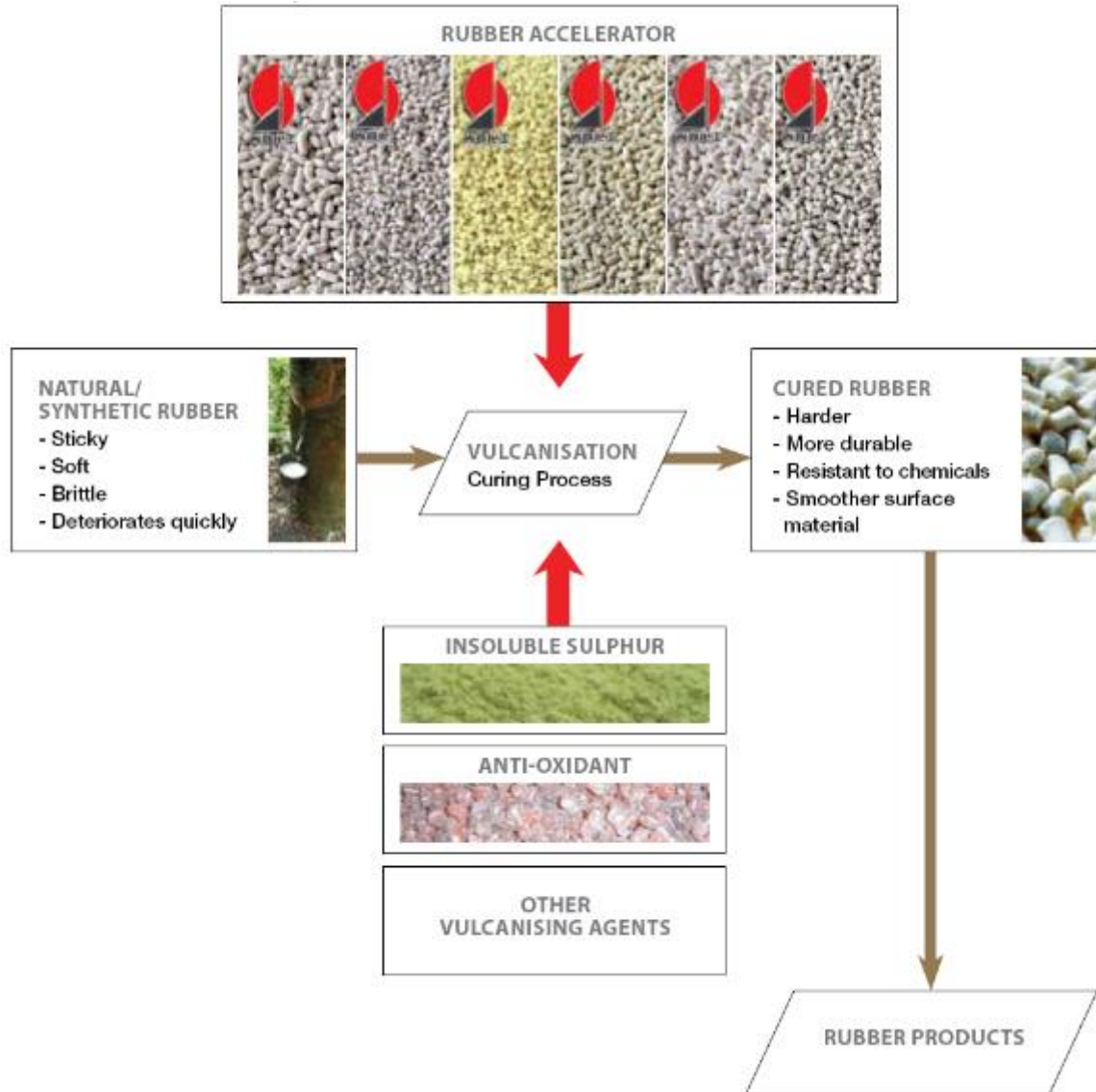
# Our Company

# 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)

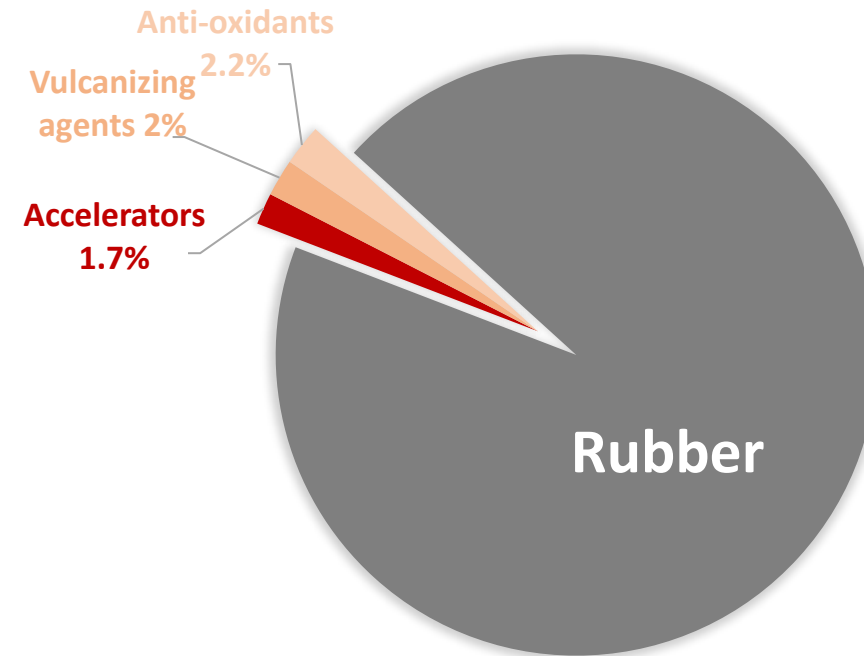
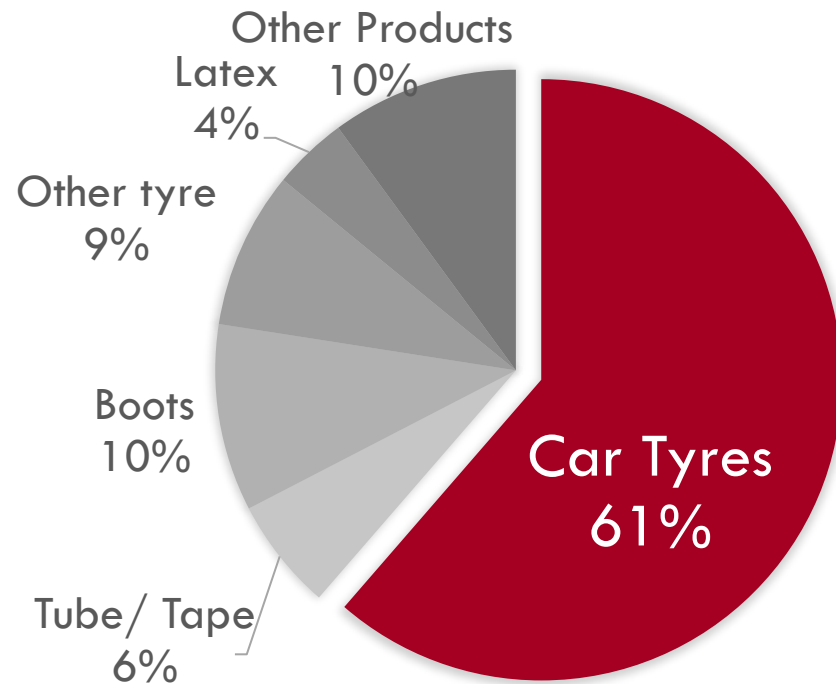


## Anti-Oxidants

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

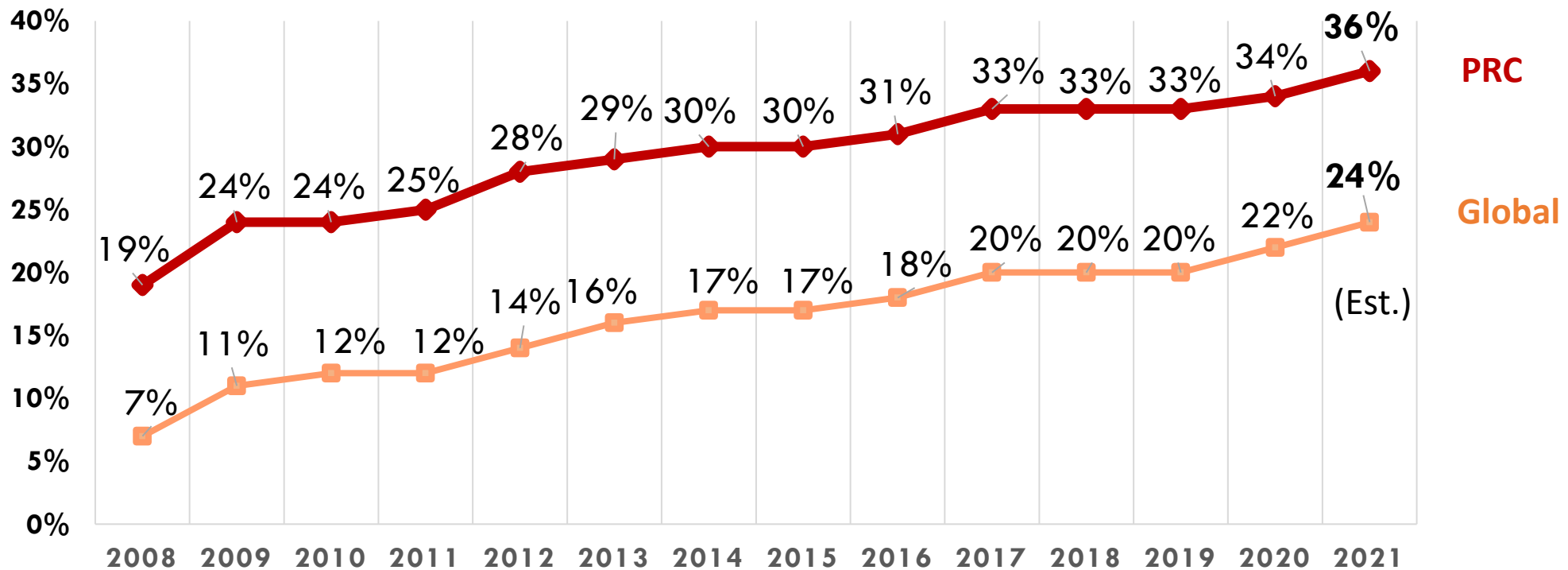


- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tyre makers
- **1/3** output exported





