



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

1H2023 Results Briefing

15 August 2023

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PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

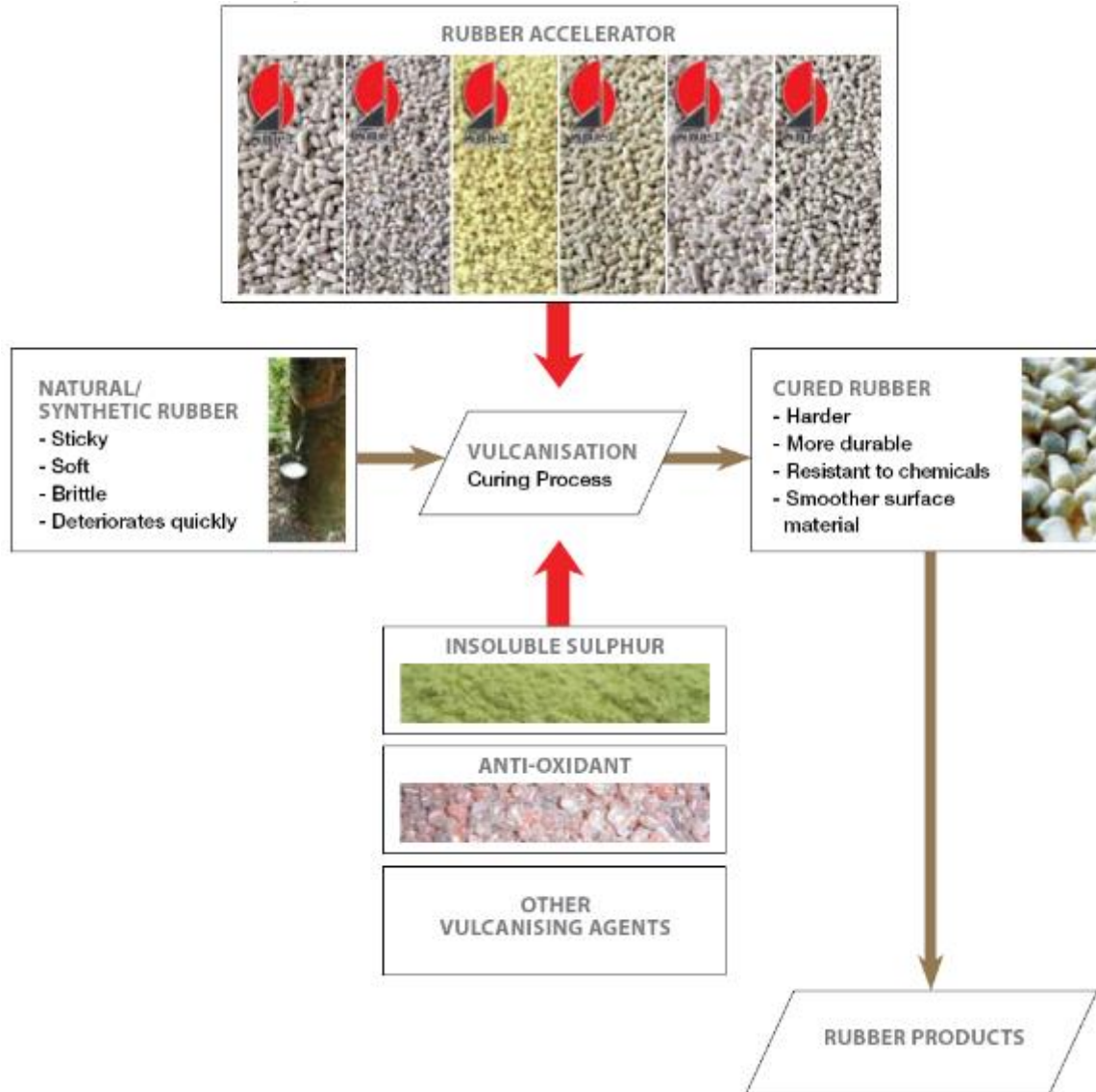
Our Company

About CHINA SUNSINE

- ✓ **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 comprehensive product range
- ✓ Accredited by a strong customer base of top tire 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)



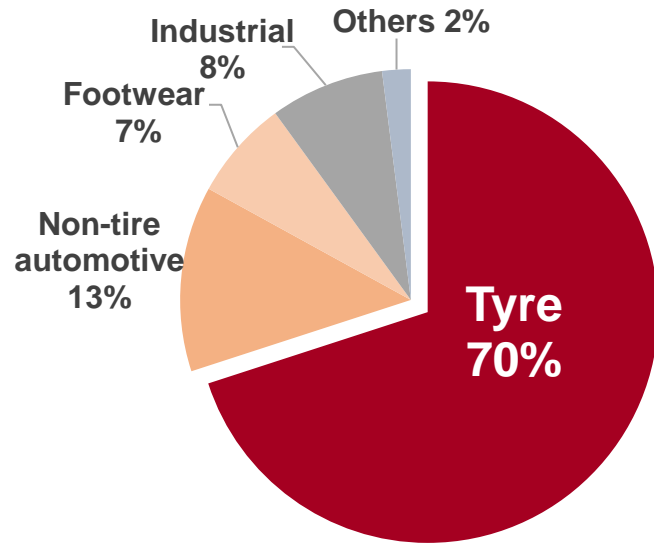
Anti-Oxidants

TMQ /HTMQ
6PPD
4010NA

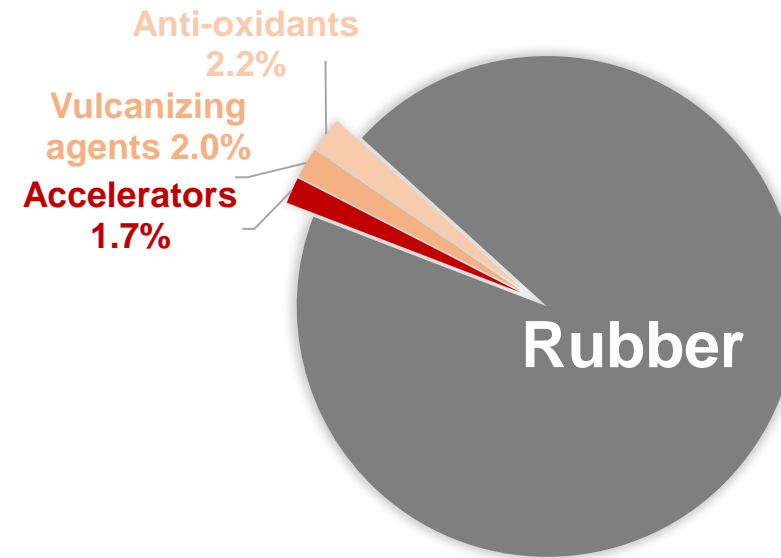


Rubber/ Rubber Chemicals Consumption

Global Rubber Consumption by Applications



www.fortunebusinessinsights.com



- **By volume**, rubber chemicals compose around 6% of the total rubber used in tyre manufacturing
- **By value**, rubber chemicals cost accounts for about 3% of total tyre cost

Note: Above two charts are general information for reference only



Our Strong Customer Base

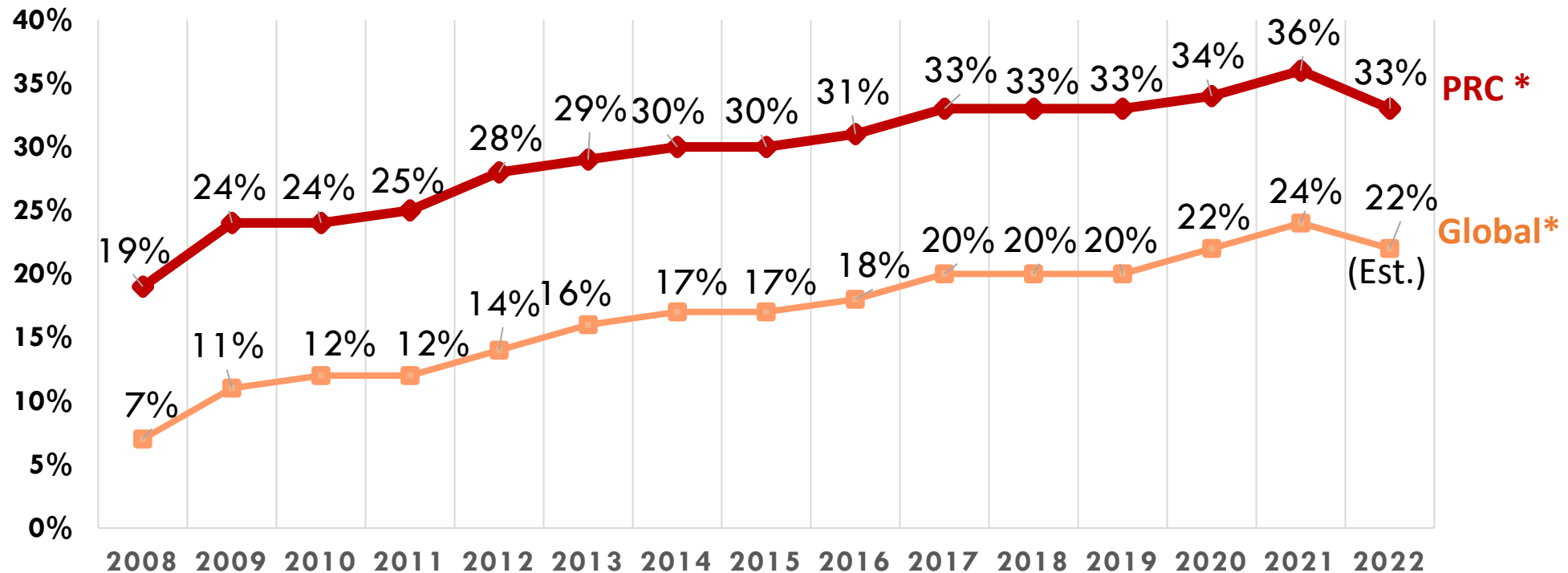


- Over **1,000** customers globally
- Serves more than **3/4** of the global top 75 tyre makers
- **About 40%** output exported



