



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

1H2022 Results Briefing

12 August 2022

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

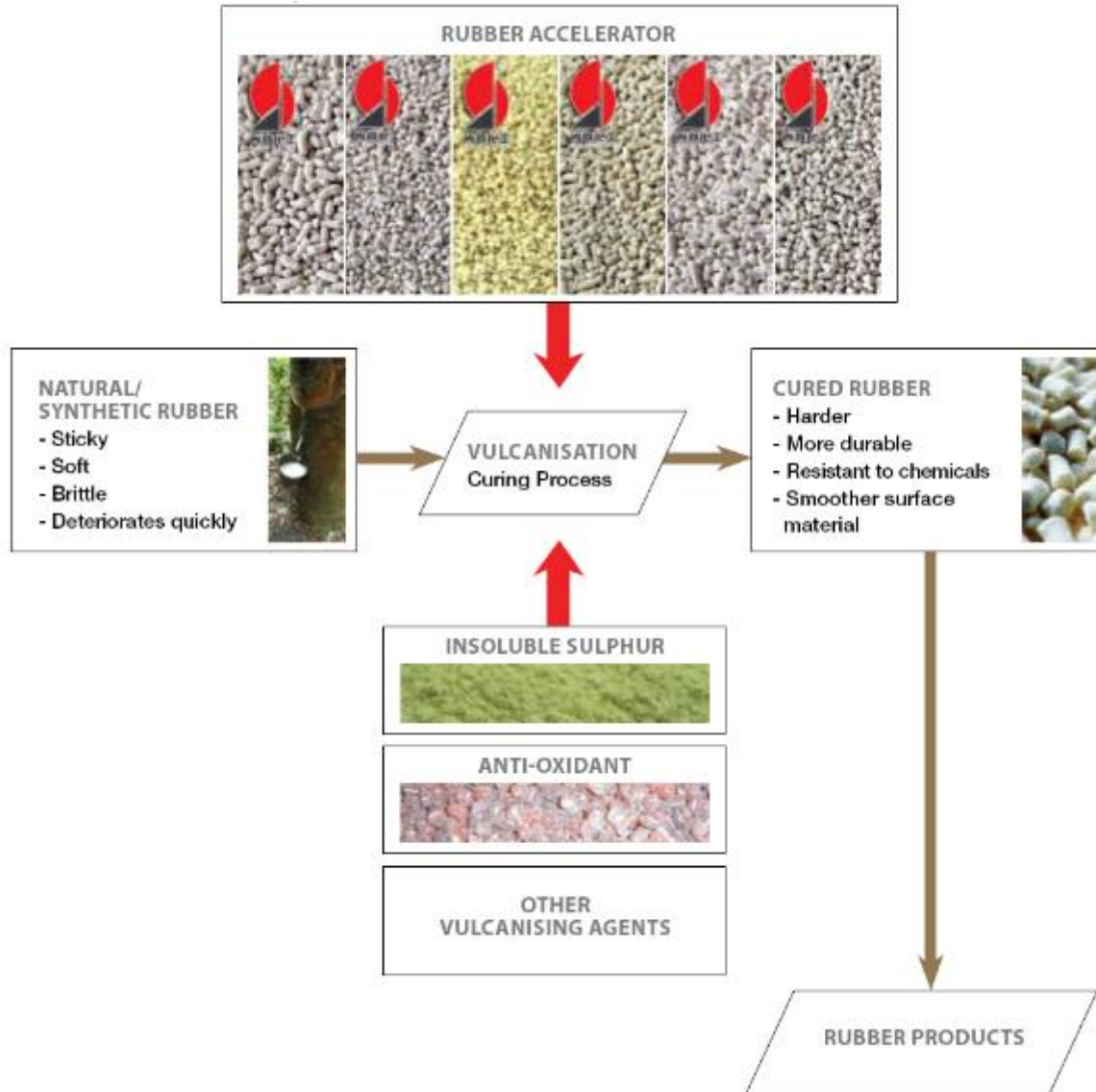
Our Company

About China Sunshine Chemical

- ✓ **China's largest** rubber chemicals producer
- ✓ **World's largest** producer of Rubber Accelerators
- ✓ **One of the world's largest** producers of Insoluble Sulphur
- ✓ Superior product quality and a variety of product range
- ✓ 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)

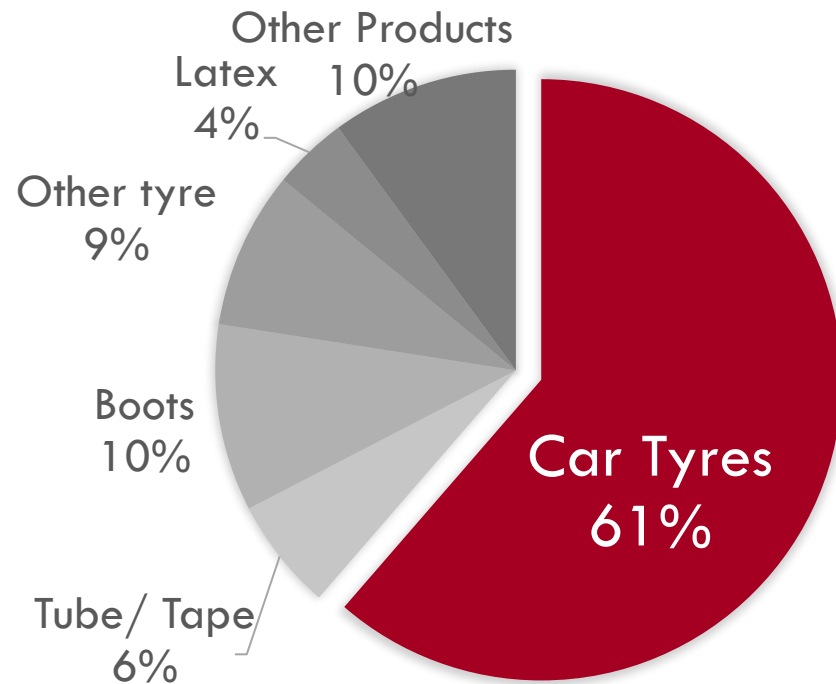


Anti-Oxidants

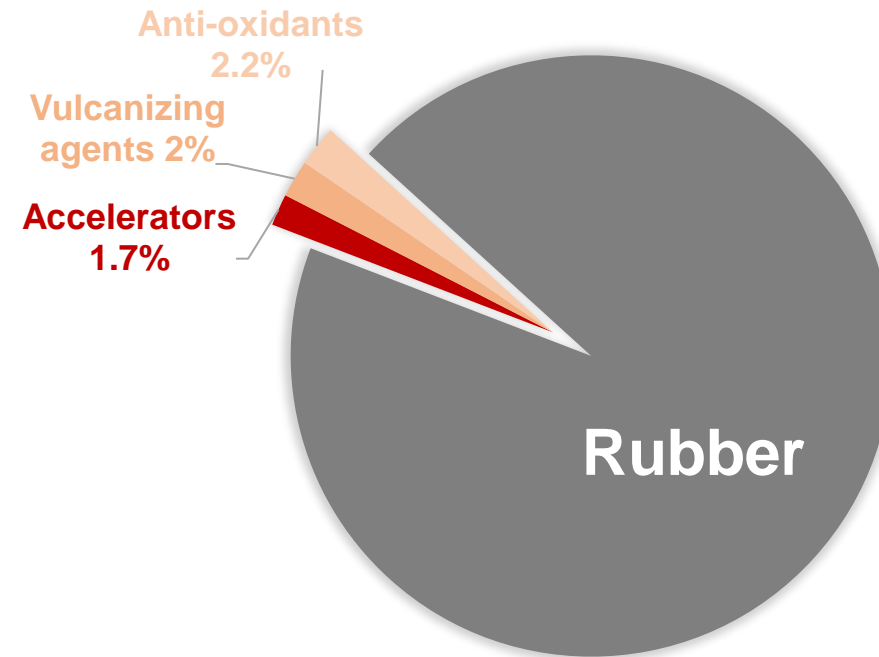
TMQ
6PPD
4010NA



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 chemicals' cost accounts for about 3% of total tyre cost (**100:3**)