# Our Rubber Accelerators Products' Market Share



**Group's market share of accelerators continued to grow**



# Our Market Leadership Position

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## GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2021
<b>China Sunsine 中国尚舜</b>	<b>117,000 tonnes</b>
Yanggu Huatai 阳谷华泰	<b>60,000 tonnes</b>
Tianjin Kemai 天津科迈	<b>51,600 tonnes</b>

## PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2021
<b>China Sunsine 中国尚舜</b>	<b>60,000 tonnes</b>
Yanggu Huatai 阳谷华泰	<b>40,000 tonnes</b>
Sennics 圣奥化学	<b>15,000 tonnes</b>



# 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
- **Hengshun New Materials:**
  - IS: 30,000-tonne (2021)
- **Yongshun New District:**
  - AO: 30,000-tonne (2022)
- **Heating plant:** Centralised steam production
- **Yongshun Env:** waste treatment



## Weifang Plant

- RA: 27,500-tonne



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



# Financial Overview

# Financial Highlights

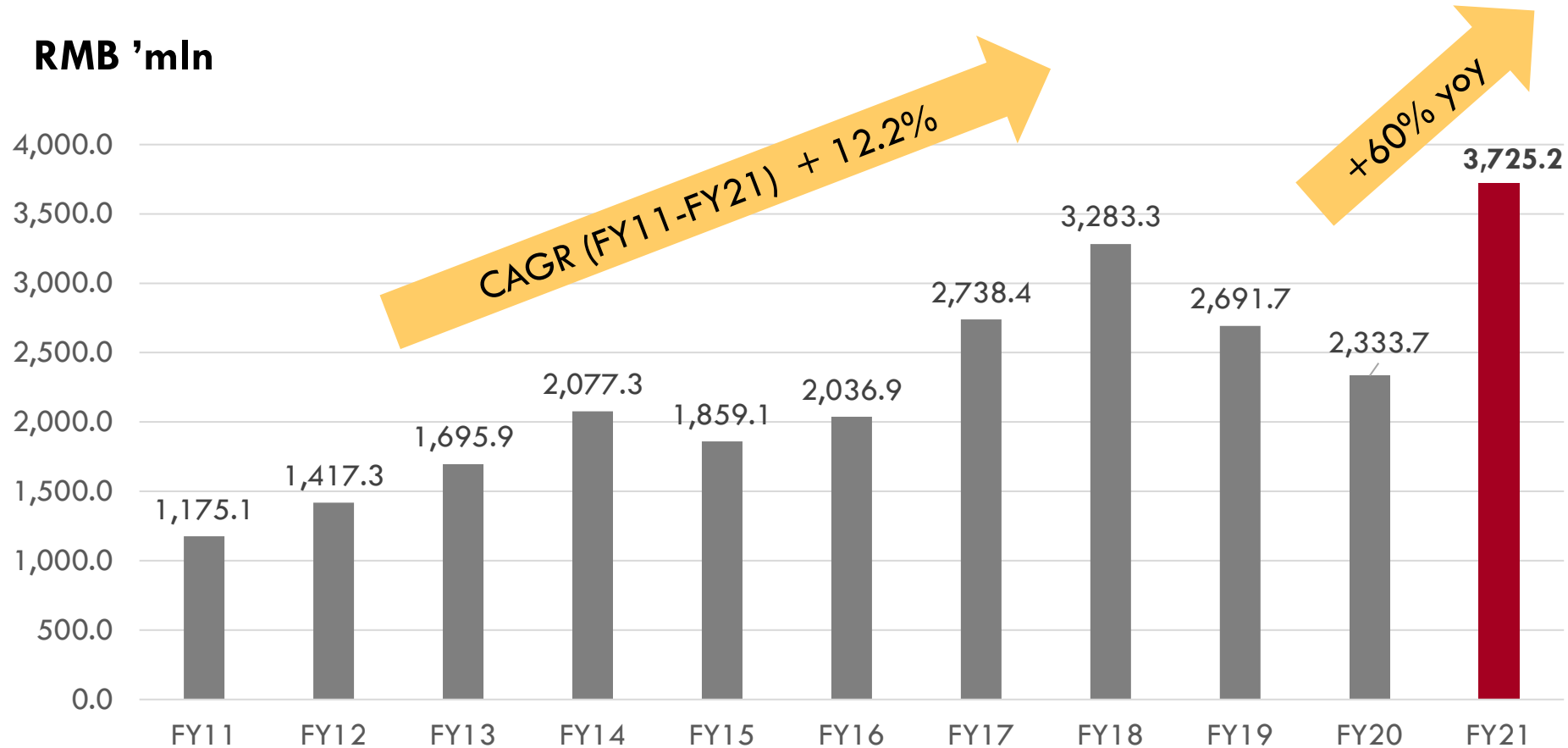
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RMB 'mln	6 Months Ended			12 Months Ended		
	31/12/21	31/12/20	Change	31/12/21	31/12/20	Change
Group Revenue	<b>1,967.7</b>	1,291.1	52%	<b>3,725.2</b>	2,333.7	60%
Gross Profit	<b>494.2</b>	358.4	38%	<b>1,046.5</b>	600.3	74%
Gross Profit Margin	<b>25.1%</b>	27.8%	(2.7 pts)	<b>28.1%</b>	25.7%	2.4 pts
Profit Before Tax	<b>338.4</b>	185.6	82%	<b>699.1</b>	300.5	133%
Profit After Tax	<b>241.1</b>	136.4	77%	<b>506.3</b>	218.8	131%
EPS (RMB/SGD Cents*)	<b>24.85/ 5.27</b>	14.04/ 2.98	77%	<b>52.17/ 11.06</b>	22.50/ 4.77	132%
NAV per share (RMB/SGD Cents*)				<b>327.30/ 69.37</b>	280.28/ 59.41	

\* Singapore Dollars to RMB at the exchange rate of 4.7179 as at 31 December 2021