Our Rubber Accelerators Market Share

Group's market share of accelerators continued to grow throughout the years



* Based on published records from China Rubber Association and management's estimation



Our Market Leadership Position

GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2022
China Sunsine 中国尚舜	117,000 tonnes
Tianjin Kemai 天津科迈	70,00 tonnes
Yanggu Huatai 阳谷华泰	60,000 tonnes

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2022
China Sunsine 中国尚舜	60,000 tonnes
Yanggu Huatai 阳谷华泰	60,000 tonnes
Wuxi Huasheng 无锡华盛	30,000 tonnes

* Based on browsing of media reports and our management's collection of industrial info



Our Production Bases

Shanxian

- **HQ base:**
 - RA: 59,500-tonne
 - IS: 10,000-tonne
 - AO: 45,000-tonne
- **Hengshun New Materials:**
 - IS: Phase I 30,000-tonne
 - Phase II 30,000-tonne (CIP)
 - MBT: Phase I 20,000-tonne (CIP)
- **Yongshun New District:**
 - RA (TBBS): 30,000-tonne
 - AO: 32,000-tonne



5 production bases in 3 cities



Weifang Plant

- RA: 27,500-tonne



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

Dingtiao Plant

- IS: 20,000-tonne



Support facilities at Shanxian:

- **Heating plant:** Centralised steam production
- **Yongshun Env:** Waste treatment
- **Controlled landfill**



Financial Overview

Financial Highlights

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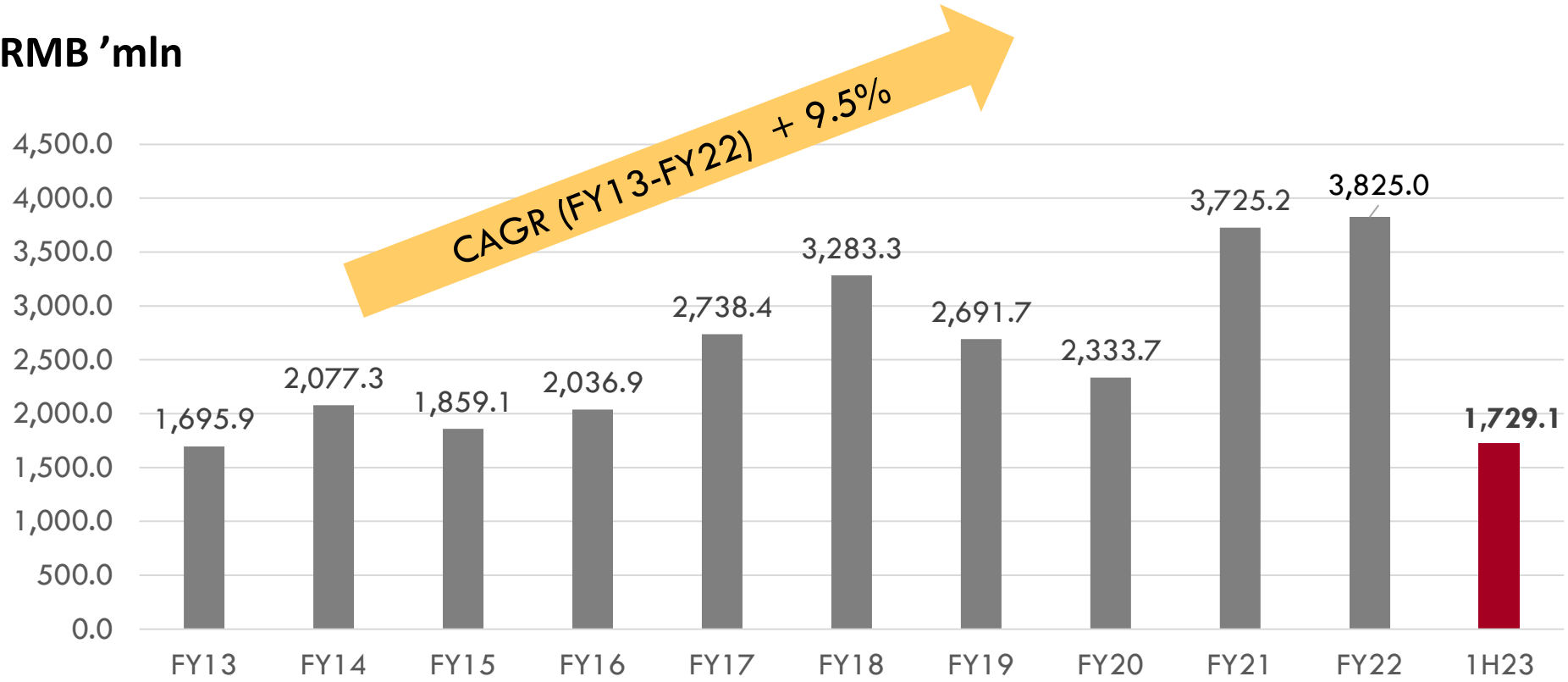
RMB 'mln	First Half Year Ended		
	30/06/23	30/06/22	Change
Group Revenue	1,729.1	2,022.5	(15%)
Gross Profit	412.0	694.0	(41%)
Gross Profit Margin	23.8%	34.3%	-10.5 pts
Profit Before Tax	236.1	470.1	(50%)
Profit After Tax	194.6	427.5	(54%)
EPS	20.17/	44.06/	(54%)
(RMB cents/SGD cents*)	3.77	8.24	

* Singapore Dollars to RMB at the exchange rate of 5.3442



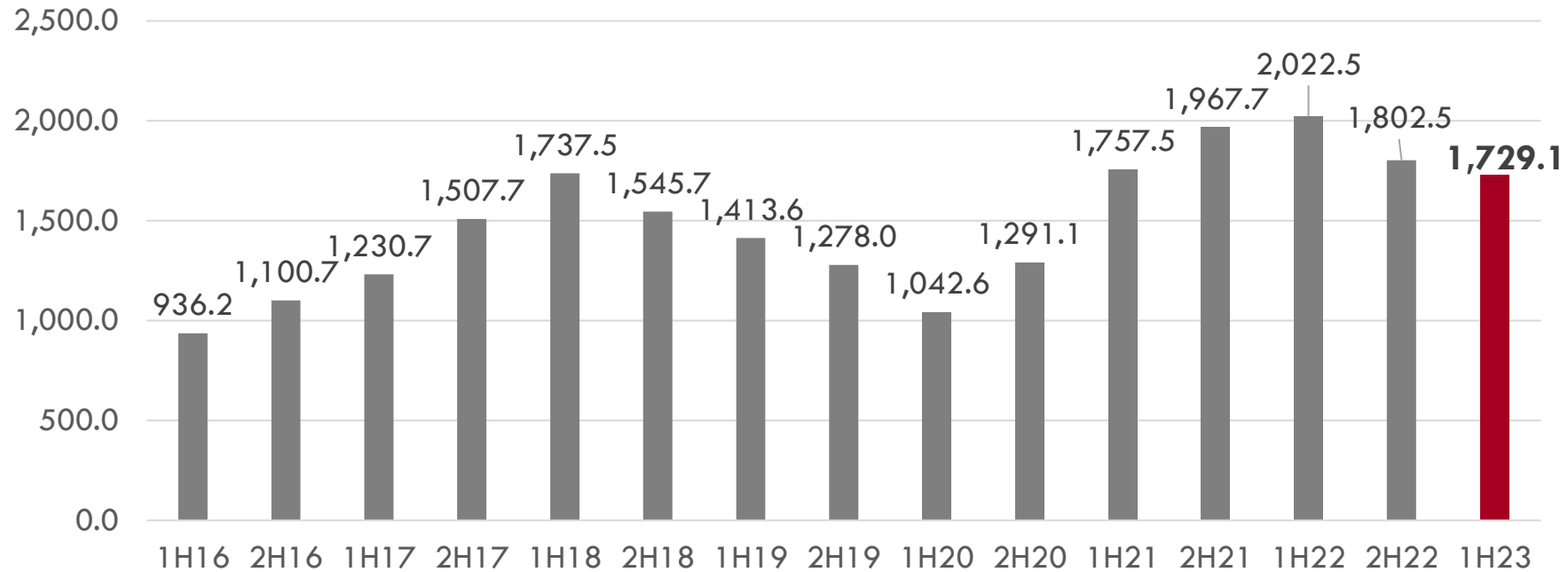
Revenue Growth

RMB 'mln



Revenue (half-yearly)

RMB 'mln

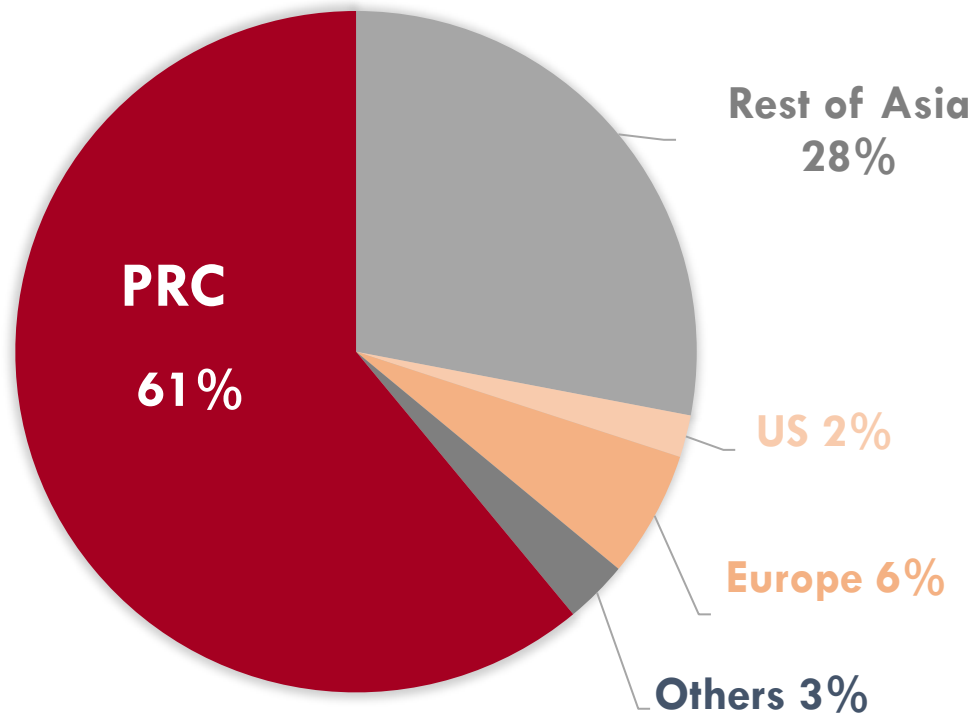


1H23 vs 1H22: -15%
1H23 vs 2H22: -4%

- 1H2023 revenue down 15% yoy due to the decrease in ASP, offset by an increase in sales volume