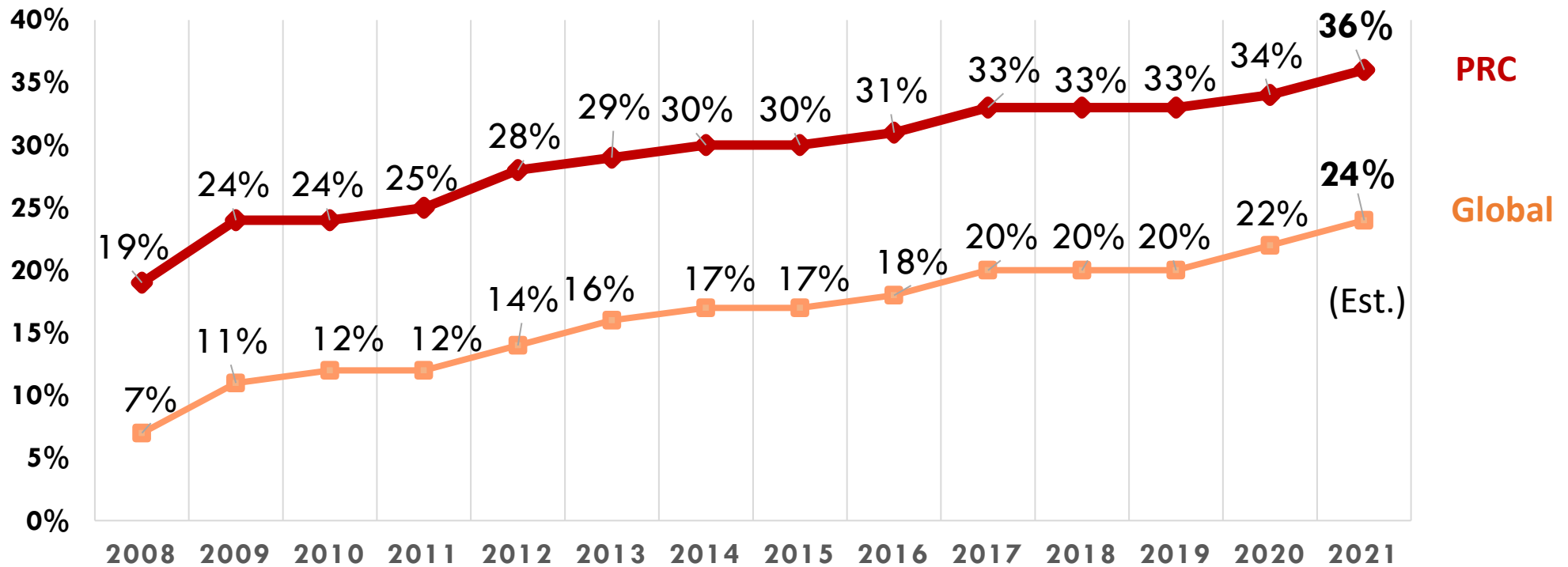
Our Strong Customer Base



- 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 throughout the years



Our Market Leadership Position

GLOBAL TOP 3 ACCELERATOR PRODUCERS

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



Our Production Bases

6 production bases in **3** locations

Dingtao Plant

- IS: 20,000-tonne



Shanxian

- **Home base:**
 - RA: 59,500-tonne
 - IS: 10,000-tonne
 - AO: 45,000-tonne
- **Hengshun New Materials:**
 - IS: 30,000-tonne (completed in Dec 2021)
- **Yongshun New District:**
 - RA(TBBS): 30,000-tonne
 - AO: 32,000-tonne (completed in 1H2022)
- **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

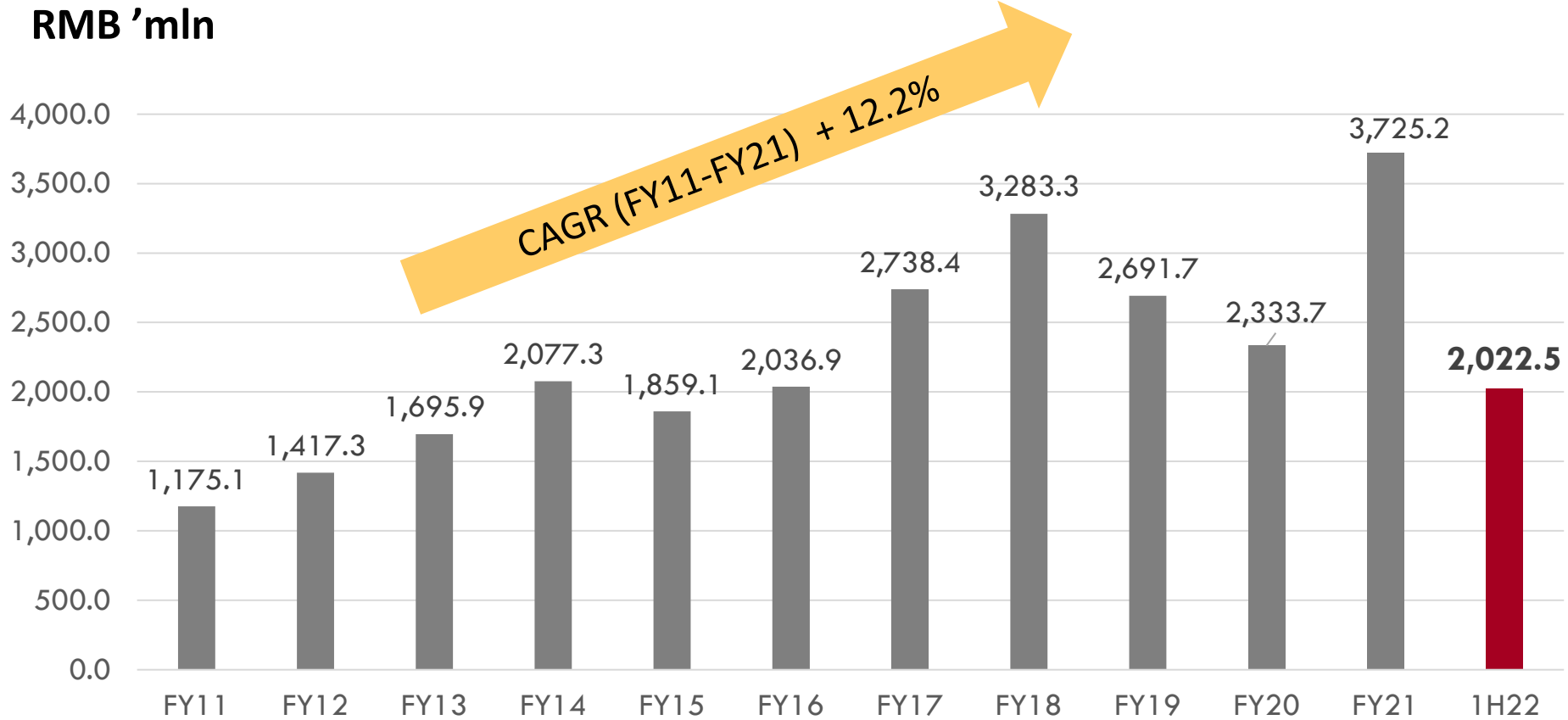
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RMB 'mln	First Half Year Ended		
	30/06/22	30/06/21	Change
Group Revenue	2,022.5	1,757.5	15%
Gross Profit	694.0	552.3	26%
Gross Profit Margin	34.3%	31.4%	+2.9 pts
Profit Before Tax	470.1	360.7	30%
Profit After Tax	427.5	265.2	61%
EPS (RMB cents/SGD Cents*)	44.06/ 9.15	27.32/ 5.67	61%
NAV per share (RMB cents/SGD Cents*)	361.99/ 75.15	302.66/ 62.83	20%

* Singapore Dollars to RMB at the exchange rate of 4.8170

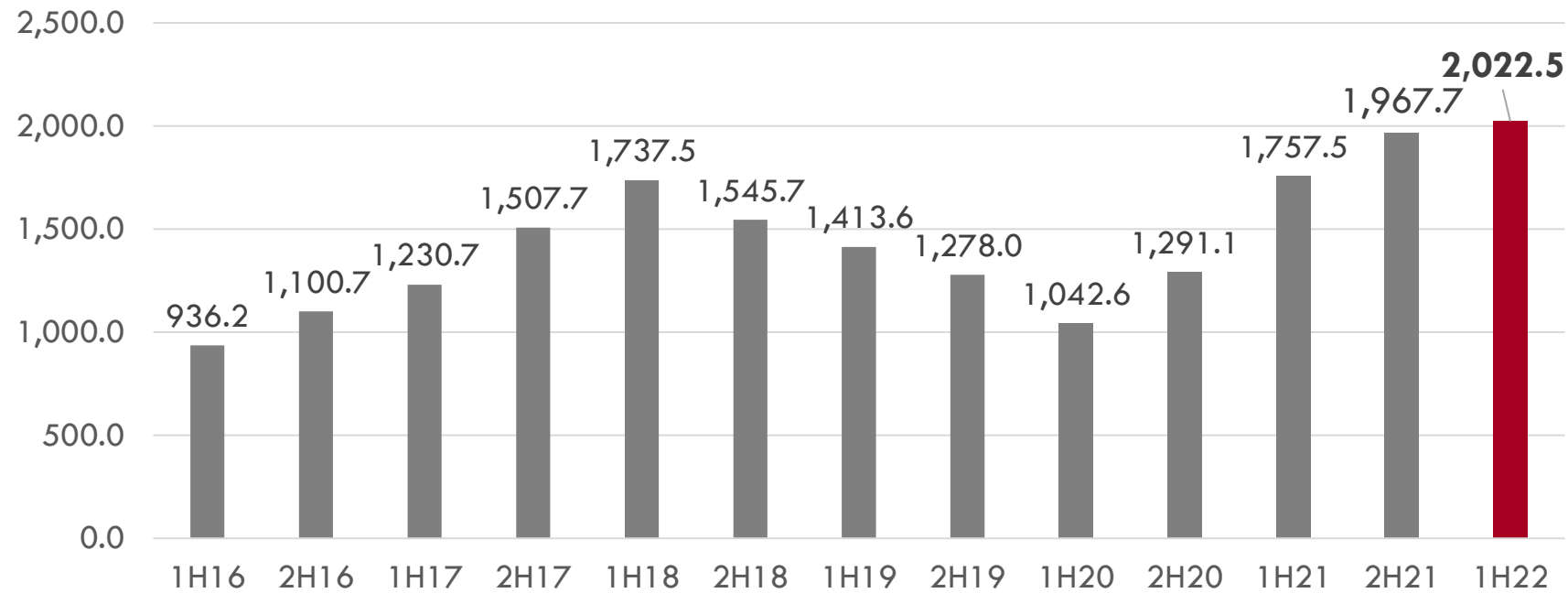


Revenue Growth



Revenue (half-yearly)