# Revenue Growth

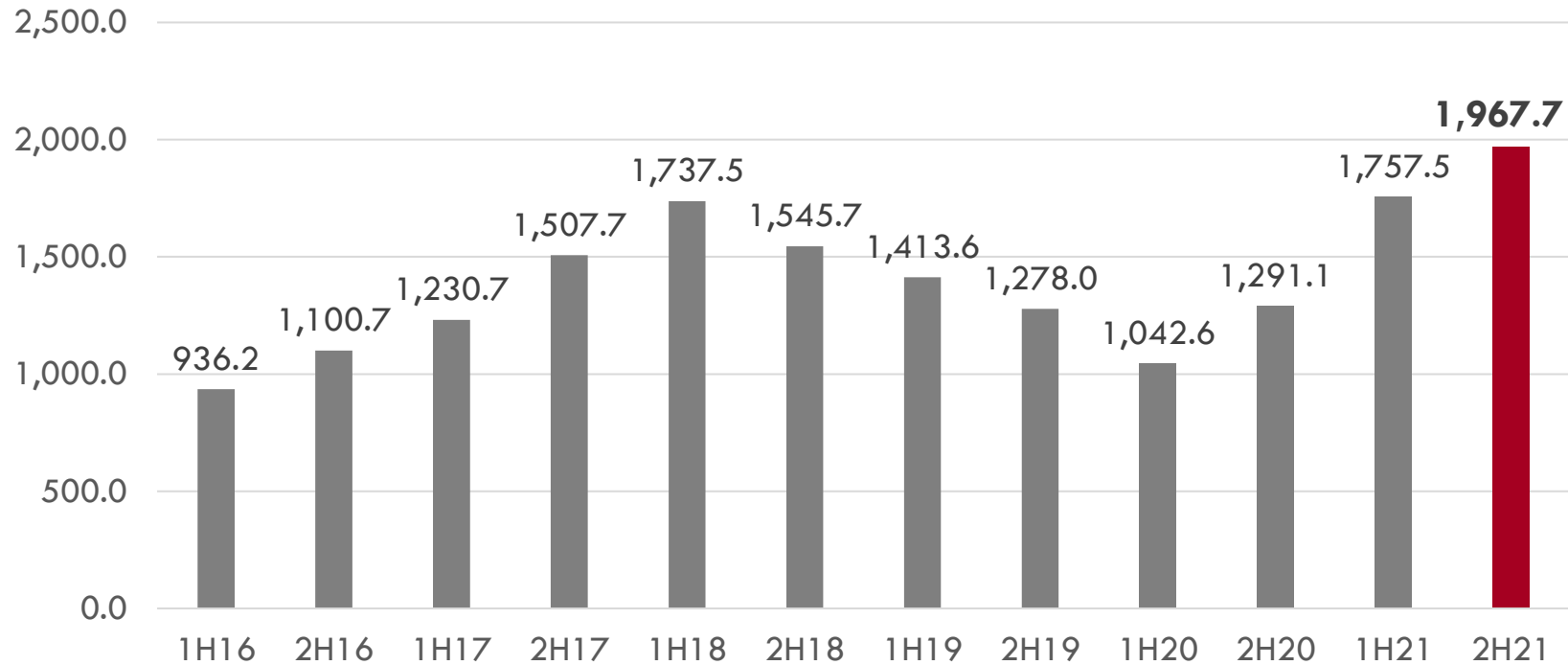


FY2021 Revenue increased by 60% yoy due to higher ASP and sales volume



# Revenue (half-yearly)

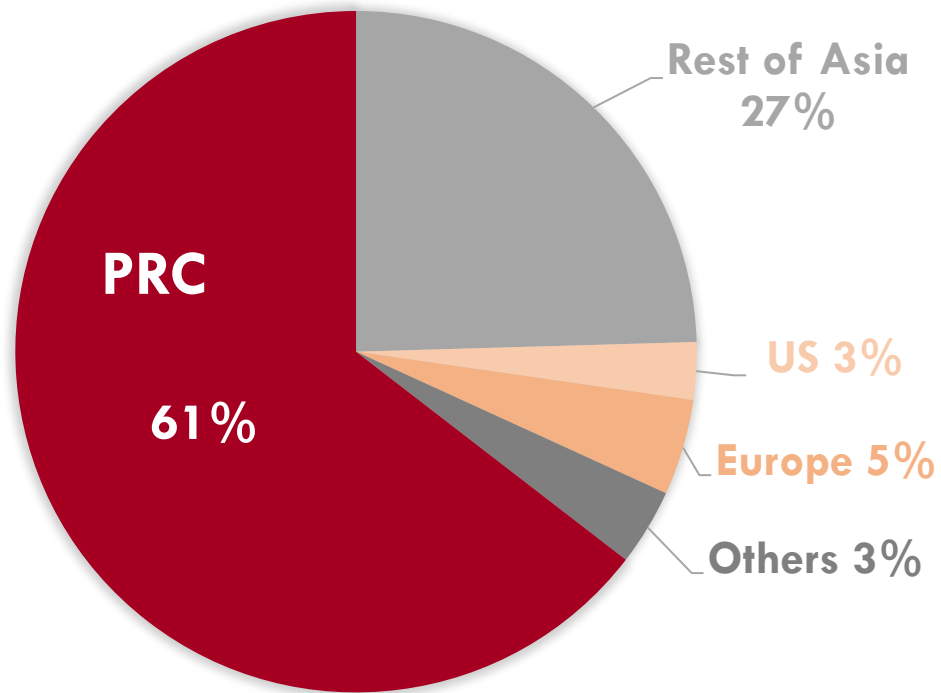
RMB 'mln



**2H21 vs 2H20: +52%**  
**2H21 vs 1H21: +12%**



# Sales Contribution-by region



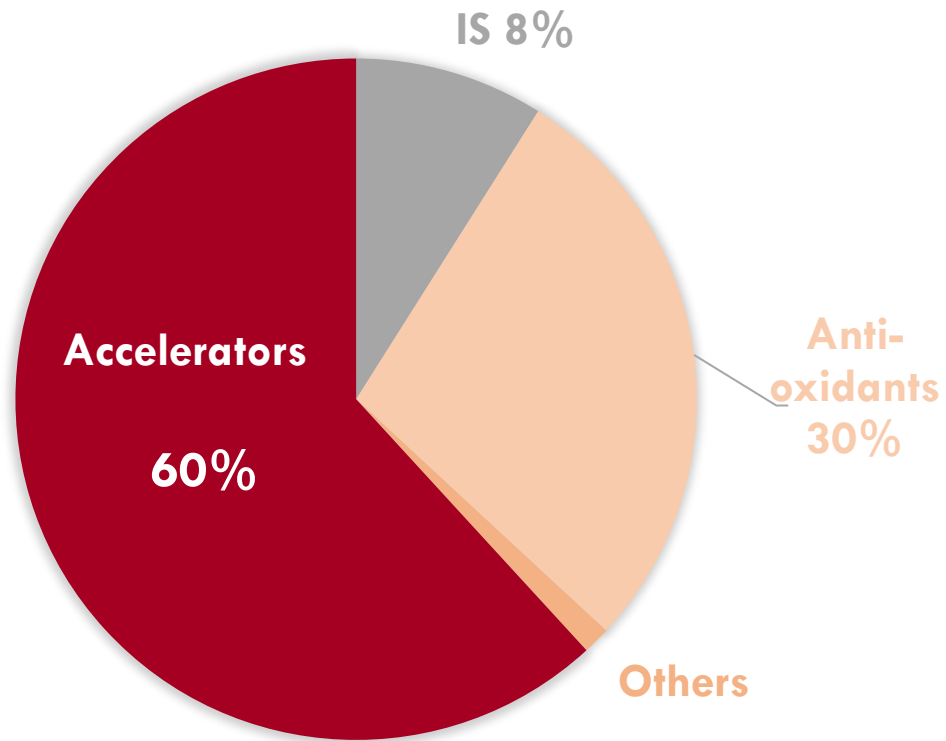
Region	FY2021	FY2020	FY2019
China	61%	68%	62%
Rest of Asia	27%	21%	22%
US	3%	2%	3%
Europe	5%	6%	11%
Others	3%	3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



- International sales rebounded due to the global economy recovery in 2021



# Sales Contribution-by products

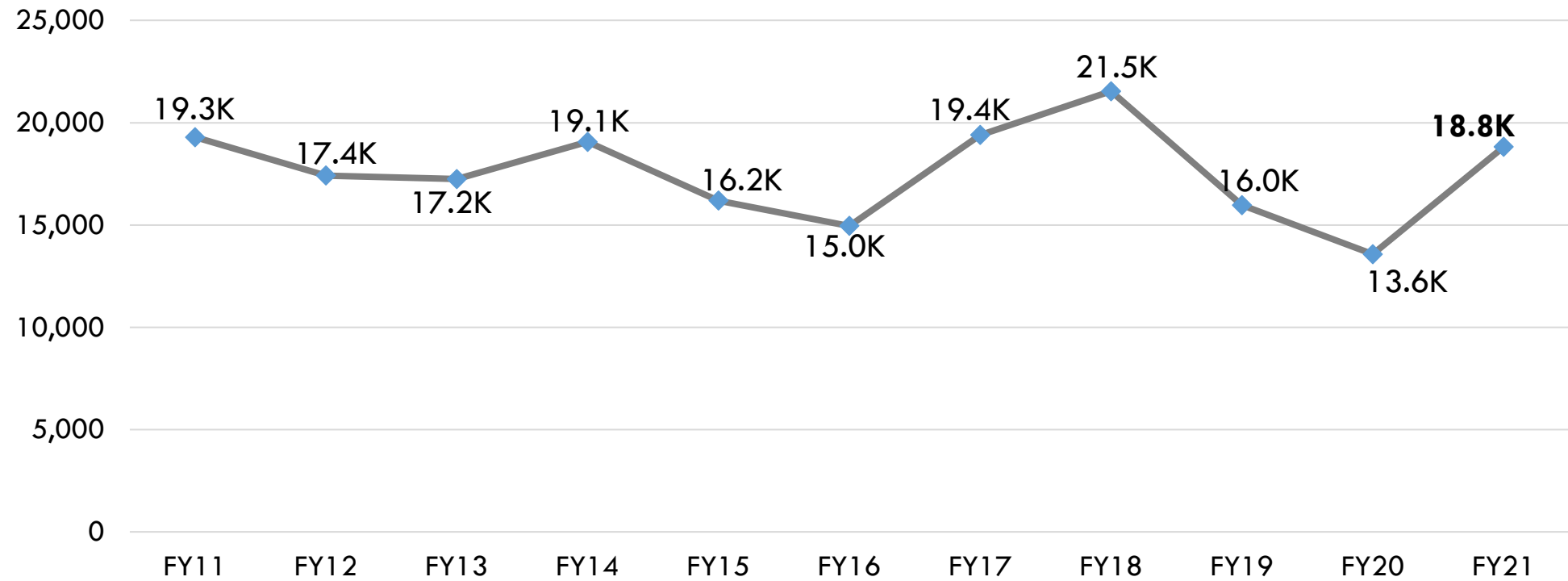


Product	FY2021	FY2020	FY2019
Accelerators	60%	63%	66%
IS	8%	10%	10%
Anti-oxidants	30%	26%	23%
Others	2%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