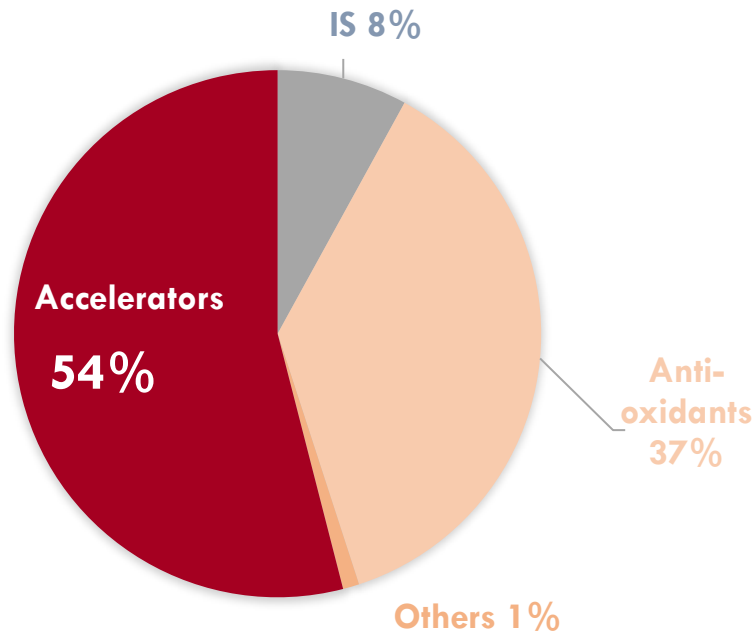
Rubber Chemical Sales By Region



Region	1H2023	FY2022	FY2021
China	61%	62%	62%
Rest of Asia	28%	27%	28%
US	2%	2%	3%
Europe	6%	8%	5%
Others	3%	1%	2%
Total	100%	100%	100%



Rubber Chemical Sales By Products

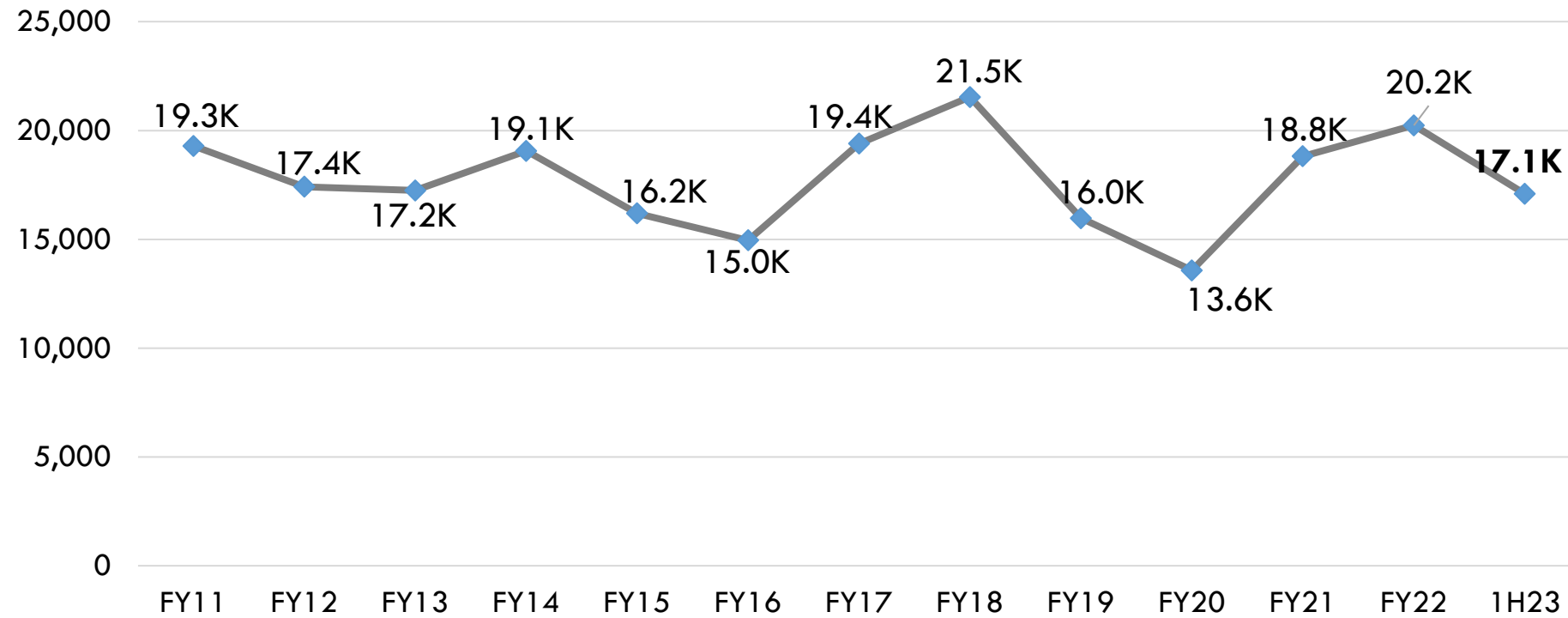


Product	1H2023	FY2022	FY2021
Accelerators	54%	54%	60%
IS	8%	8%	8%
Anti-oxidants	37%	37%	30%
Others	1%	1%	2%
Total	100%	100%	100%



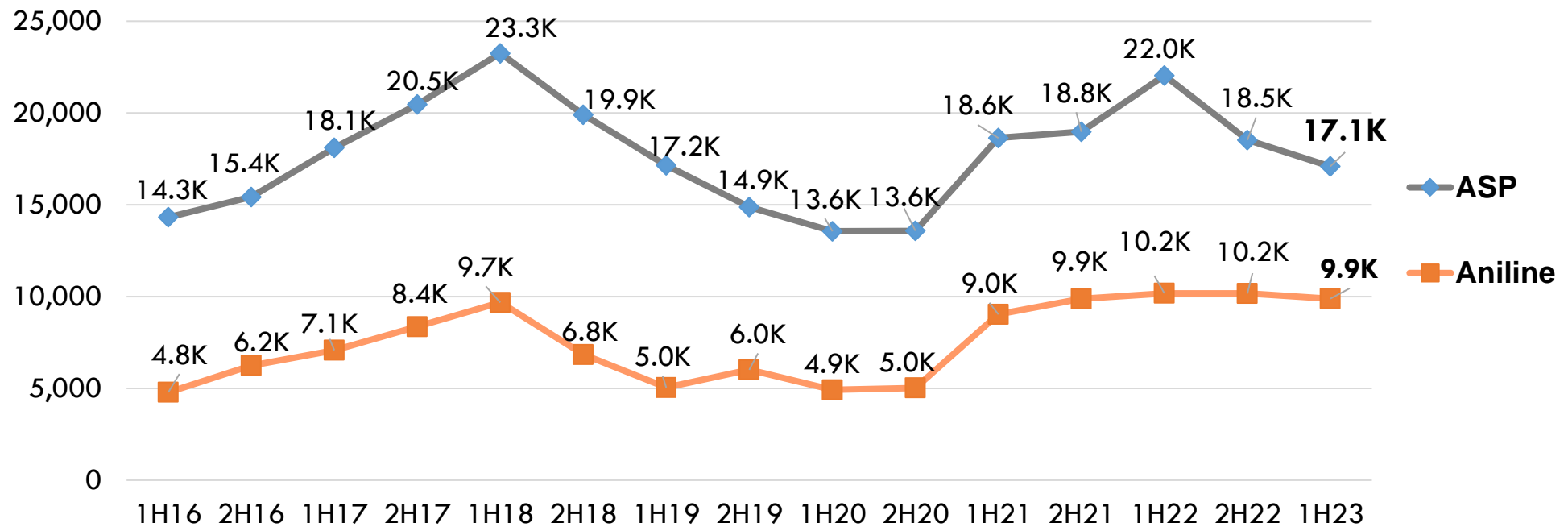
Overall Average Selling Price (ASP)