RMB 'mIn



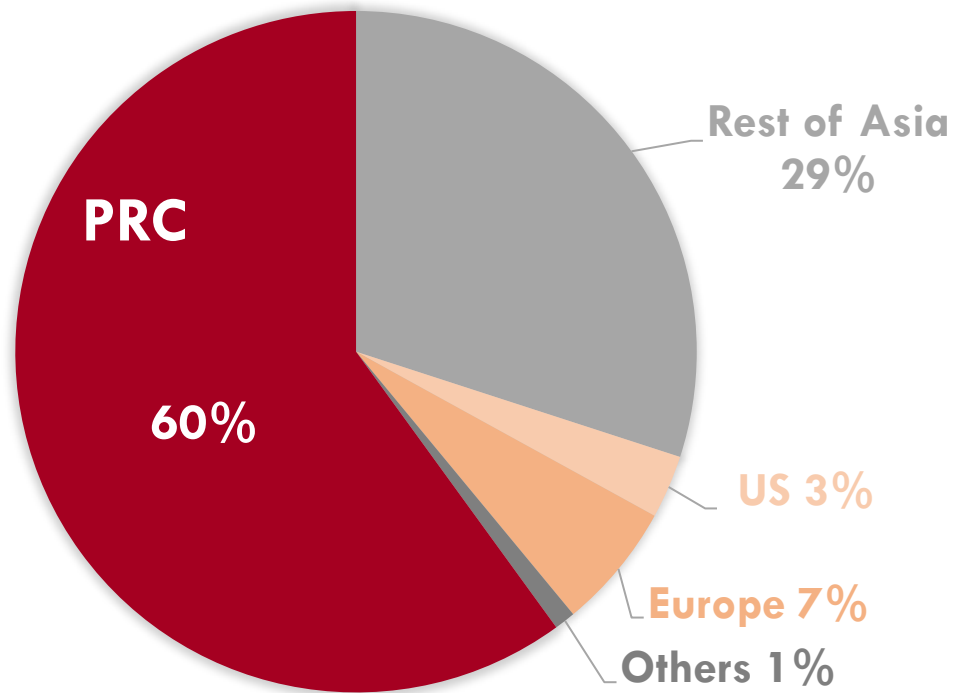
1H22 vs 1H20: +15%
1H22 vs 2H21: +3%

1H2022 Revenue increased by 15% yoy due to higher Average Selling Price (ASP)



Sales Contribution-by region

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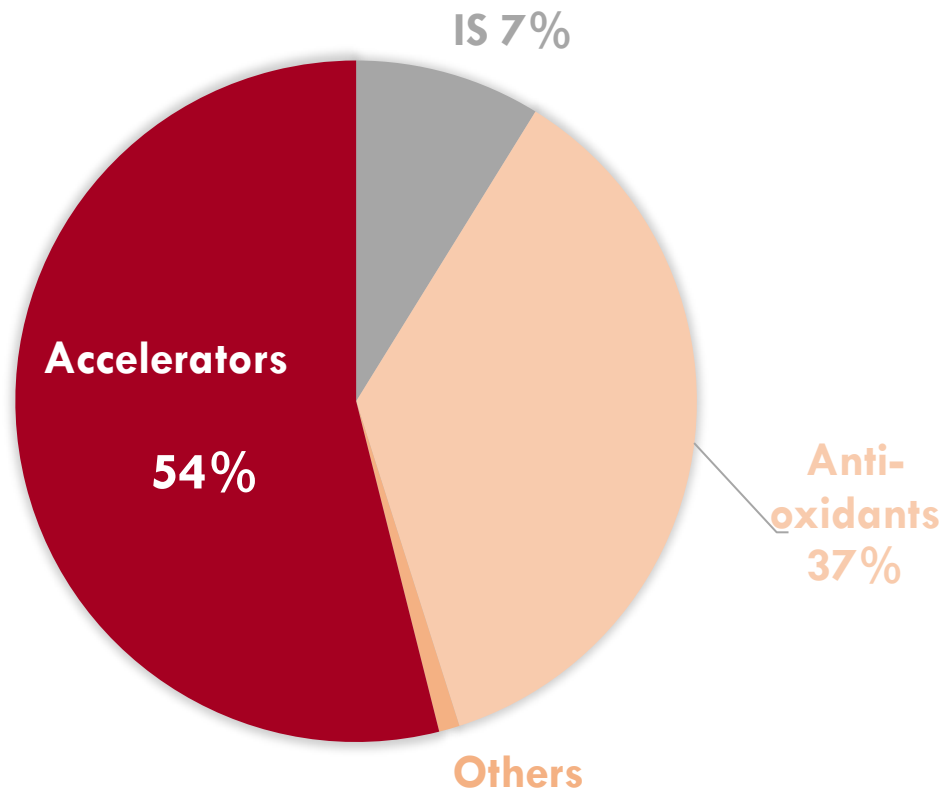


Region	1H2022	FY2021	FY2020
China	60%	61%	68%
Rest of Asia	29%	27%	21%
US	3%	3%	2%
Europe	7%	5%	6%
Others	1%	3%	3%
Total	100%	100%	100%

- International sales rebounded due to the recovery of the global economy



Sales Contribution-by products



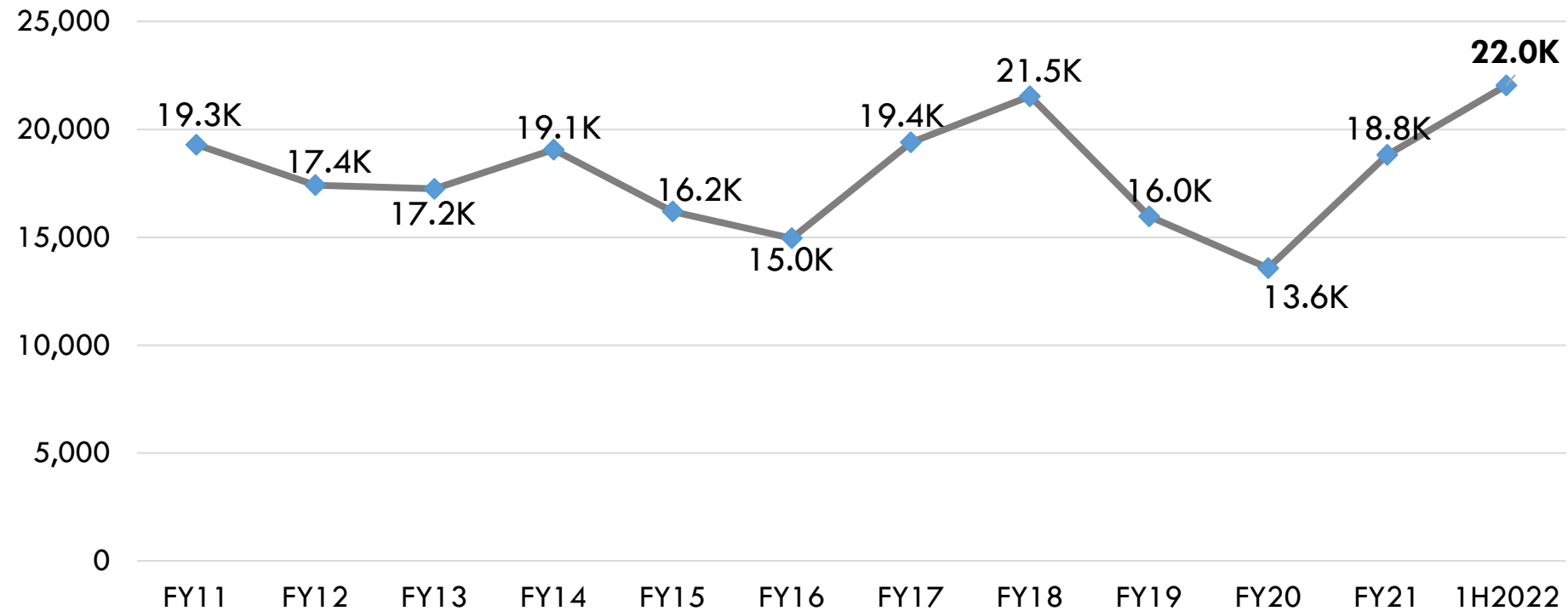
Product	1H2022	FY2021	FY2020
Accelerators	54%	60%	63%
IS	7%	8%	10%
Anti-oxidants	37%	30%	26%
Others	2%	2%	1%
Total	100%	100%	100%

- Anti-oxidants sales increase due to new 30,000-tonne TMQ & 2,000-tonne HTMQ production lines in use since 1H2022