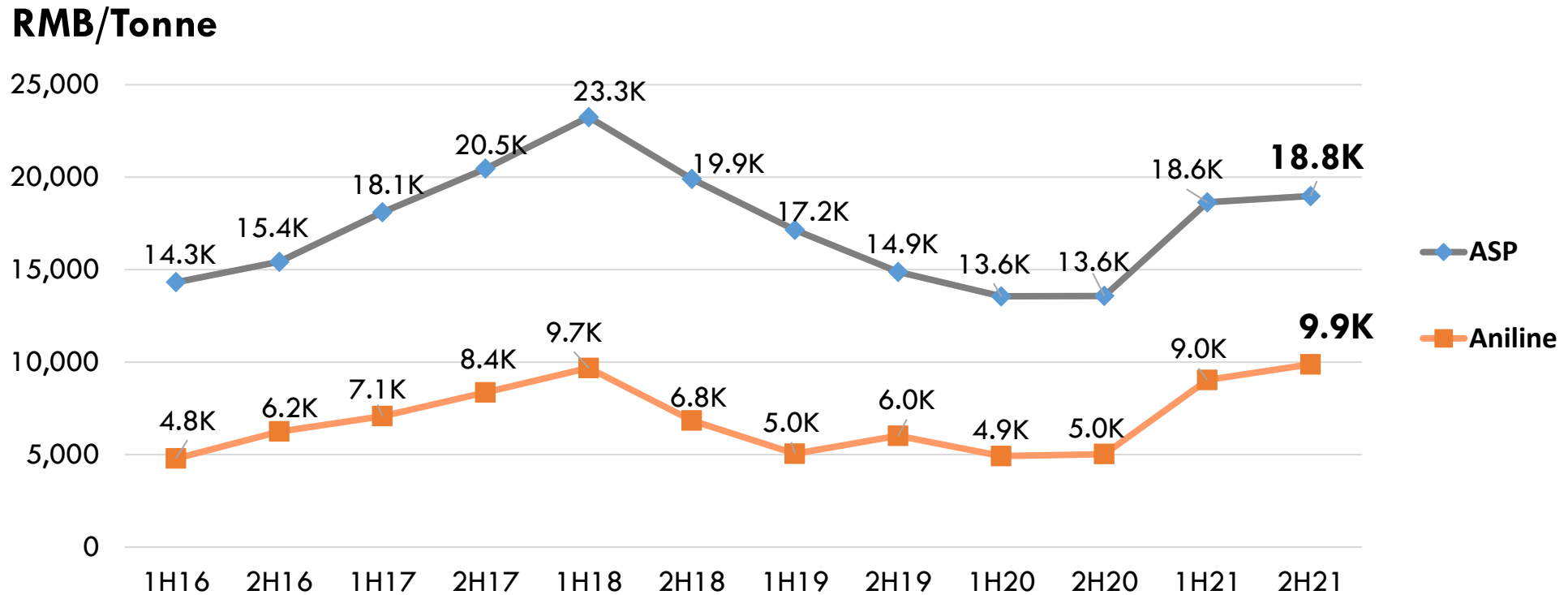


# Overall Average Selling Price (ASP)

**RMB/Tonne**



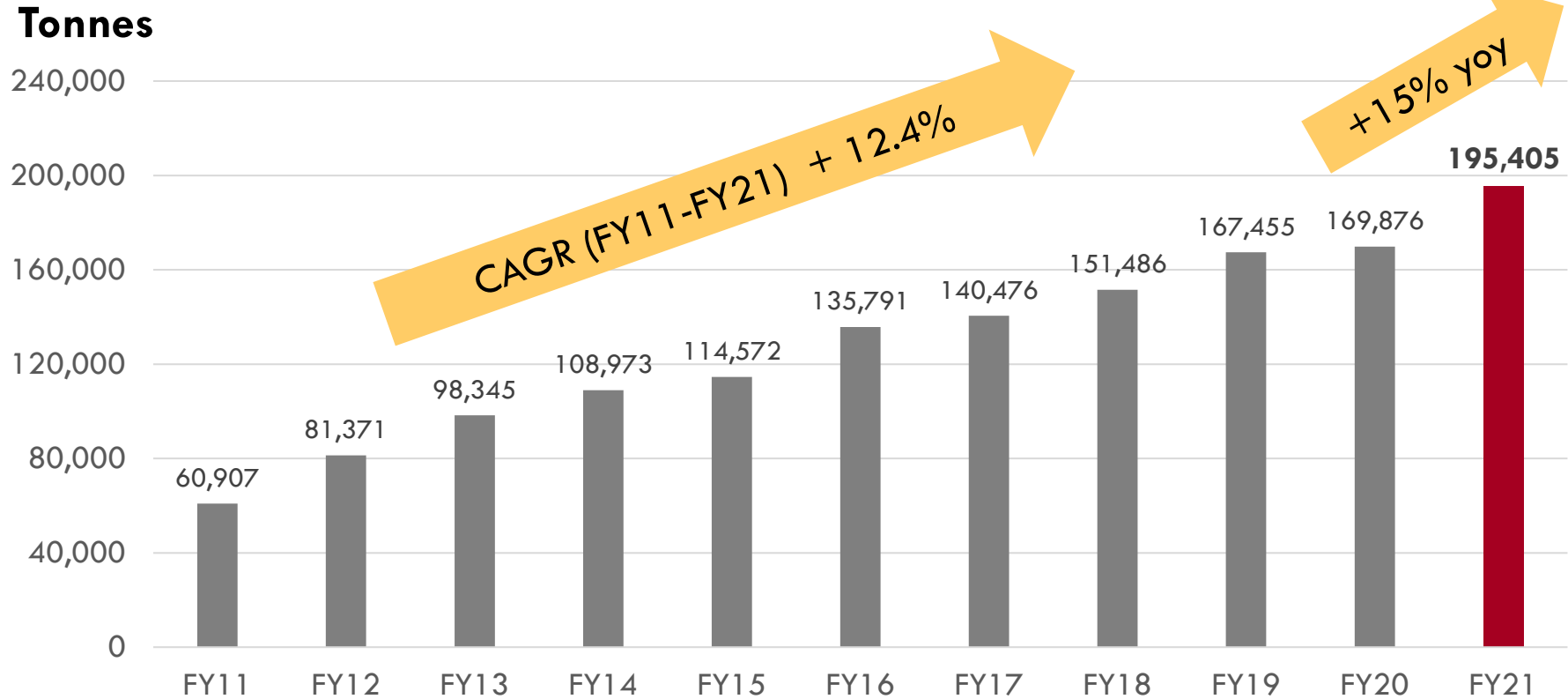
# ASP vs Major Raw Material Price (half-yearly)



- ASP increase due to:
  - Increase in raw material prices;
  - Ability to pass on the increase in raw materials costs to the customers



# Sales Volume



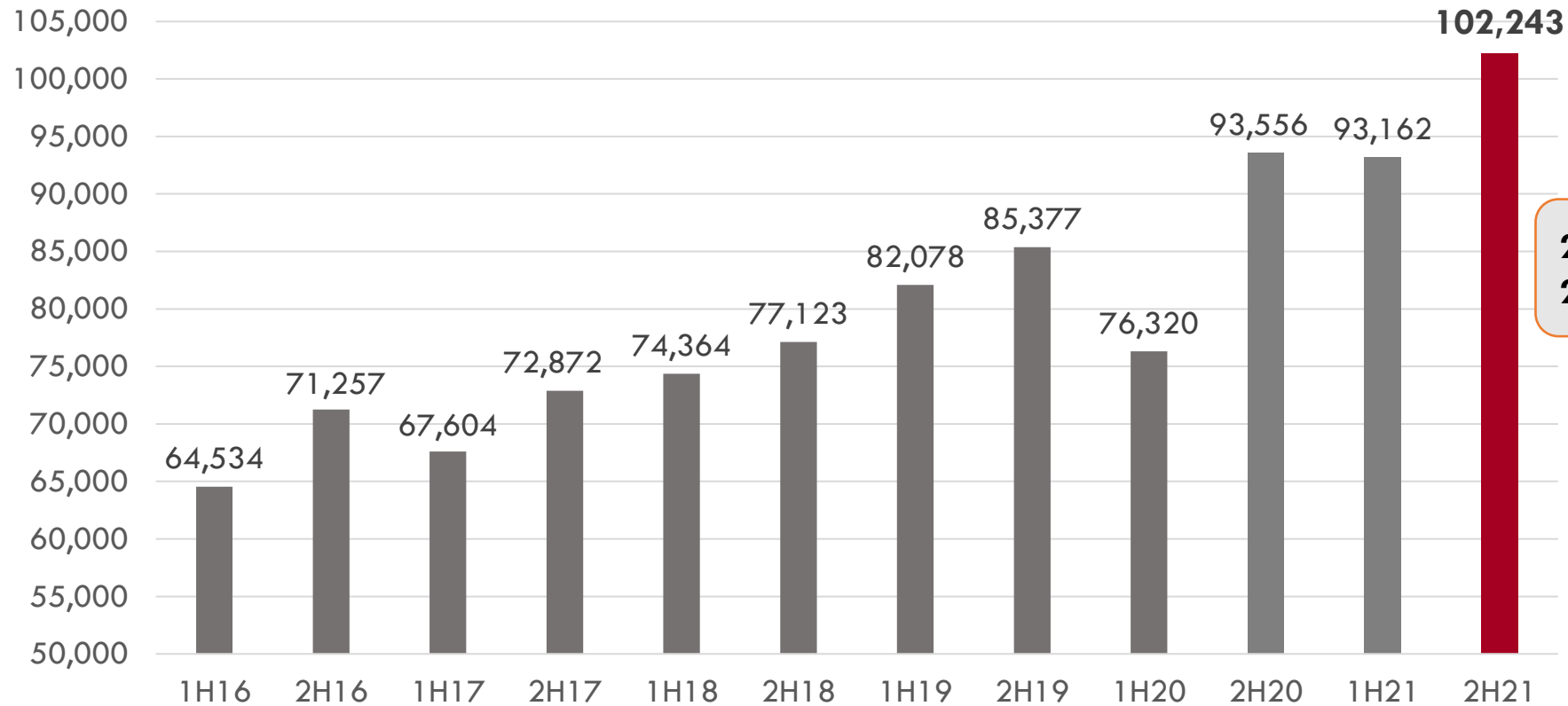
FY21 sales volume up 15% y-o-y mainly due to:

- Chinese and Global market recovered rapidly in 2021 from COVID-19 pandemic
- the Group was able to increase production to meet the increased demand