RMB/Tonne



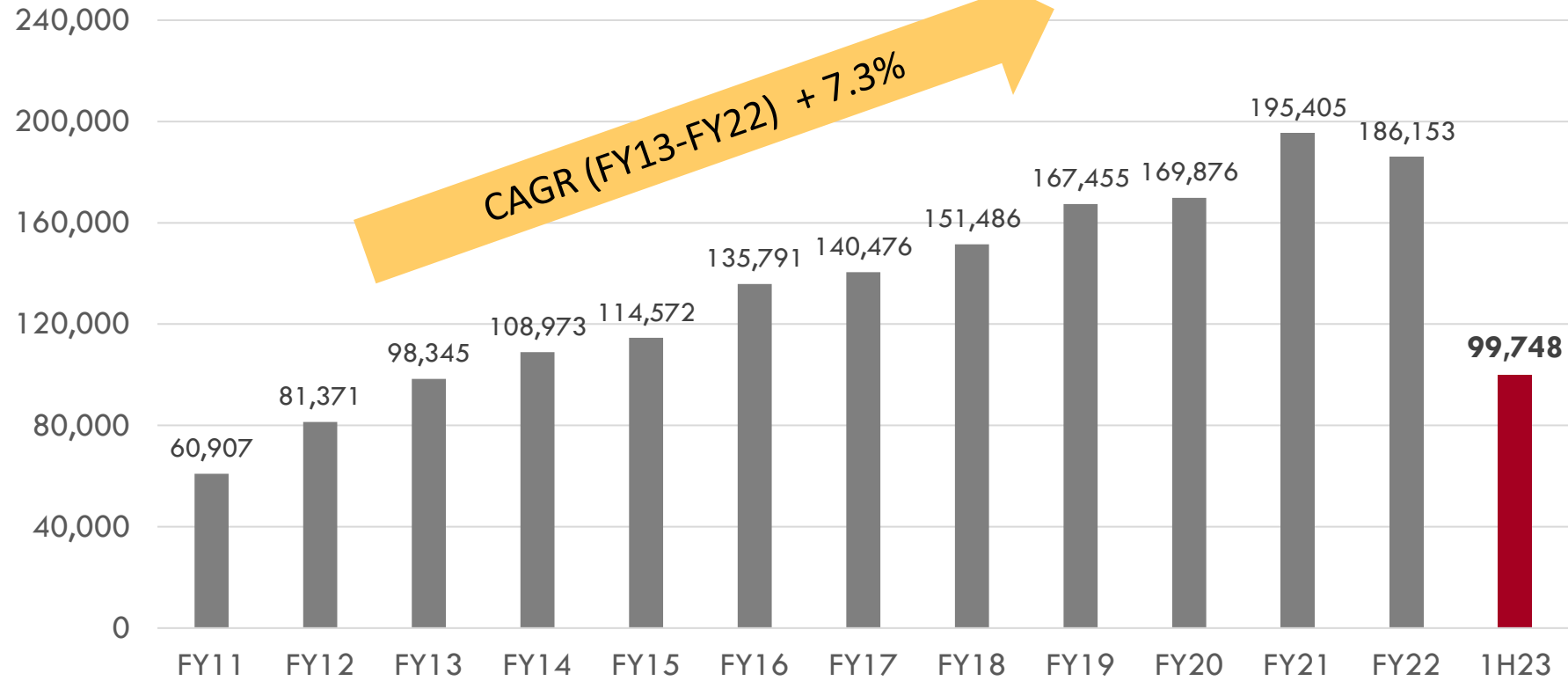
ASP vs Major Raw Material Price (half-yearly)

RMB/Tonne



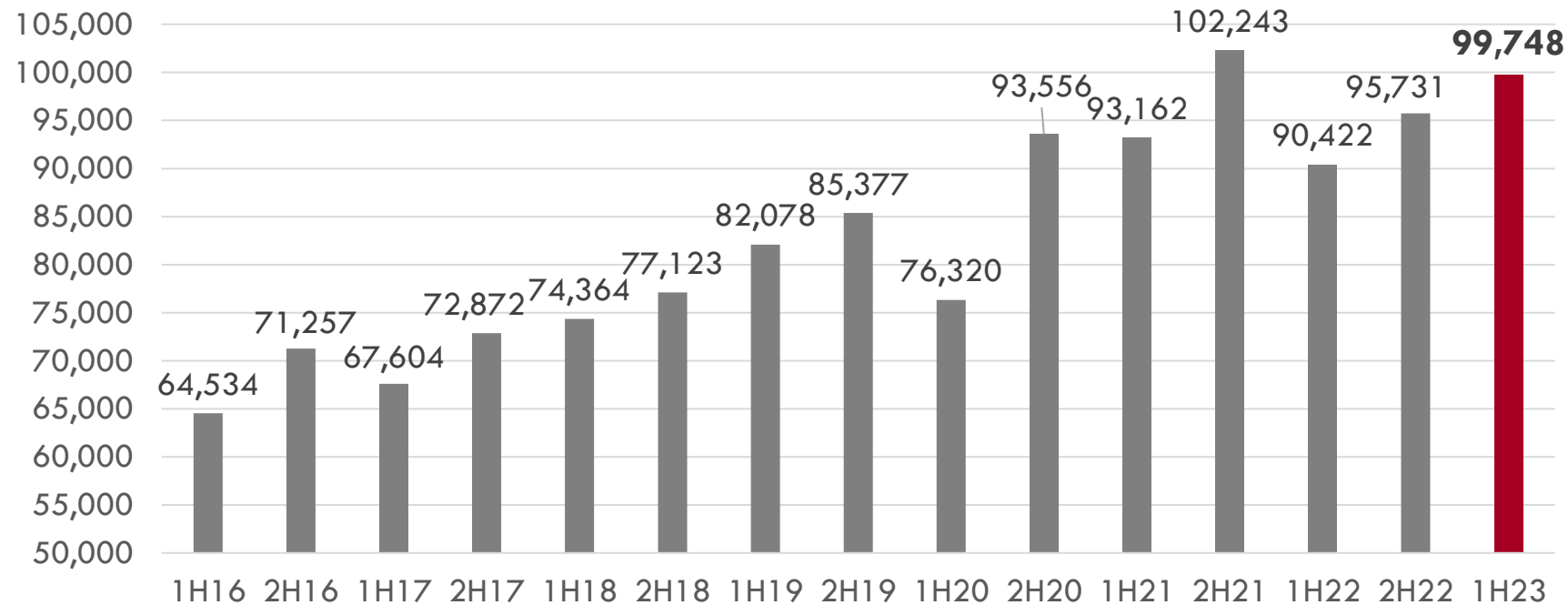
Sales Volume

Tonnes



Sales Volume (half-yearly)

Tonnes



1H23 vs 1H22 : + 10%
1H23 vs 2H22 : + 4 %

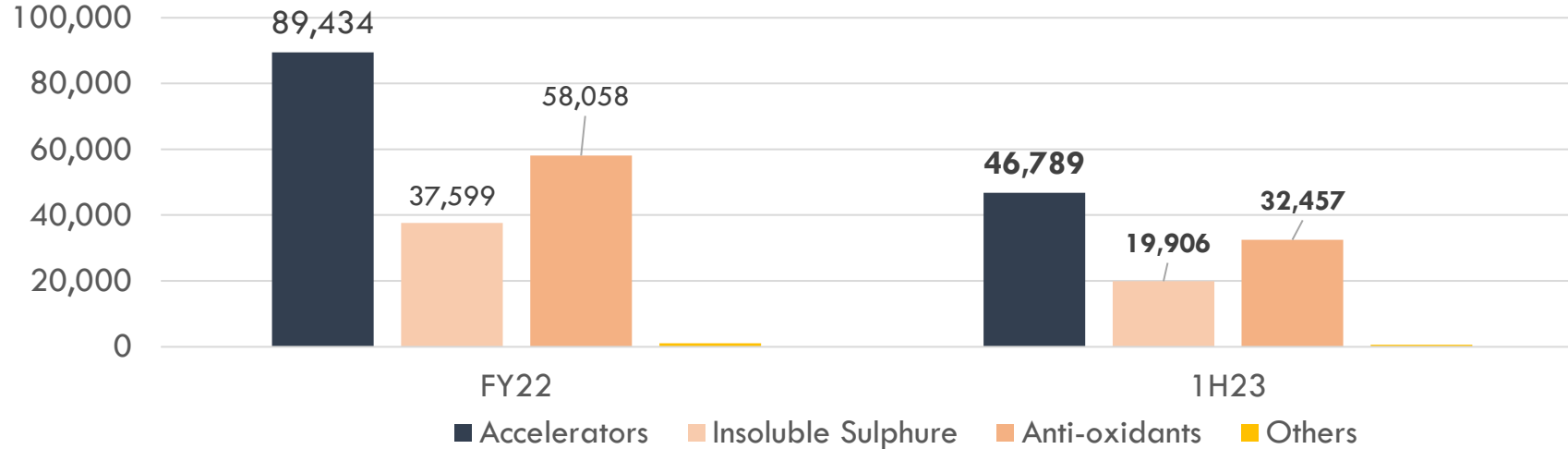
1H23 sales volume up 10% y-o-y mainly due to:

- Production output expansion, and
- Dynamic marketing efforts to cope with intensified competition (adopting more flexible pricing strategy)