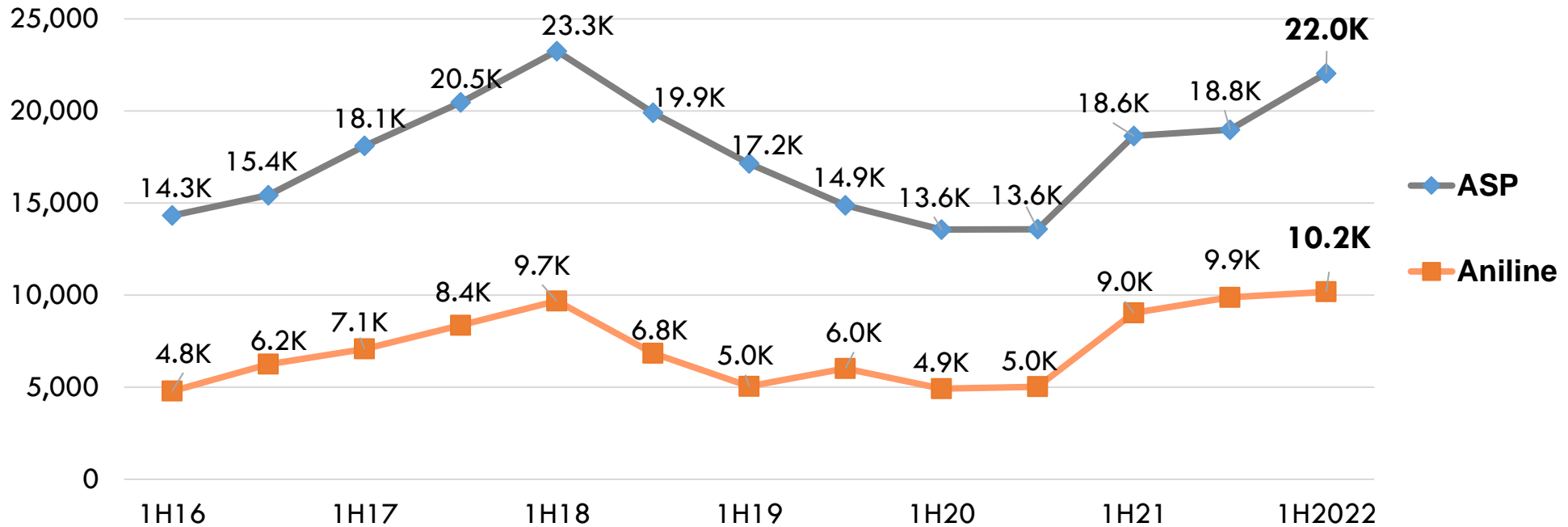
Overall Average Selling Price (ASP)

RMB/Tonne



ASP vs Major Raw Material Price (half-yearly)

RMB/Tonne

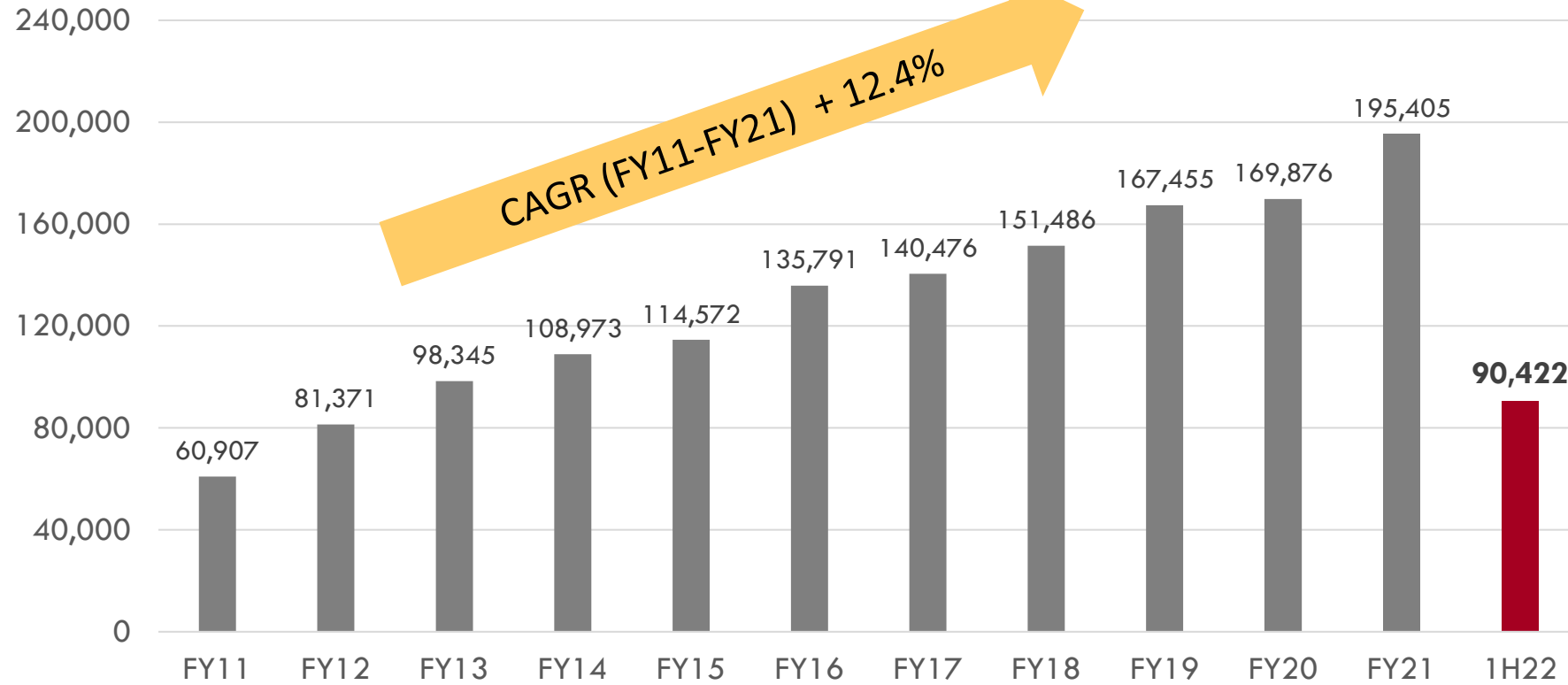


- ASP increase due to:
 - Increase in raw material prices;
 - Ability to pass on the increase to customers



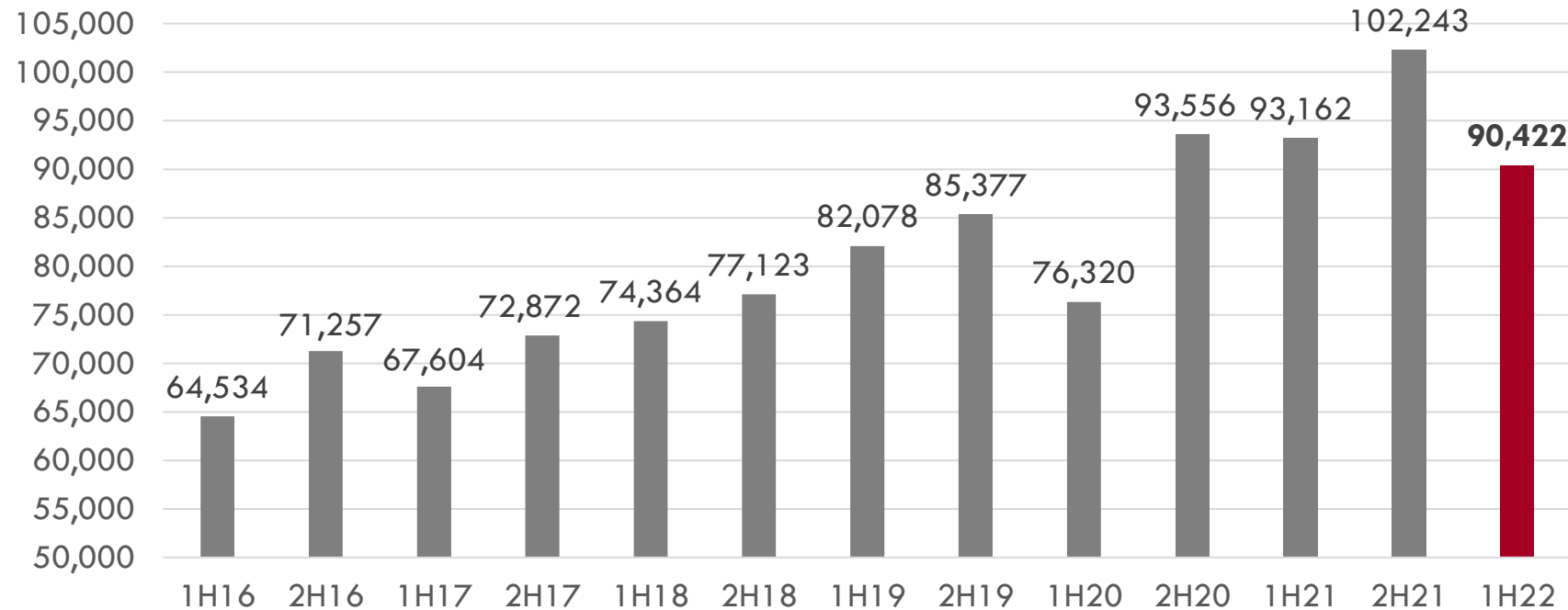
Sales Volume

Tonnes



Sales Volume (half-yearly)

Tonnes



1H22 vs 1H21 : -3%
1H22 vs 2H21 : -12%

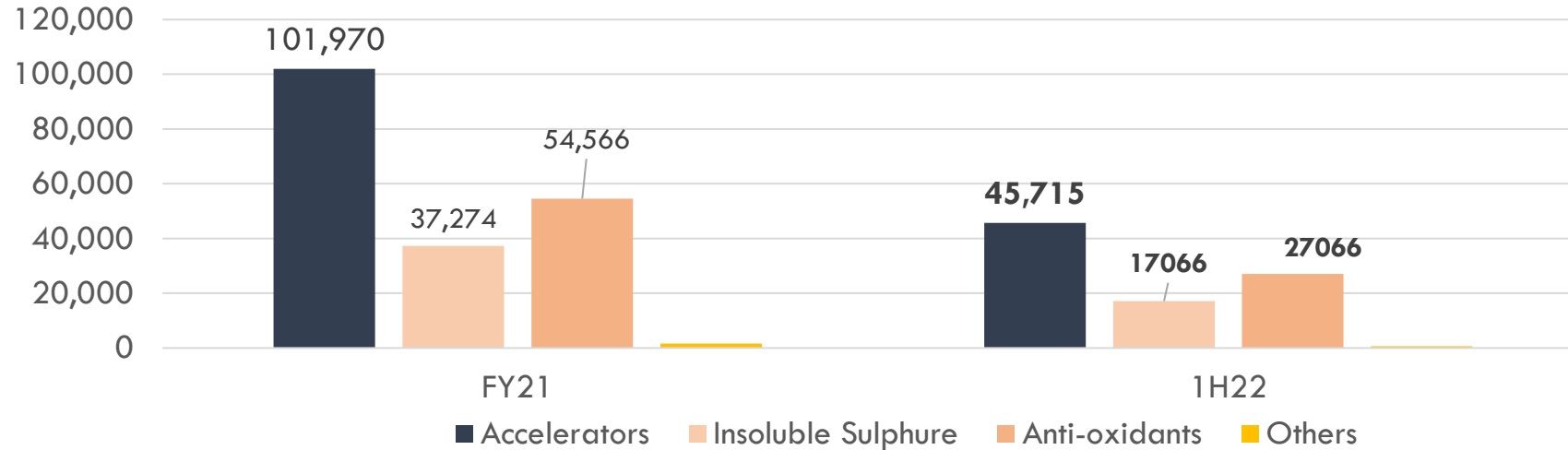
1H22 sales volume down 3% y-o-y mainly due to:

- Maintenance work conducted during CNY holidays
- Tentative supply chain interruption during Winter Olympic Games period
- Control measures implemented in some Covid affected cities in China



Sales Volume by Products

Tonnes



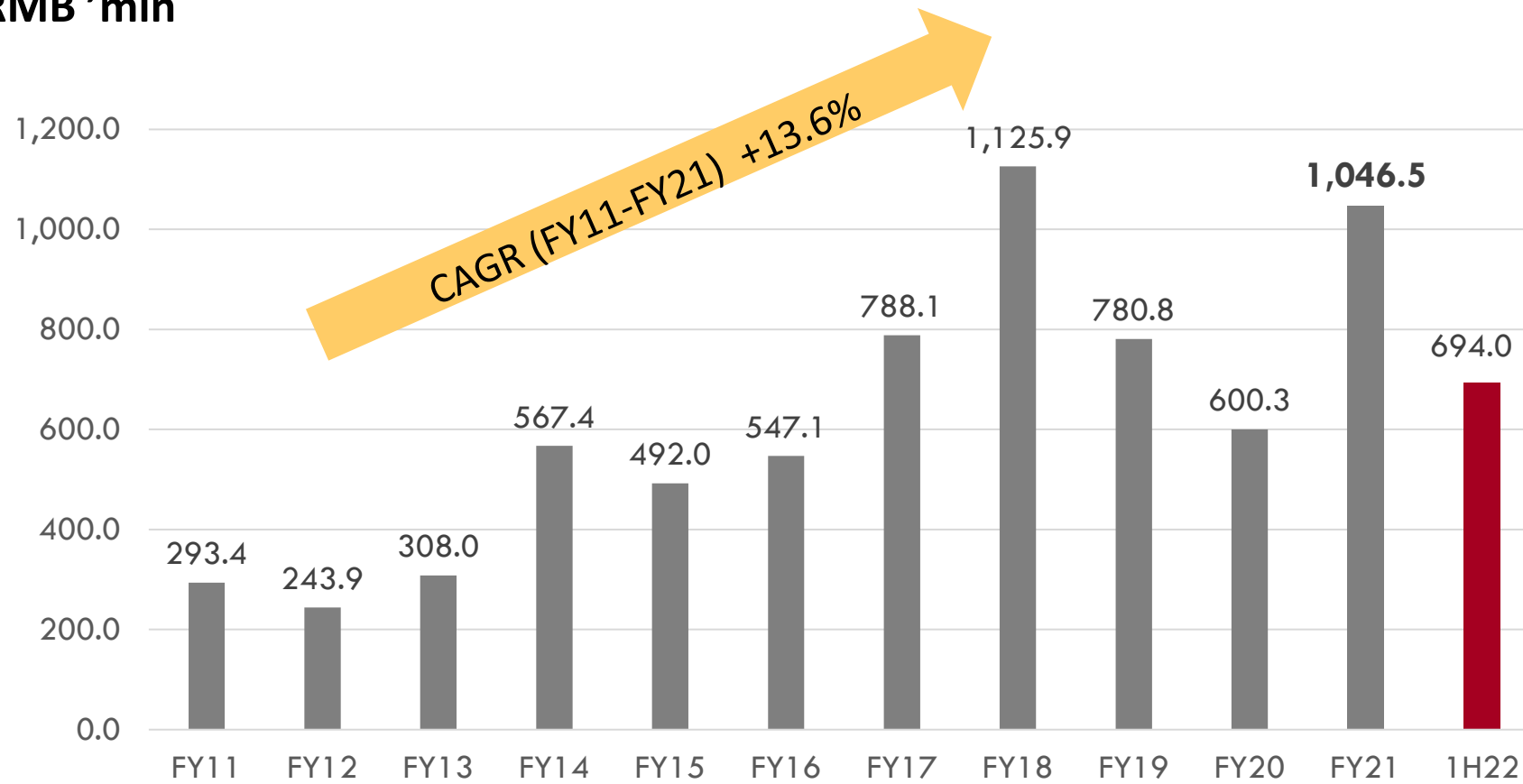
	FY2021 Effective Capacity	FY2021 Utilisation Rate	1H2022 Effective Capacity	1H2022 Utilisation Rate
Accelerators	117,000	87%	58,500	78%
Insoluble Sulphur	32,500	115%	30,000	57%
Anti-oxidants	45,000	121%	30,500	89%

- New 30,000-tonne & 2,000-tonne Anti-oxidant TMQ & HTMQ capacity was added in 1H2022



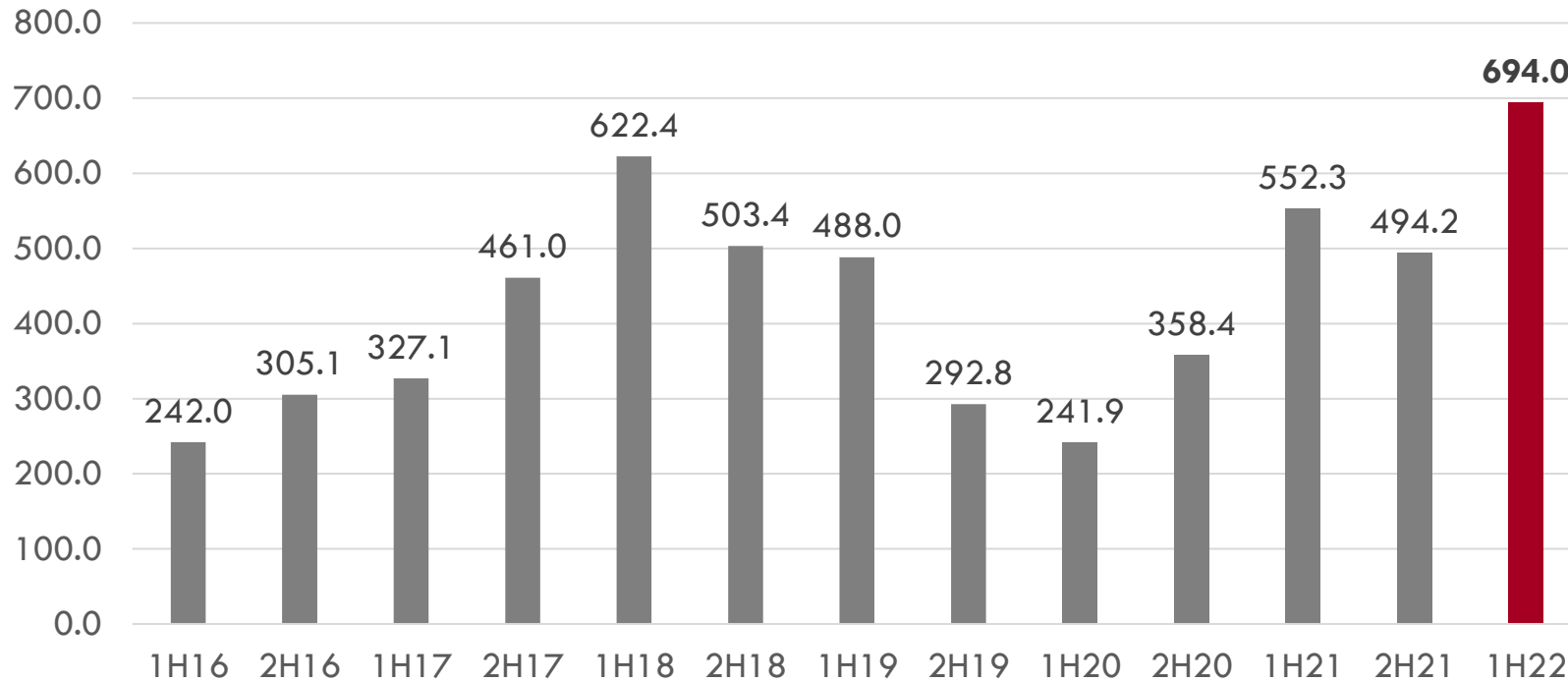
Gross Profit

RMB 'mln



Gross Profit (half-yearly)