# Sales Volume (half-yearly)

**Tonnes**

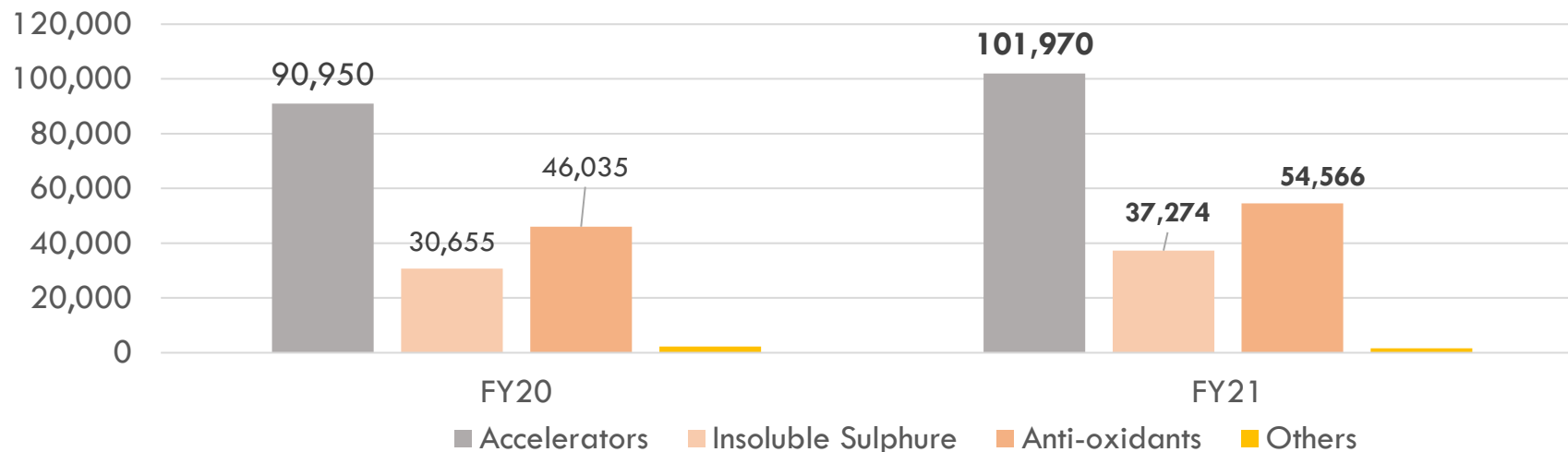


**2H21 vs 2H20 : +9.3%**  
**2H21 vs 1H21 : +9.7%**



# Sales Volume by Products

## Tonnes



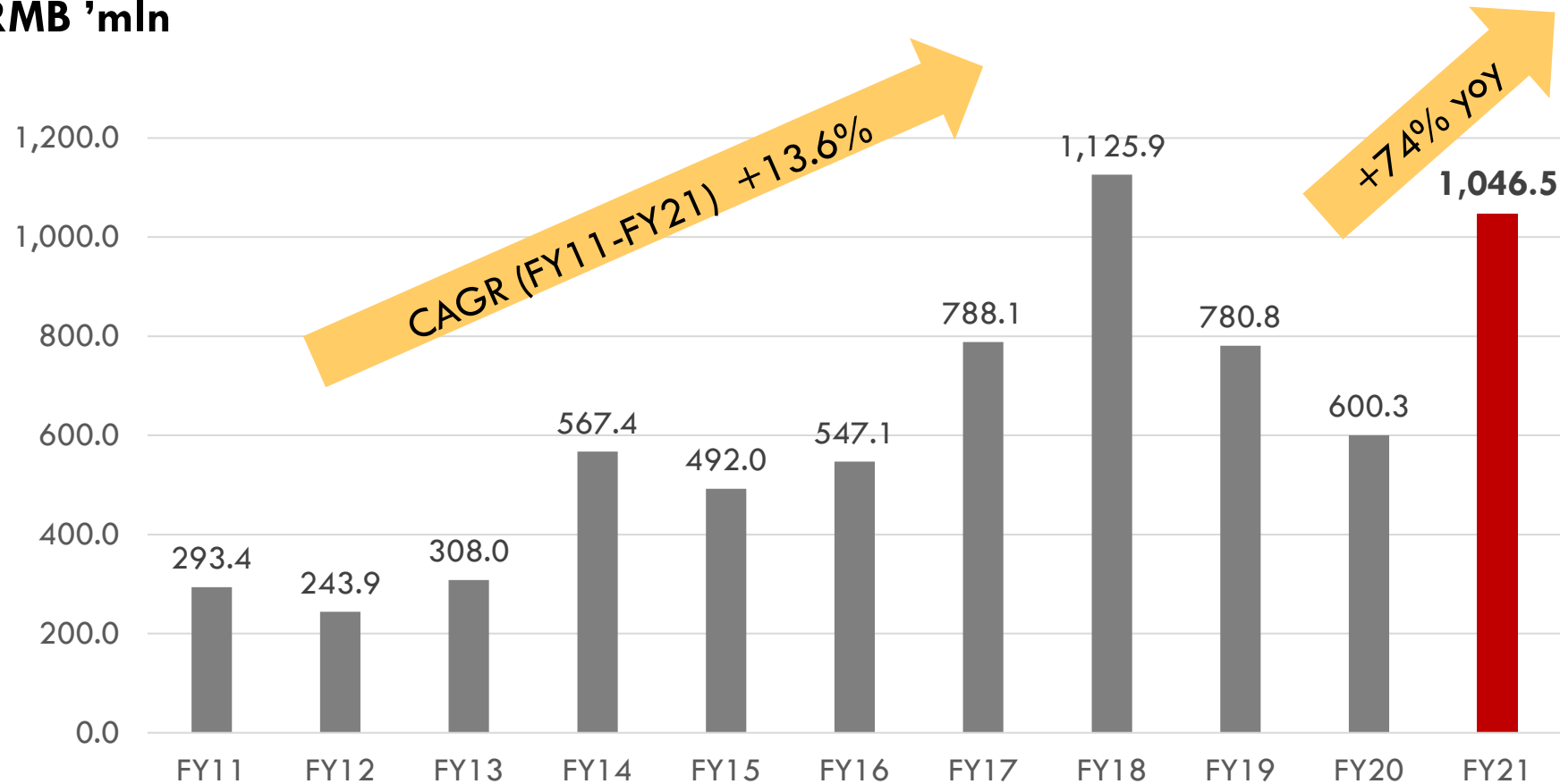
	FY2020 Effective Capacity	FY2020 Utilisation Rate	FY2021 Effective Capacity	FY2021 Utilisation Rate
Accelerators	107,000	85%	117,000	87%
Insoluble Sulphur	30,000	102%	32,500	115%
Anti-oxidants	45,000	102%	45,000	121%

- New 20,000-tonne Accelerator TBBS capacity was added in June 2020
- New 30,000-tonne IS capacity was put into use in December 2021