Sales Volume by Products

Tonnes



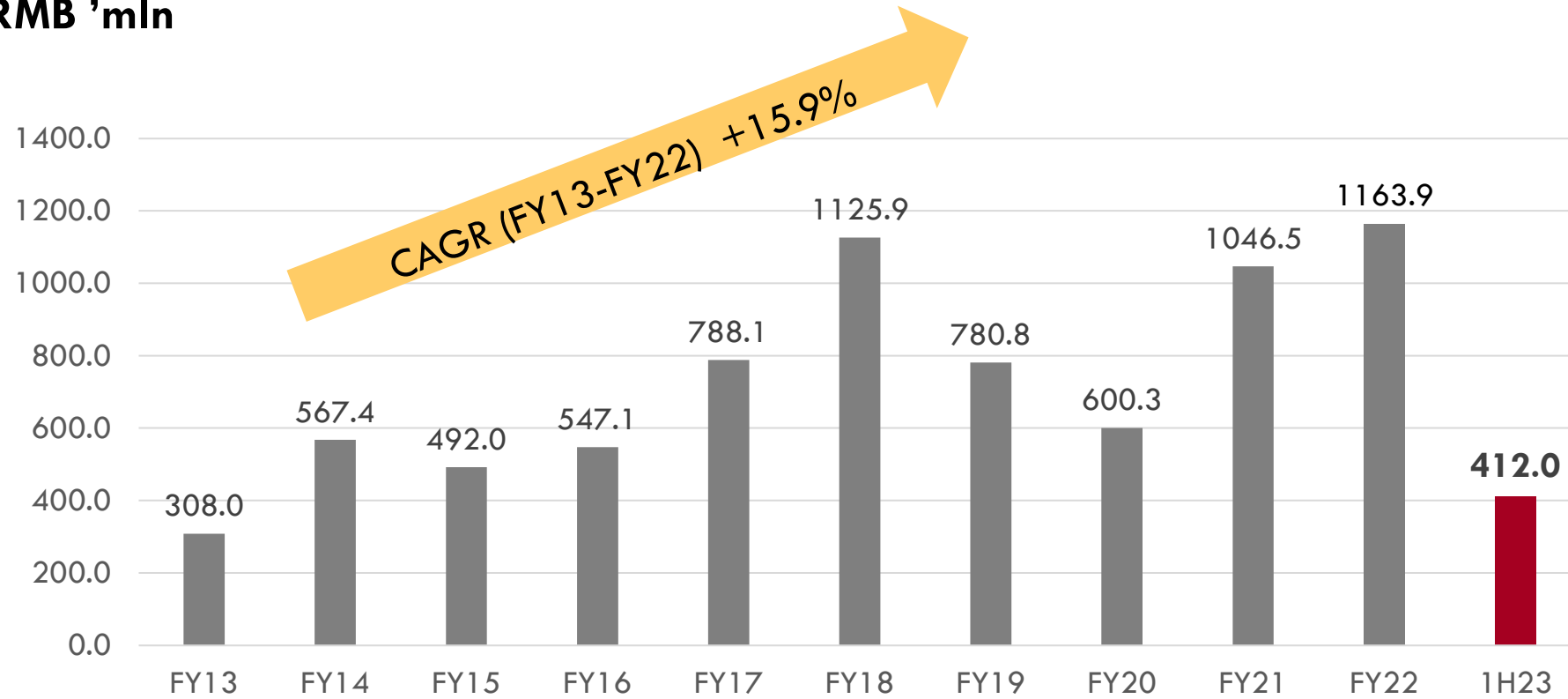
	FY2022 Effective Capacity	FY20212 Utilisation Rate	1H2023 Effective Capacity	1H2023 Utilisation Rate
Accelerators	11700	76%	58,500	80%
Insoluble Sulphur	60,000	63%	30,000	66%
Anti-oxidants	69,250	84%	38,500	84%

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



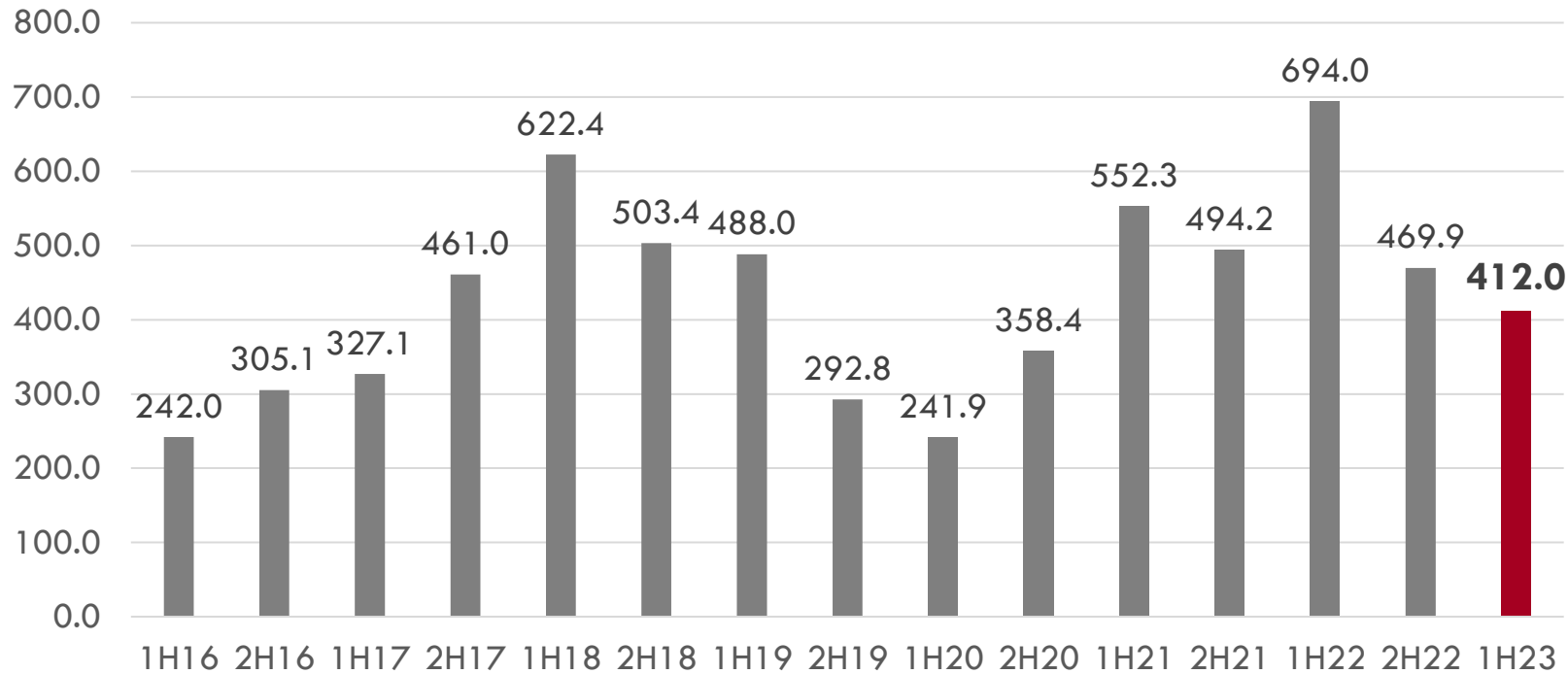
Gross Profit

RMB 'mln



Gross Profit (half-yearly)