RMB 'mln



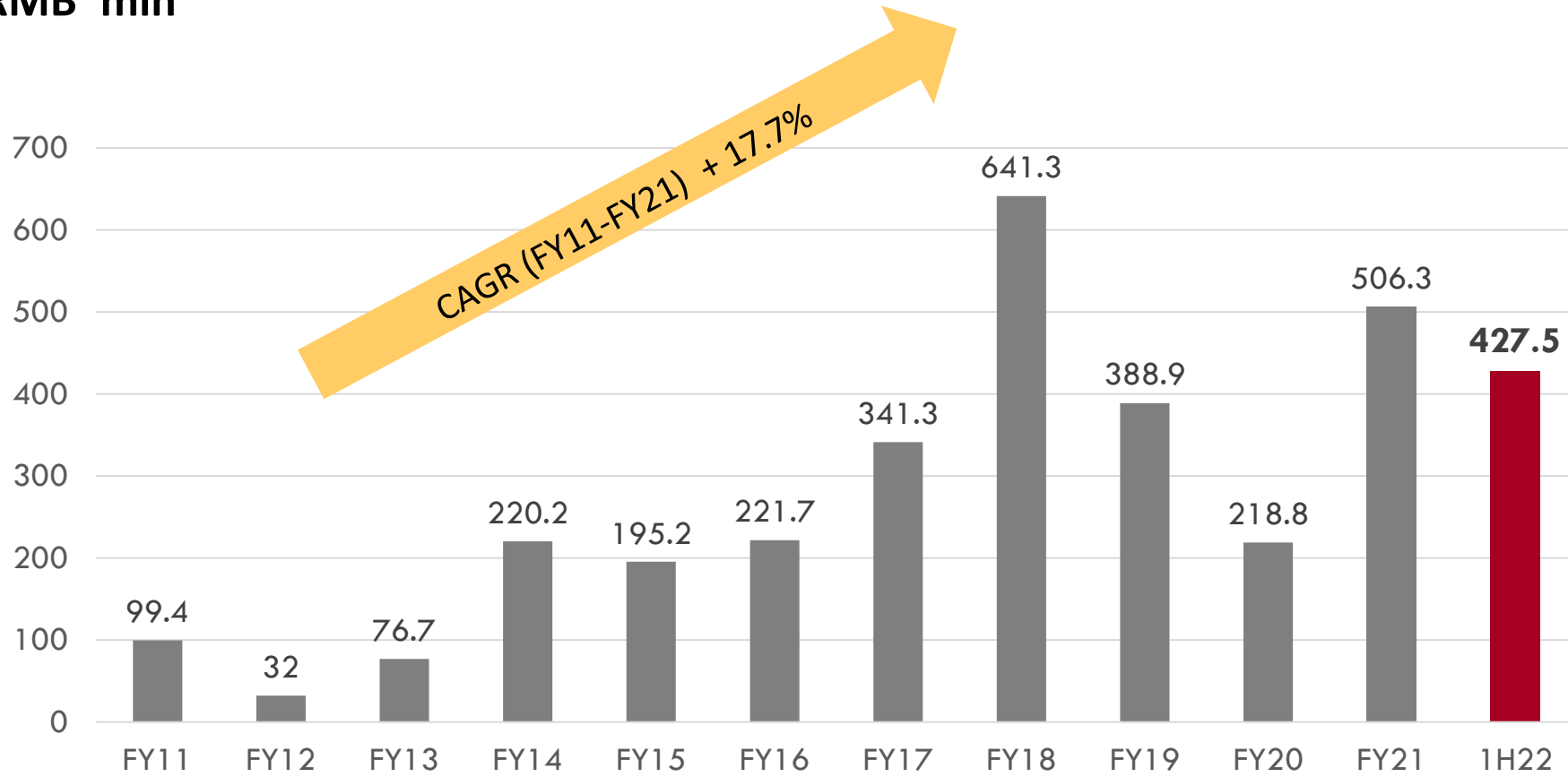
1H22 vs 1H21: +26%
1H22 vs 2H21: +40%

- 1H22 Gross profit up 26% yoy due mainly to higher ASP



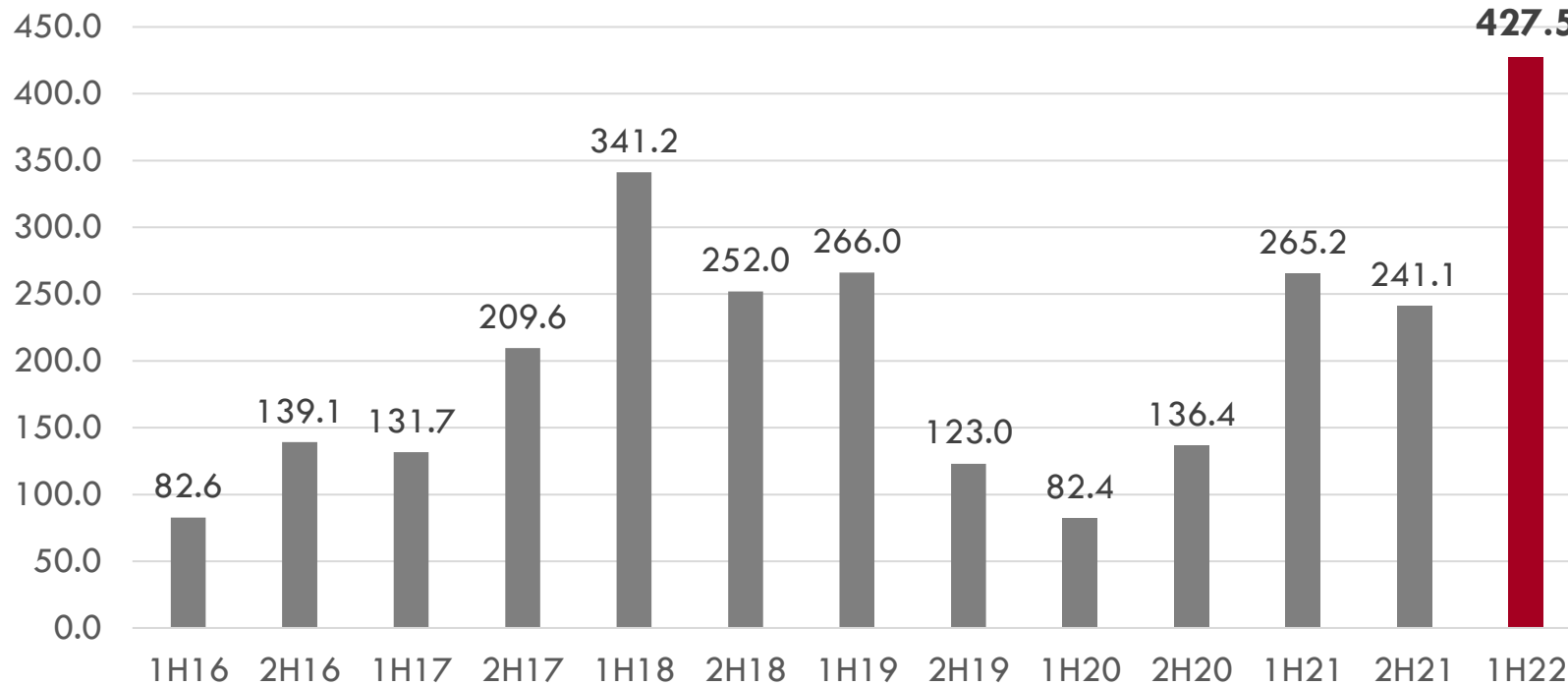
Net Profit

RMB 'mln



Net Profit (half-yearly)