# Gross Profit

RMB 'mln

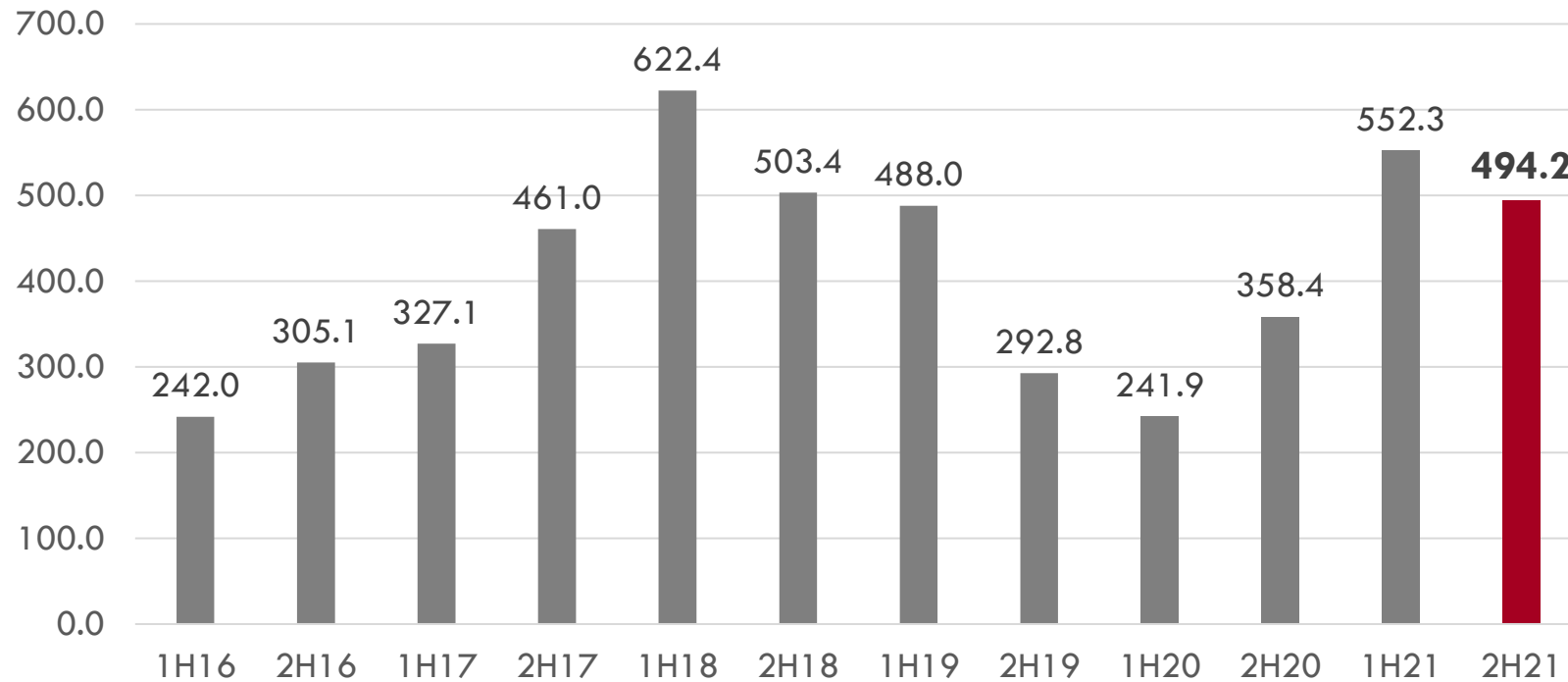


FY2021 Gross profit increased by 74% y-o-y due to higher ASP and sales volume



# Gross Profit (half-yearly)

RMB 'mln



**2H21 vs 2H20: +38%**  
**2H21 vs 1H21: -11%**

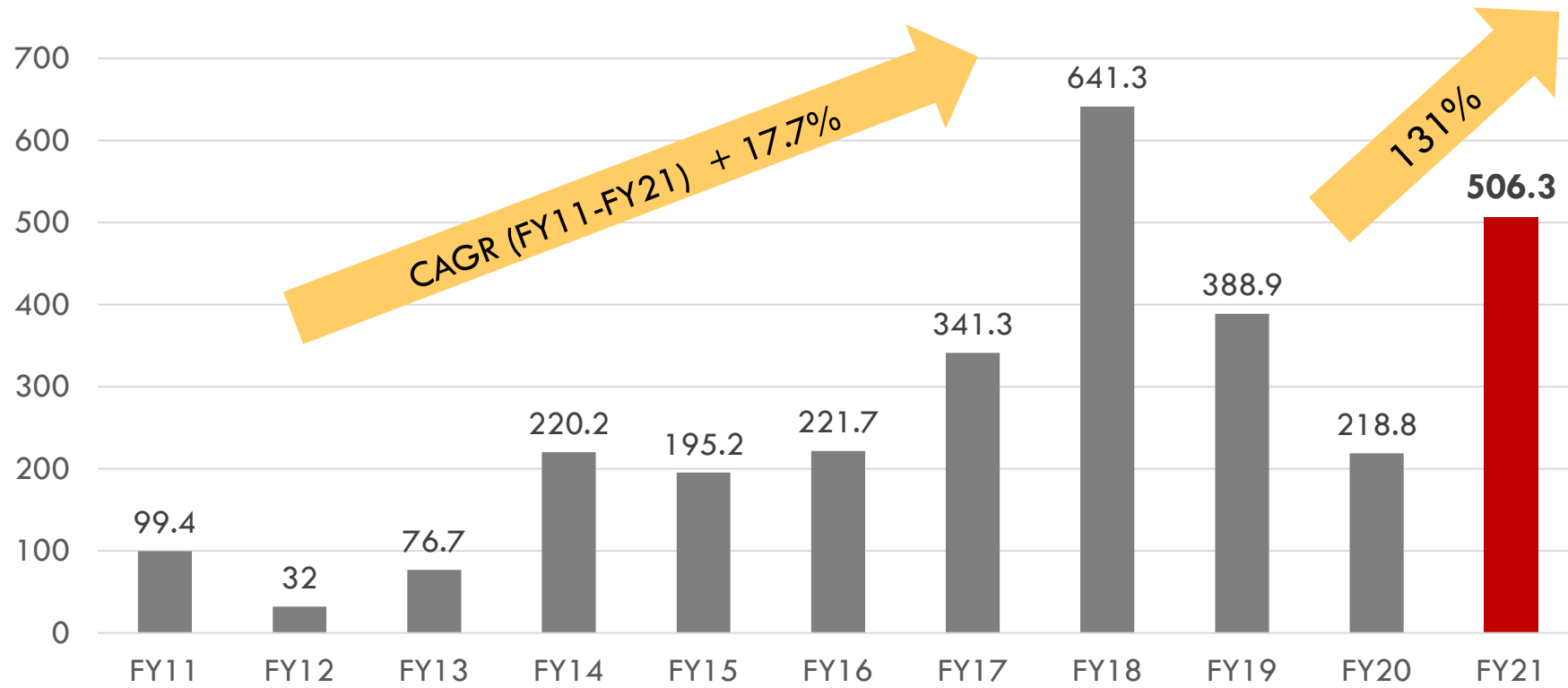
2H21 Gross profit down 11% as compared with 1H21 due mainly to higher raw material costs