RMB 'mln



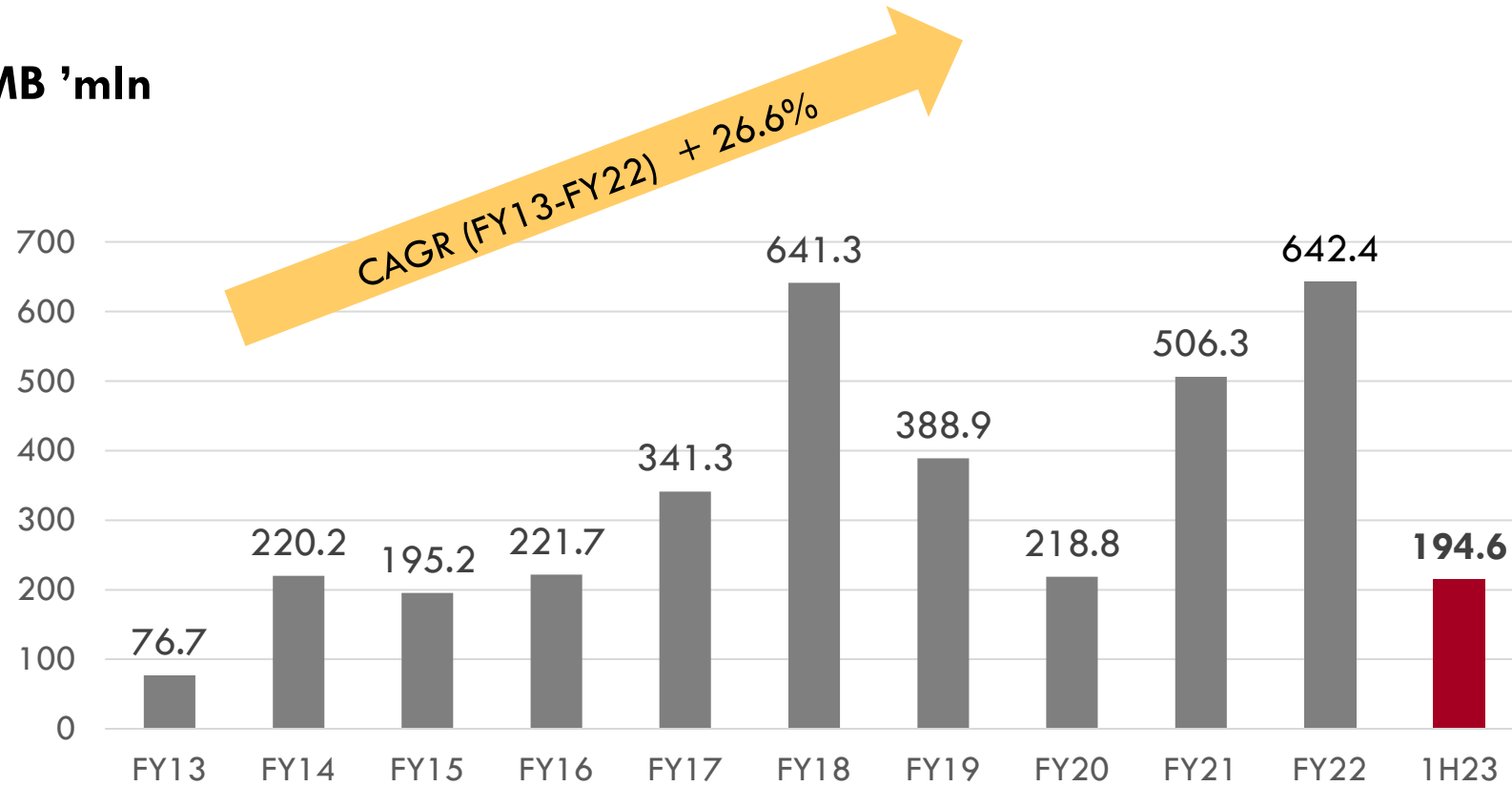
1H23 vs 1H22: - 41%
1H23 vs 2H22: - 12%

- 1H23 Gross profit down 41% yoy due mainly to lower ASP



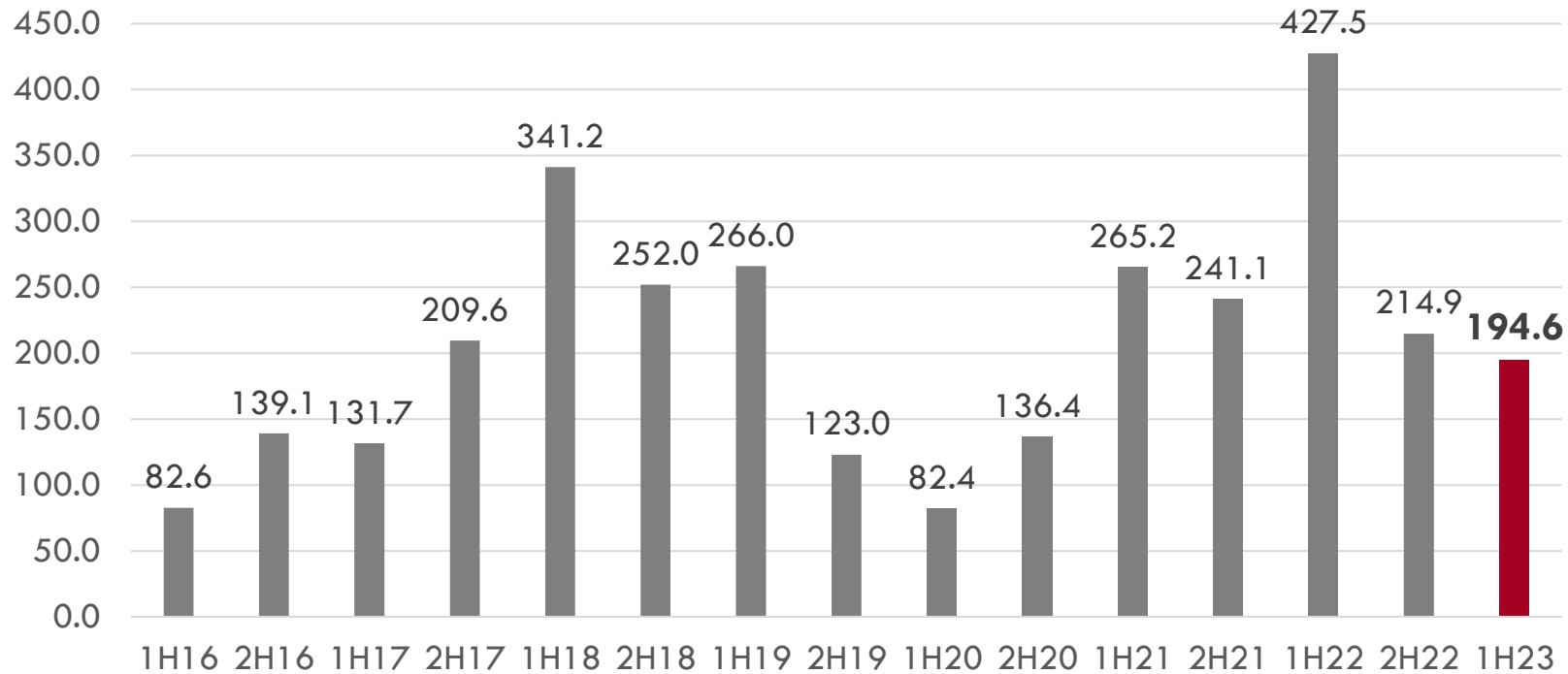
Net Profit

RMB 'mln



Net Profit (half-yearly)

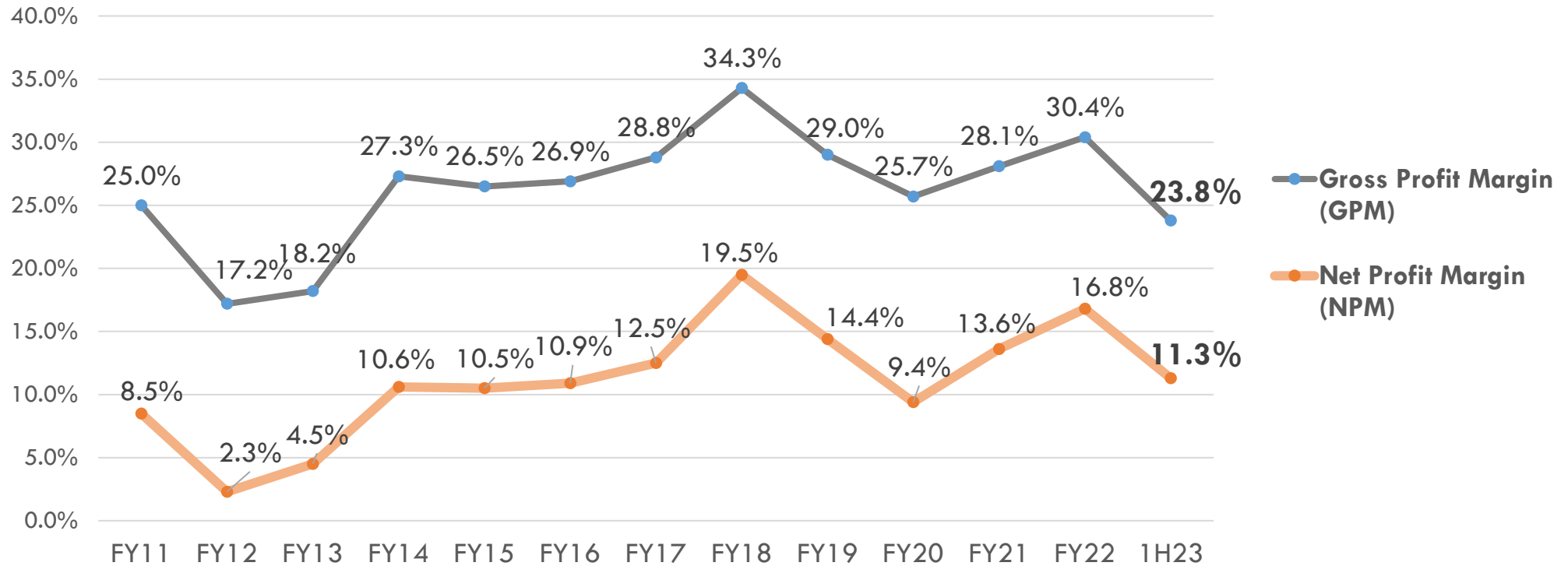
RMB 'mln



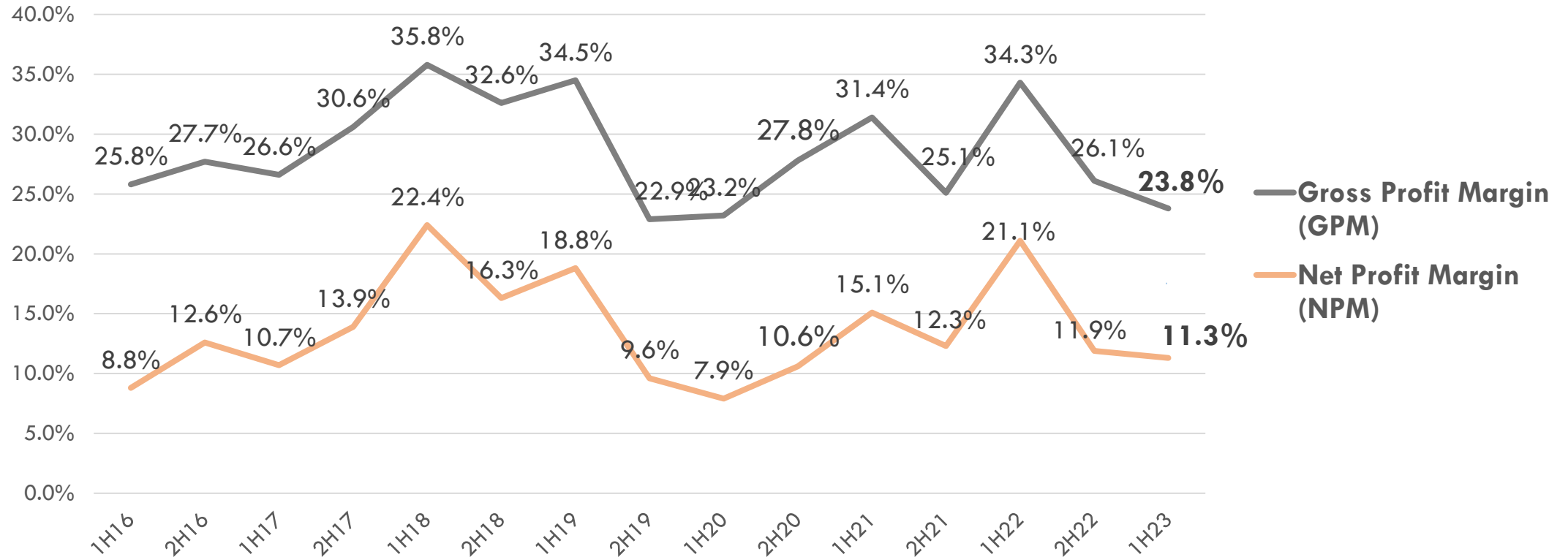
1H23 vs 1H22: - 54%
1H23 vs 2H22: - 9%



Margins Analysis



Margins Analysis (half-yearly)



- 1H23 GPM decrease yoy mainly due to the decrease ASP and intensified market competition



Balance Sheet Highlight

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	30/06/2023	31/12/2022	31/12/2021
Current Assets (RMB'mln) *	3,167.9	3,149.8	2,839.5
Current Liabilities (RMB'mln)	433.5	532.7	747.2
Current Ratio	7.31	5.91	3.80
Shareholders' Equity (RMB'mln)	3,757.8	3,691.8	3,176.1
D/E ratio	0	0	0
ROE	5%	17%	16%
NAV per share (RMB cents)	389.98/	382.32/	327.3/
(equivalent to SGD cents)	72.97	71.54	61.24
Cash per share (RMB cents)	152.88/	143.13/	141.93/
(equivalent to SGD cents)	28.6	26.78	26.56