RMB 'mln



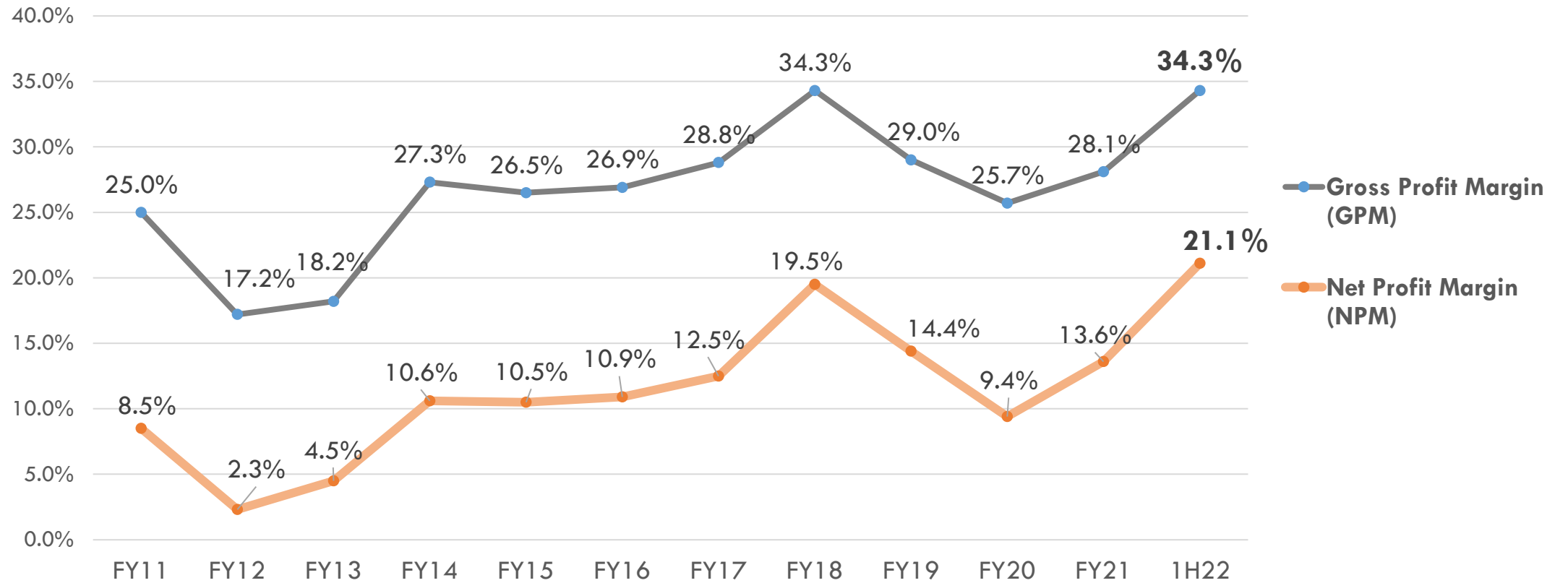
Record High

1H22 vs 1H21: **+61%**
1H22 vs 2H21: **+77%**

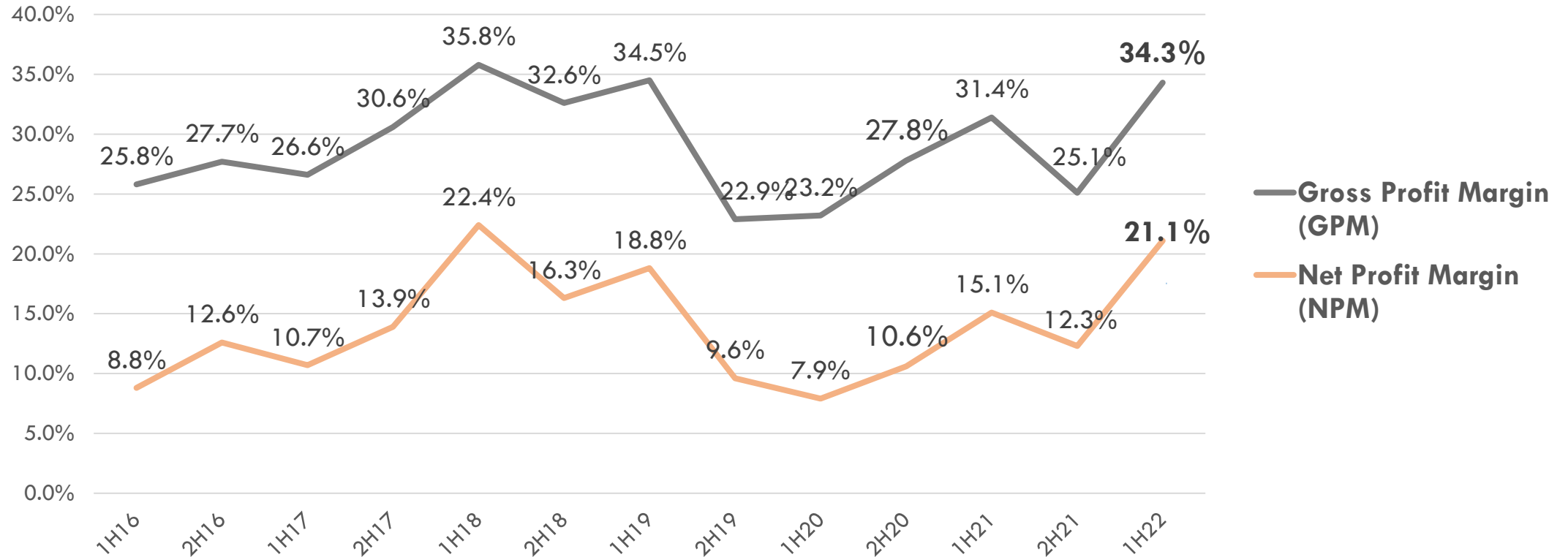
- 1H22 net profit up 61% yoy due mainly to:
 - higher gross profit margin, and
 - RMB 36.1 million tax refund received due to the award of “High-Tech Enterprise” status, which now entitles our main subsidiary to a concessionary tax rate of 15% for 3 years with effect from 1/1/2021



Margins Analysis



Margins Analysis (half-yearly)



- 1H22 GPM increase mainly due to the increase in raw materials prices and the Group was able to pass on the increase to customers



Balance Sheet Highlight

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	30/06/2022	31/12/2021	31/12/2020
Current Assets (RMB'mln) *	3,084.8	2,839.5	2,239.2
Current Liabilities (RMB'mln)	602.7	747.2	451.4
Current Ratio	5.1	3.80	4.96
Shareholders' Equity (RMB'mln)	3,511.0	3,176.1	2,720.7
D/E ratio	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	361.99/ 75.15	327.3/ 67.95	280.28/ 58.19
Cash per share (RMB cents) (equivalent to SGD cents)	124.4/ 25.8	141.93/ 29.46	137.26/ 28.50

* Current Assets including cash of RMB 1,206.4 mln



Key Developments

Expansion Projects-1

Project	Status	CapEx
<u>Comprehensive Chemical Zone (Hengshun New Materials Co.)</u>		
30,000-tonne Insoluble Sulphur	Commercial production in Dec 2021	RMB270 mln
<u>Yongshun New District</u>		
30,000-tonne Anti-oxidant TMQ & 2,000-tonne HTMQ	Commercial production in 1H2022	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	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 end of 2022	RMB 35 mln

Rationale for the project:

- To treat inorganic waste and ashes to reduce the environmental impacts by the Group
- To cope with the increasing hazardous wastes generated in Heze area
- To save cost, thus generating additional income



Annual Capacity

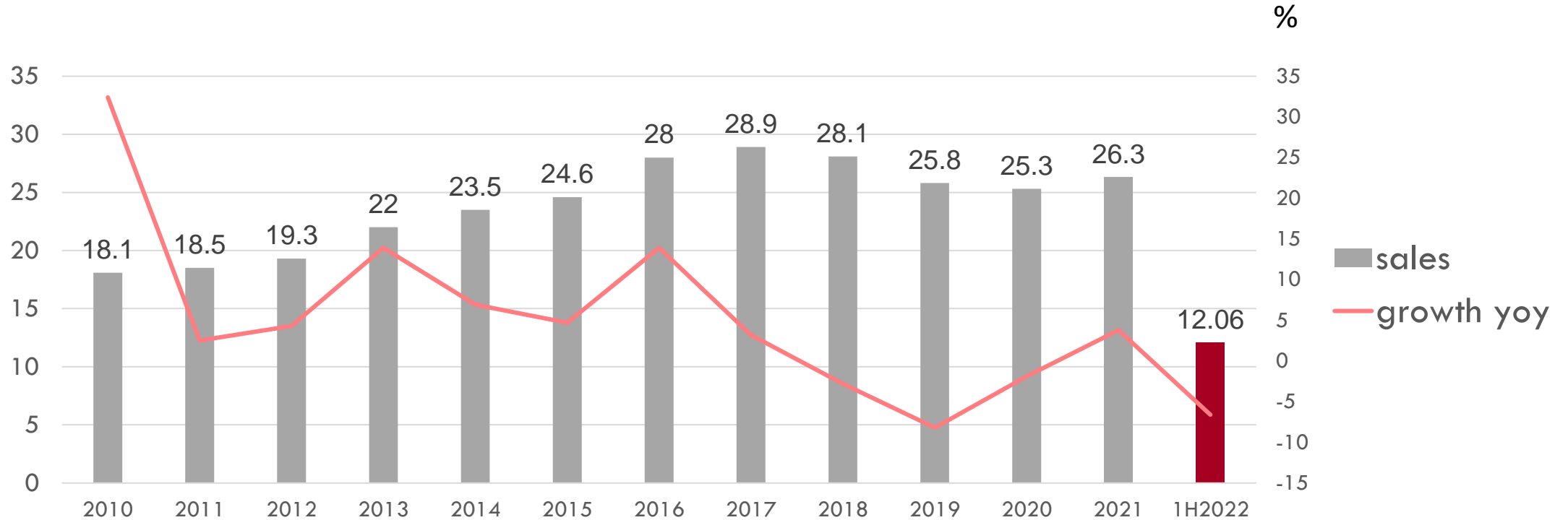
	FY17	FY18	FY19	FY20	FY21	FY22	FY23e
Rubber Accelerators	87,000	87,000	97,000	117,000	117,000	117,000	117,000
Insoluble Sulphur	20,000	30,000	30,000	30,000	30,000	60,000	60,000
Anti-oxidants (TMQ & 6PPD)	45,000	45,000	45,000	45,000	45,000	77,000	77,000
Total	152,000	162,000	172,000	192,000	192,000	254,000	254,000