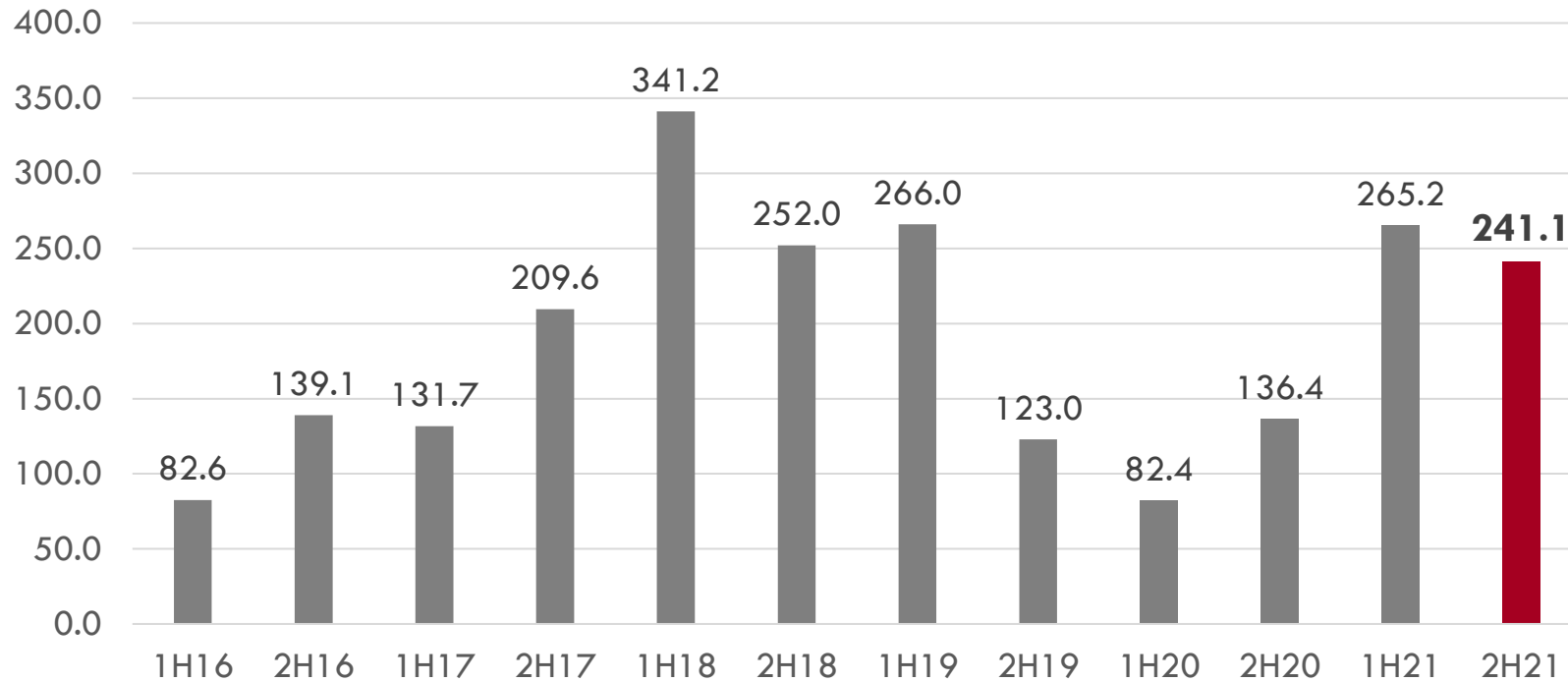
# Net Profit

RMB 'mln



# Net Profit (half-yearly)

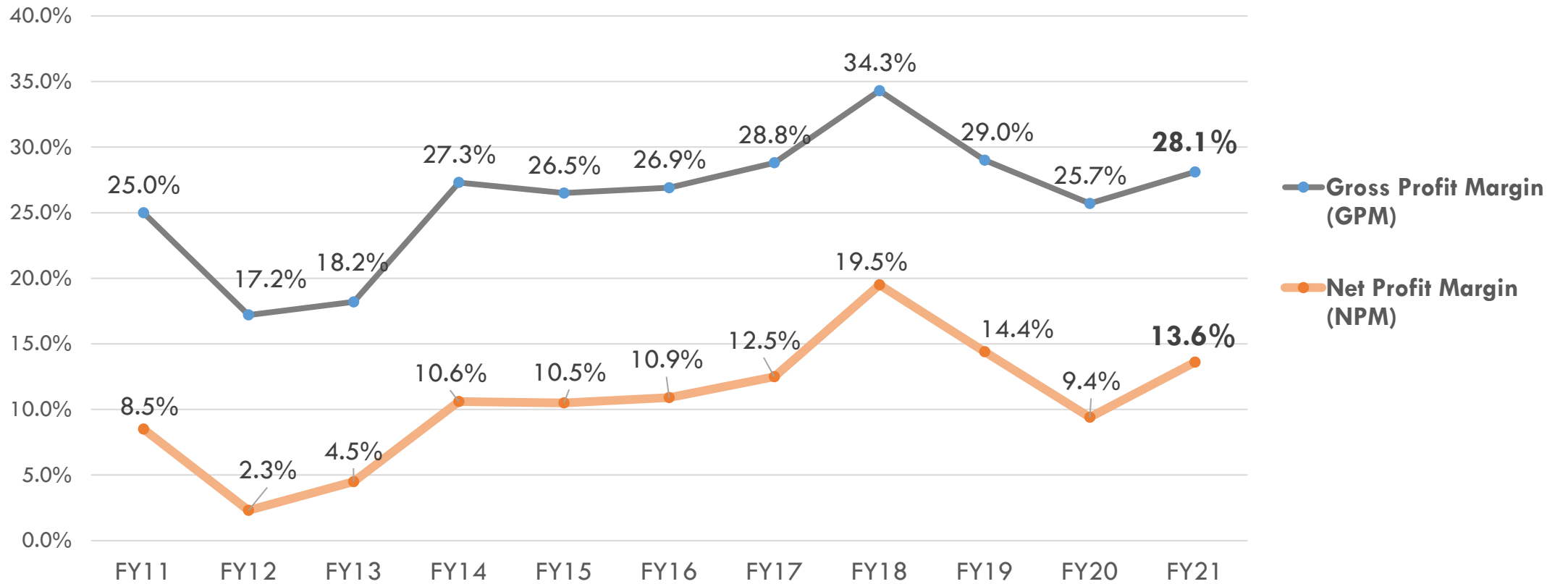
RMB 'mln



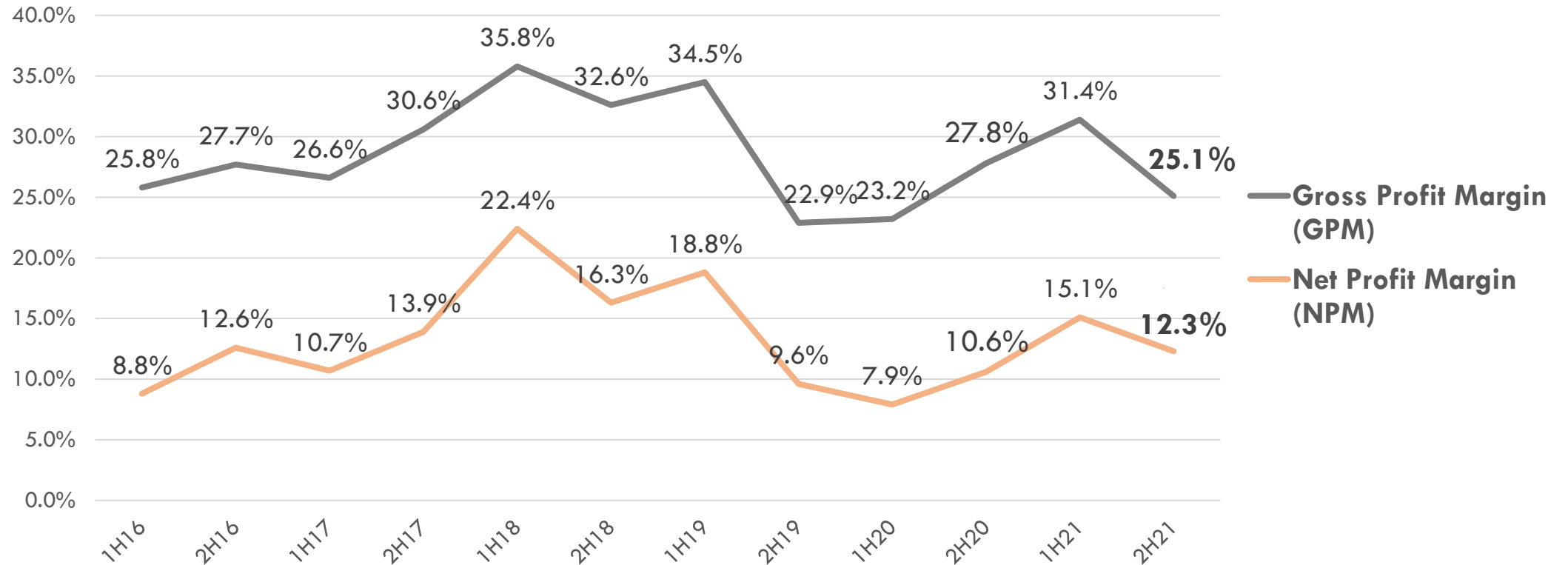
2H21 vs 2H20: **+77%**  
2H21 vs 1H21: **-9%**



# Margins Analysis



# Margins Analysis (half-yearly)



- 2H21 GPM slid compared with 1H2021 due mainly to the raw materials prices soaring between Sept to Nov 2021



# Balance Sheet Highlight

	31/12/2021	31/12/2020	31/12/2019
Current Assets (RMB'mln) *	<b>2,839.5</b>	2,239.2	2,219.6
Current Liabilities (RMB'mln)	<b>747.2</b>	451.4	347.4
Current Ratio	<b>3.80</b>	4.96	6.39
Shareholders' Equity (RMB'mln)	<b>3,176.1</b>	2,720.7	2,561.6
D/E ratio *	<b>0</b>	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	<b>327.3/ 69.4</b>	280.28/ 59.4	262.56/** 55.7
Cash per share (RMB cents) (equivalent to SGD cents)	<b>141.93/ 30.1</b>	137.26/ 29.1	131.19/** 27.8

\* Current Assets including cash of RMB 1,377.3 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>		
<b>30,000-tonne Insoluble Sulphur</b>	Commercial production started in Dec 2021	RMB270 mln
<u>30,000-tonne Anti-oxidant TMQ (Yongshun New District)</u>	Pending approval for trial run, Commercial production expected in 2H2022	RMB 150 mln



# Expansion Projects-2

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

## ***Rationale for the project:***

- 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

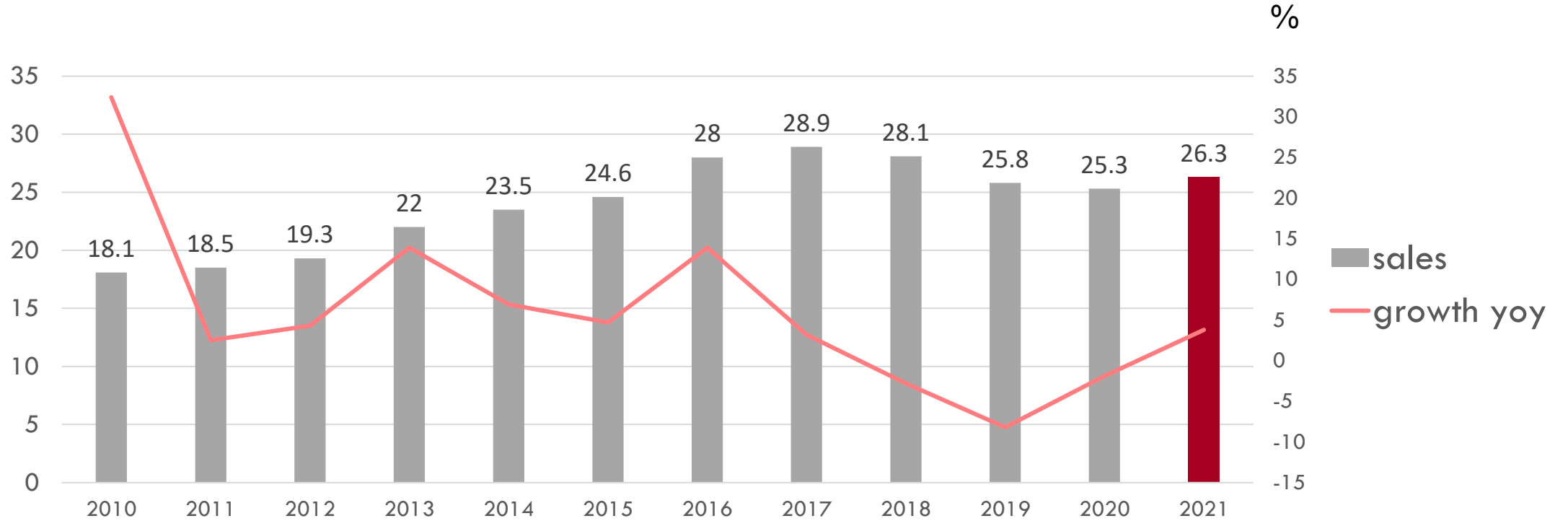
	FY17	FY18	FY19	FY20	FY21	FY22e
Rubber Accelerators	87,000	87,000	97,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	30,000	30,000	30,000	60,000	60,000
Anti-oxidants (TMQ & 6PPD)	45,000	45,000	45,000	45,000	45,000	75,000
<b>Total</b>	<b>152,000</b>	<b>162,000</b>	<b>172,000</b>	<b>192,000</b>	<b>222,000</b>	<b>252,000</b>



# Industry Info and Outlook

# China's New Car Sales

in million units

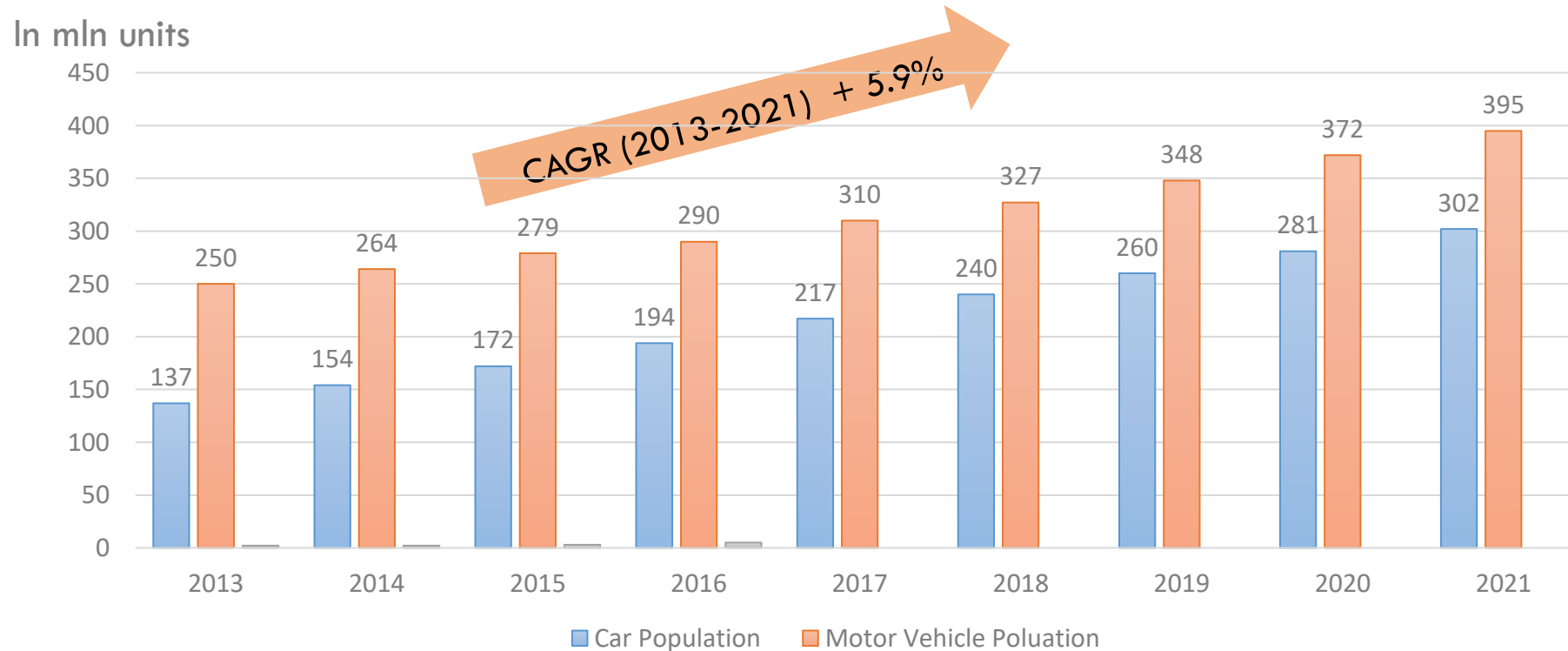


- 26.3 mln cars sold in China in 2021, up 3.8% y-o-y, boosted by New Energy Vehicles (NEV) sales