- Current Assets including cash of RMB 1,475.2 mln
- Singapore Dollars to RMB at the exchange rate of 5.3442



Key Developments

Expansion Projects Completed in recent years

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Project	Completion
30,000-tonne fully-automated and continuous production of Accelerator TBBS at Shanxian:	
-- Phase I of 10,000-tonne capacity	Jan 2019
-- Phase II of 20,000-tonne capacity	1H2020
60,000-tonne Insoluble Sulphur at Chemical Zone in Shanxian	
Phase I of 30,000-tonne capacity	Dec 2021
700,000-tonne Controlled Landfill	
-- Phase I of 50,000-tonne	1H2021
-- Phase II of 50,000-tonne	2H2022
30,000-tonne Anti-oxidant TMQ & 2,000-tonne HTMQ	1H2022



Expansion Projects in Progress

Project	Schedule	CapEx	Notes
60,000-tonne Insoluble Sulphur			<ul style="list-style-type: none"> Adopts continuous production method, the highest standard of production technology, which was developed in-house Awarded “First Prize of Scientific and Technological Progress” issued by CPCIF*
Phase 2 of 30,000-tonne capacity	Rescheduled to be completed by 1H2024	RMB 100 mln	
60,000-tonne Continuous production of High-Quality MBT (“MBT project”)			<ul style="list-style-type: none"> Innovative technology was jointly developed by our R&D team and Tsinghua University’s Academician team For this achievement, the Group was entitled to a government grant of RMB 24.36 mln
Phase I of 20,000-tonne capacity	To be completed by end of 2023	RMB 200 mln	

*CPCIF: China Petroleum Chemical Industry Federation



Annual Capacity

	FY18	FY19	FY20	FY21	FY22	FY23	FY24e
Rubber Accelerators	87,000	97,000	117,000	117,000	117,000	117,000	117,000
Insoluble Sulphur	30,000	30,000	30,000	30,000	60,000	60,000	60,000
Anti-oxidants (TMQ & 6PPD)	45,000	45,000	45,000	45,000	77,000	77,000	77,000
Total	162,000	172,000	192,000	192,000	254,000	254,000	254,000

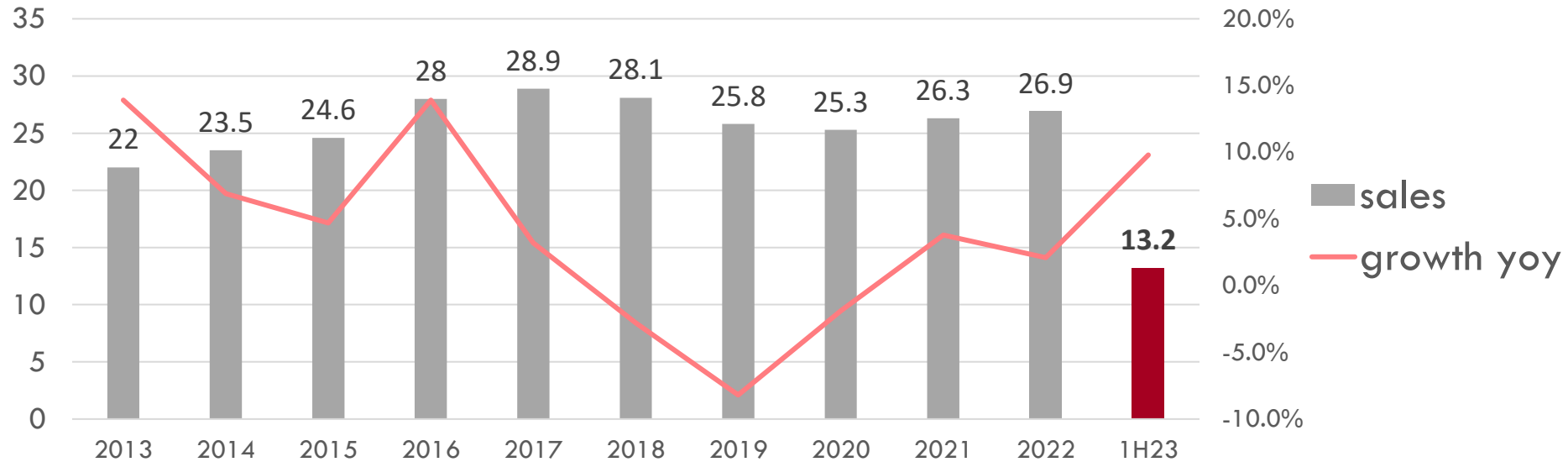
Note: Annual capacity refers to the capacity by the end of each financial year, and is exclusive of the capacity of intermediary materials such as MBT and 4ADPA



Industry Info and Outlook

China's New Car Sales

in million units



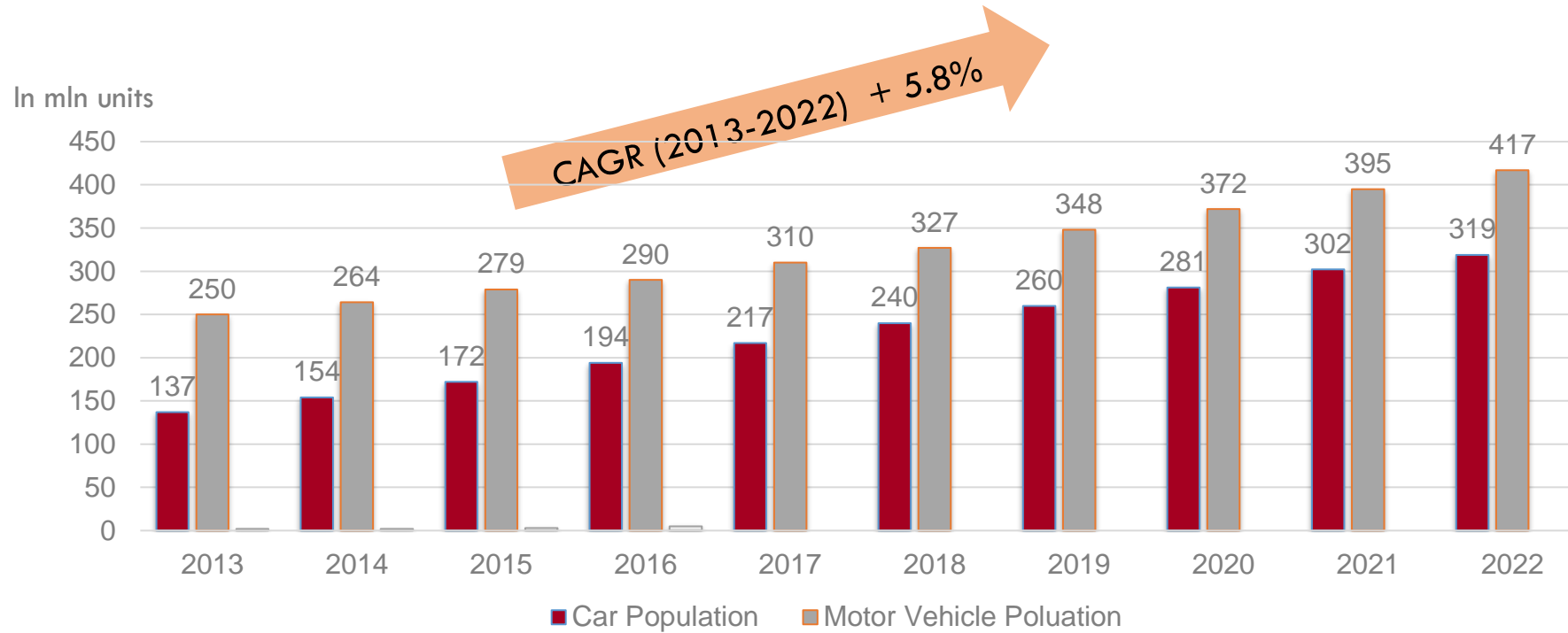
Source: China Association of Automobile Manufacturers (CAAM)

- China is the world's largest automobile market. It has been experiencing steady growth in car sales for the past several years. 13.24 million units sold in 1H2023, up 9.8% yoy
- New Energy Vehicles (NEVs) is a strong driver. The increasing trend will continue, given the Chinese government's incentives and commitment to promoting the development of the NEV industry and reducing carbon emissions.