Industry Info and Outlook

China's New Car Sales

in million units



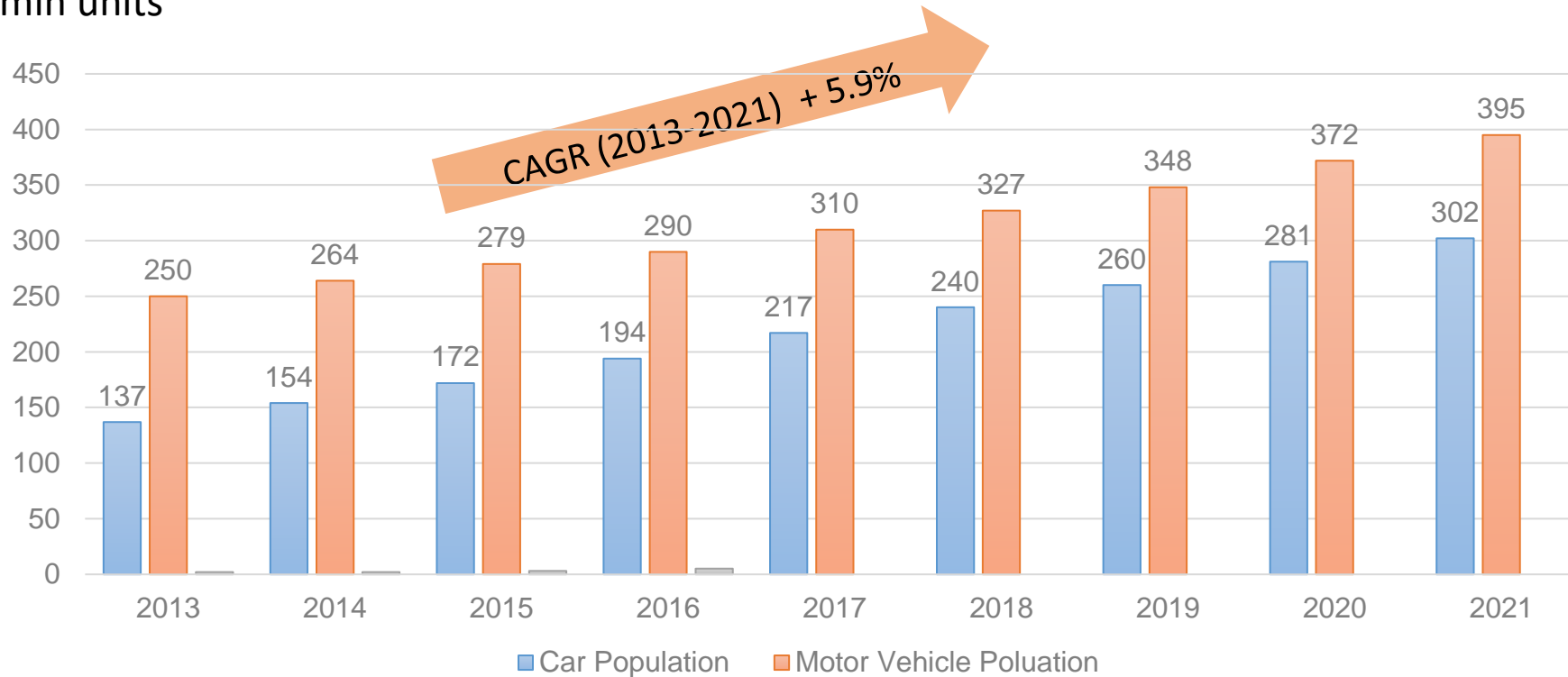
- 12.6 mln cars sold in China in 1H2022, down 6.6% y-o-y.
- However, New Energy Vehicles (NEV) sales increased 1.2 times.
- According to CAAM's forecast, the total car sales volume in 2022 will reach 27 million units



PRC Vehicle Population

PRC Motor Vehicle & Car Population

In mln units



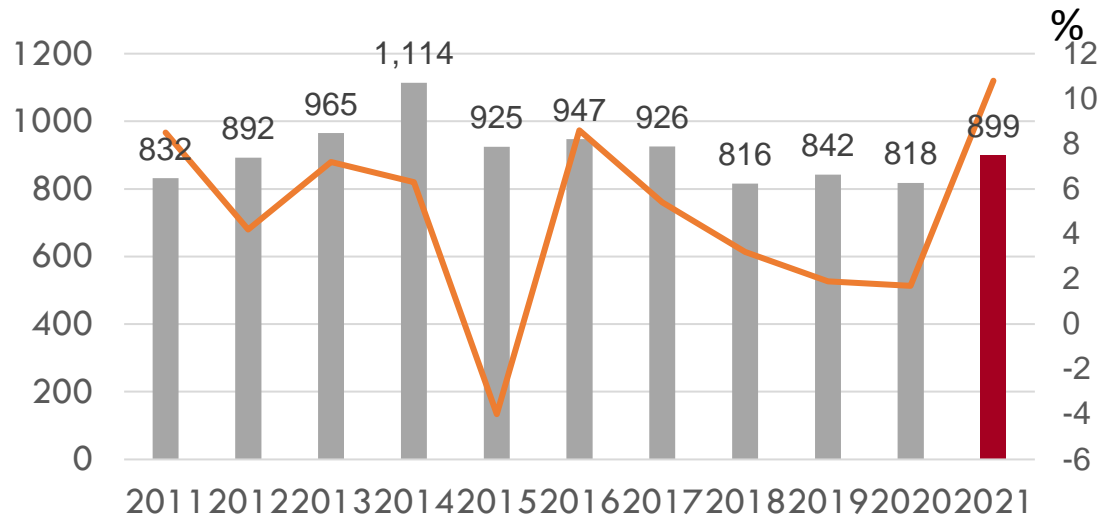
- China's car population on par with that of US, ranking No. 1 in the world
- The number of Vehicles per 1000 people is only at the world average level



Riding on Rising Tyre Consumption

PRC Vehicle Outer Tyre Production

in million units



Source: 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– 30% OEM (for new cars) & 70% Replacement market
- One of the leading factors driving the demand for tyres across the globe is the accelerating sales of passenger vehicles, particularly in 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 Sunshine 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 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 : No. 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



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 list of advantages.
2. Growing sales volume to further strengthen our market leadership position.
3. Robust financial position to support future capacity expansion



- Increasing geopolitical tensions, trade war, persistent inflation, and ongoing concerns accelerate the uncertainties of global economies.
- China's economy is still facing increasing pressure related to shrinking demand and weaker expectations. The possible implementation of Covid restriction measures may cause the interruption of the supply chain
- With the implementation of economic stimulus policies, it is expected that China's macro economy will improve and consumers' confidence will restore gradually



- The utilization rate of tyre manufacturing is still at a relatively low level.
- 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 to the customers
- Our rivals are implanting expansion plans as well. Despite the greater competition, we also see 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
- Expanding capacity to meet the increased demand for our products
- Increasing efficiency on operational improvement, cost control, elimination of wastage, cash flow management etc
- Poised for economic recovery and setting the 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 various products
- Stable & consistent 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



Listed On SGX Mainboard

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SHARE PERFORMANCE



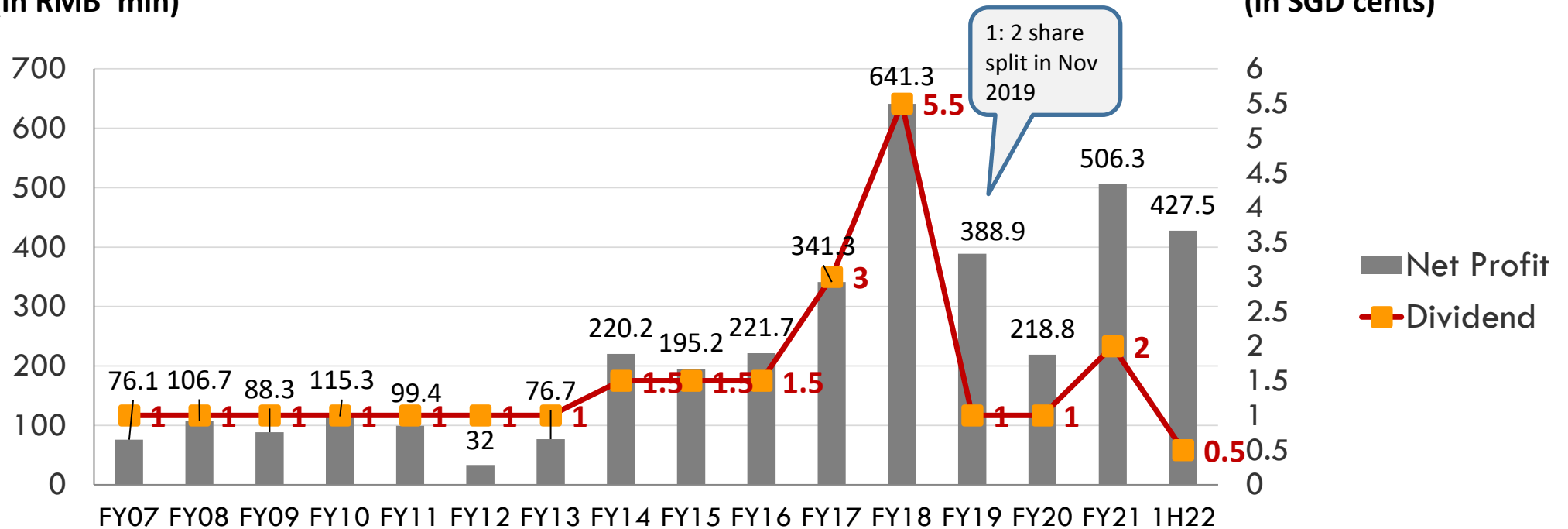
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



In celebration of the Group's 15th anniversary of its IPO on SGX, a special interim dividend declared:

- Interim Dividend : SGD 0.5 cents**
- Record Date : 22 August 2022**
- Payment Date : 9 September 2022**



Investment Merits

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- ✓ 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 SGD0.26) with no bank loan
- ✓ 15-year track record & annual dividend payment since IPO
- ✓ NAV per share SGD0.75. Price/NAV only 0.6X



Chairman's Message

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Our resilient performance in the first half of 2022 demonstrated the strength of our market leadership position, even though we were facing various challenges. We expect the challenges to remain or worsen in the second half of this year due to the high inflation rate, greater geopolitical tension, weakening economic growth in China, as well as the uncertainties of and restrictive measures arising from the Covid-19 pandemic situation.

Despite these headwinds, we are well-placed to face the difficulties. We strongly believe that capacity expansion will enhance our competitive advantage and further increase our market share. I am therefore pleased to share that our two new projects have commenced commercial production in 1H2022.

We will continue to implement our strategy of 'sales production equilibrium'. Given our strong balance sheet and financial stability, our market leadership position, our ability to provide high-quality products, economies of scale, a variety of rubber chemical products, and compliance with national environmental protection laws and regulations, we remain confident about the Group's profitability in the next 12 months".



Mr. Xu Chengqiu
Executive Chairman



Q & A

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