# PRC Vehicle Population

## PRC Motor Vehicle & Car Population

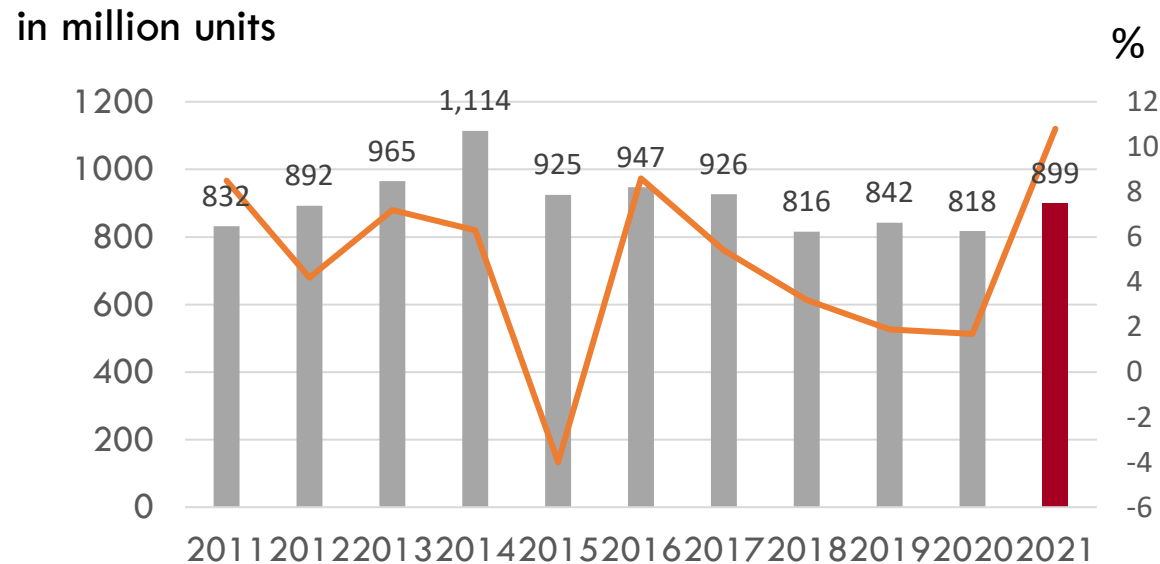


- China's car population on par with that of US, ranking No. 1 in the world
- The number of Vehicles per 1000 people is only at the world average level



# Riding on Rising Tyre Consumption

## PRC Vehicle Outer Tyre Production



Source: [www.askci.com](http://www.askci.com)

*The global tyre market showed moderate growth during the period between 2015-2020. Looking forward, IMARC Group expects the market to grow at a CAGR of around 4% during 2021-2026, keeping in mind the uncertainties of COVID-19.*

*-by IMARC*

- End use of tyre contains two segments. OEM (for new cars) 30% & Replacement market 70%
- One of the leading factors driving the demand for tyres across the globe is the accelerating sales of passenger vehicles, particularly in the emerging economies.



## **Q : Are rubber chemicals commodities?**

**A :** No. They are products in a niche market.

Reasons:

1. Commodity companies cannot have sustained high profits and good returns on capitals. China Sunshin has been profitable since 1998. Its ROE has been between 15-25% since 2014 (except 2020)
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 chemicals industry?**

A : Yes.

Reasons:

1. Capital intensive -- land, environmental protection and safety infrastructure.
2. Technical capabilities -- technology, talents and management skills are required to produce specialty chemicals.
3. Stringent supplier selection process by renowned tyre makers, taking into account production capabilities, capacity, quality of products & services and compliance with government regulations etc.
4. Rubber chemicals industry is currently undergoing consolidation.
5. Difficult to get approval for new capacities



**Q : Will weakening car sales affect the rubber chemicals industry?**

**A :** Significant impact on sales occur only if new car sales experience critical 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](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



# Macro Economy Environment

- IMF projected the global economy to grow by 4.4% in 2022, down 0.5 percentage point from October 2021's forecast, due to supply disruptions, higher inflation, record debt and persistent uncertainty
- The Chinese economy shows strong resilience and robust rebound. However, a slower growth is expected in the coming year as the economy is facing pressure surrounding demand, supply and expectations.
- After experiencing 3 consecutive years of decline, China's auto market began to grow in 2021, boosted by robust new-energy vehicle sales. China, the world's biggest auto market, has set a target for NEVs to make up 20% of auto sales by 2025.



- The utilization rate of tyre manufacturing was improving in 2021, driven by the economy recovery and robust auto market, but it is still at a relatively low level. We expect it will slowly recover in 2Q2022
- International crude oil prices are volatile, which leads to the fluctuation in the prices of our main raw materials. Generally speaking, the Group is able to pass on the increase on to the customers
- Our rivals are implanting their expansion plans as well. 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 36% of PRC market and 24% 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 tyre 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



## SHARE PERFORMANCE

**China Sunshin Chemical Holdings Ltd. (QES.SI)** ☆

SES - SES Delayed Price. Currency in SGD

**0.5100 +0.0150 (+3.03%)**

At close: 03:55PM SGT



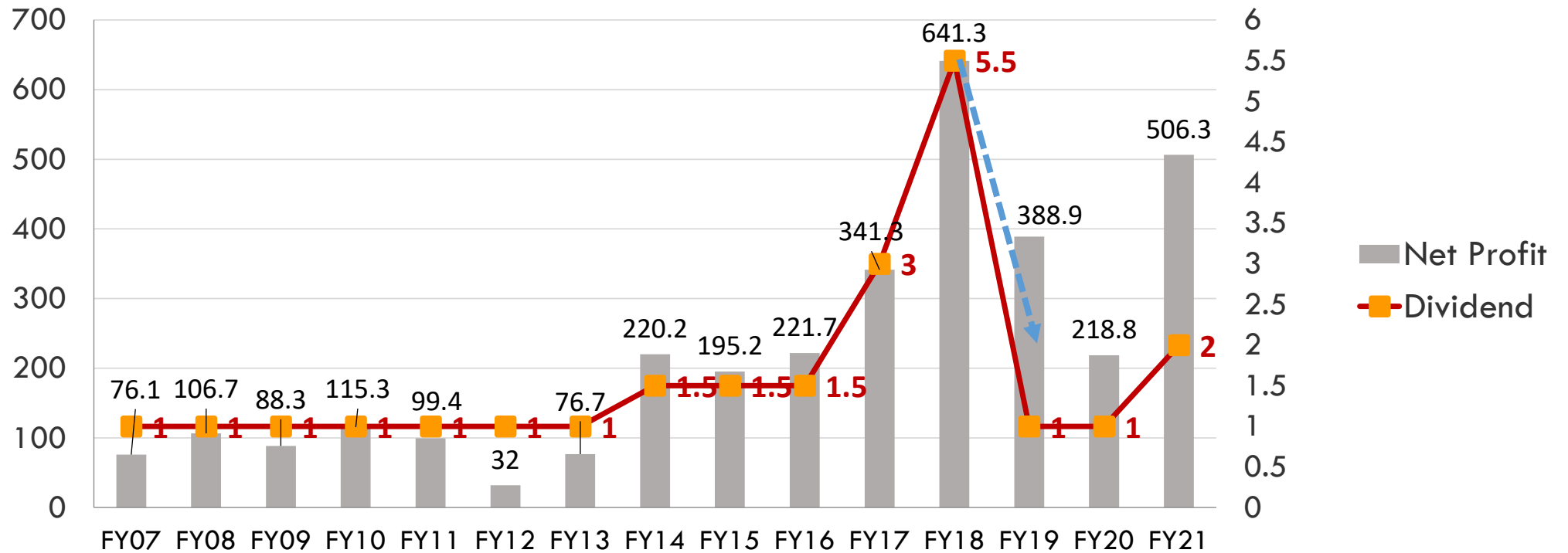
- Since IPO, no new share placement and rights issue



# Dividend Payment History

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

**Dividend**  
(in SGD cents)



# Investment Merits

- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Capacity expansion ongoing, focusing on growing sales volume and market share
- ✓ Strong cash position (cash per share SGD0.30) with no bank loan
- ✓ 15-year track record & annual dividend payment since IPO
- ✓ NAV per share SGD0.693. Price/NAV only 0.7X





# Chairman's Message

*Riding on the strong recovery of China's economy and the global economy, as well as the resilient auto market, the Group delivered a stellar performance in FY2021. Our strategy of 'sales and production equilibrium' has helped us successfully to ride out the storm of the past 2 years.*

*Even though China's economy is projected to slow in 2022, the Board believes that it will still remain healthy. Several challenges persist. Volatile oil prices will lead to fluctuation in raw material prices, the utilisation rate of downstream tyre manufacturers are still low, and the rubber chemicals industry is facing increasing competition as some of our competitors are executing their expansion plans.*

*I am pleased that we are on track for progressive capacity expansion, which allows us to produce more to meet the increased demand, and further strengthen our market leadership position. Coupled with our other competitive advantages, such as our strong balance sheet and financial position, ability to provide high-quality products, large-scale production, a variety of product range of rubber chemicals, and compliance with national environmental protection laws and regulations, we are confident about the Group's profitability in the next 12 months.*



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



# Q & A

## MEDIA/INVESTOR CONTACT

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