PRC Vehicle Population

PRC Motor Vehicle & Car Population



http://www.gov.cn/shuju/2023-01/11/content_5736278.htm

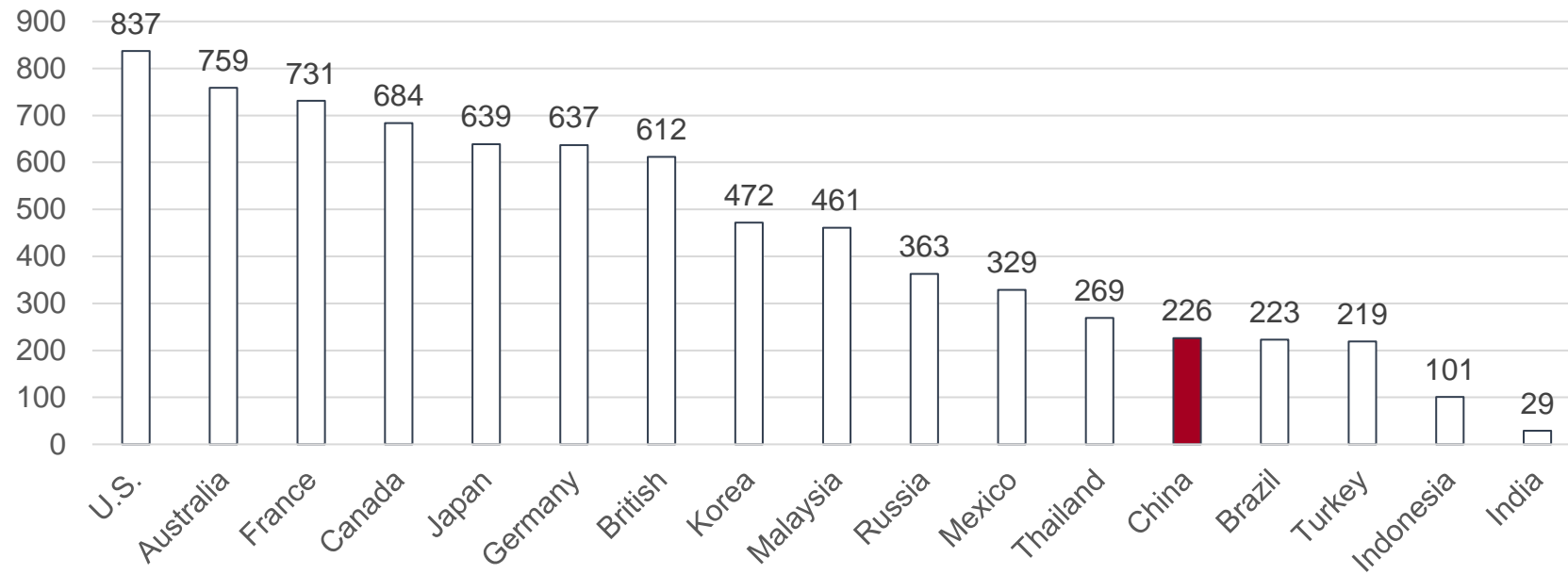
- China's total car population ranks No. 1 in the world



Global Car Population

Car ownership per 1000 people in global major auto markets in 2022

In units



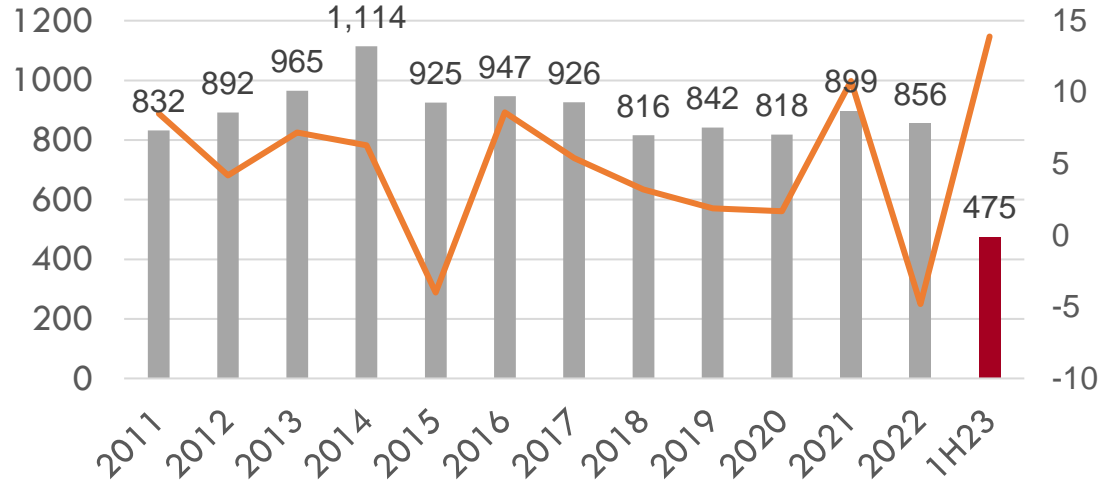
Source: www.163.com

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



PRC Vehicle Tyre Production

in million units



Source: www.myzaker.com

*The global tyre market size reached 2,321.3 Million Units in 2022. Looking forward, it will reach 2,741.2 Million Units by 2028, exhibiting a growth rate (CAGR) of **2.88%** during 2023-2028.*

-by IMARC Group



- China's tyre sales reached 475 million units in 1H23, up 13.9% yoy
- In 1H23, China's domestic tyre companies maintained a high level of production capacity, with consecutive months of significant growth in foreign trade exports.

Operating Environment & Industry Outlook

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- **Greater challenges and uncertainties** in macro-economic environment, impacted by a variety of factors, such as slower-than-expected eco recovery, interest rate hike, high inflation, complex and worsening US-China relationship, de-coupling of China and Western Economies, and Ukraine-Russia conflict etc
- **Volatile International crude oil prices** leading to fluctuation in the prices of our main raw materials
- **Intensified market competition** resulted from expansion projects successively launching into the market in recent years
- **Expected increase in production utilisation rate** of tyre manufacturing companies will lead to an increase in demand for rubber chemicals
- **Chinese economy is gaining momentum** and on track to normalised growth



Production and Sales Equilibrium

***Higher production leads to higher sales volume,
which in turn stimulates even higher production***

- Our goal - Strive to increase sales volume and strengthen our market leadership position
- Expanding capacity to meet the increased demand for our products
- Continue to adopt a more flexible pricing strategy
- Strengthen its management team and tighten costs control
- Poised for long-term and sustainable growth



Competitive Strengths

Market Leadership

- World largest accelerators and China's biggest IS producer
- Our accelerator products capture 33% of PRC market and 22% of global market
- Listed in the first batch of "National Champion Manufacturing Enterprise"

Products & Economy of Scale

- Full range of essential rubber chemicals with superior quality
- Stable & consistent supply
- Largest capacity with economies of scale

Strong Customer Base

- Over 1,000 customers worldwide spanning over 40 countries
- Serving 3/4 of global top 75 tyre manufacturers
- About 40% output exported

Environmental Protection advantage

- Early adopter of Environmental protection initiative
- 1/3 of capex invested in environmental protection and safety

R&D Capability

- Transformation towards "Green, Automated & Continuous" production
- R&D in partnership with Tsinghua & Qingdao University of Science & Technology
- Provincial-level R&D centre and "High-tech Enterprise" Award

Financial strength

- Strong cash position
- Ready resources such as funds and land for further expansion



Listed On SGX Mainboard

SHARE PERFORMANCE

China Sunshine Chemical Holdings Ltd. (QES.SI) ☆

SES - SES Delayed Price. Currency in SGD

0.3750 0.0000 (0.00%)

At close: 04:45PM SGT

⊕ Indicators ⊕ Comparison ⚡ Events y+ | 📅 5Y ▾ | 📅 1W ▾ 📈 ▾ 📏



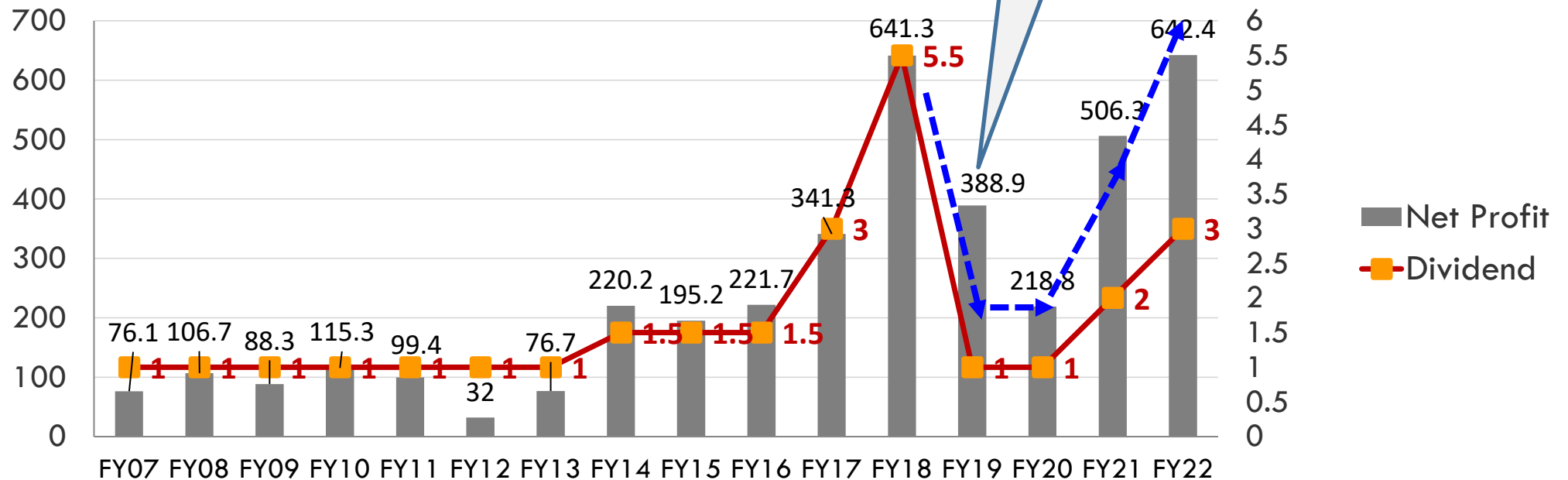
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



Paid Interim Special Dividend : SGD 0.5 cents per share (in celebrating 15th Anniversary of IPO)

Proposed Final Ordinary Dividend : SGD 1 cent per share

Proposed Final Special Dividend : SGD 1.5 cents per share

Total dividend for FY2022 will be SGD 3 cents, payout ratio at 23%



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 SGD 28.6 cents) with no bank loan
- ✓ 15-year track record & annual dividend payment since IPO
- ✓ NAV per share SGD 73 cents. Price/NAV only 0.5X



Chairman's Message

“China’s economy was gaining momentum and on track to normalised growth in the first half of this year. Auto sales reached 13.24 million units in 1H2023, representing a 9.8% increase year-on-year. The production utilisation rate of tyre manufacturers also improved.

The Group will strive to increase its sales volume amid the intense price competition under the guidance of the ‘Sales & Production Equilibrium’. The Group will also continue to adopt a more flexible pricing strategy, strengthen its market leadership position, and tighten costs control.

Given our strong balance sheet and financial stability, our market leadership position, our ability to consistently provide high-quality, economies of scale, a wide 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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