



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

2H2023 & FY2023 Results Briefing

4 March 2024

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PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

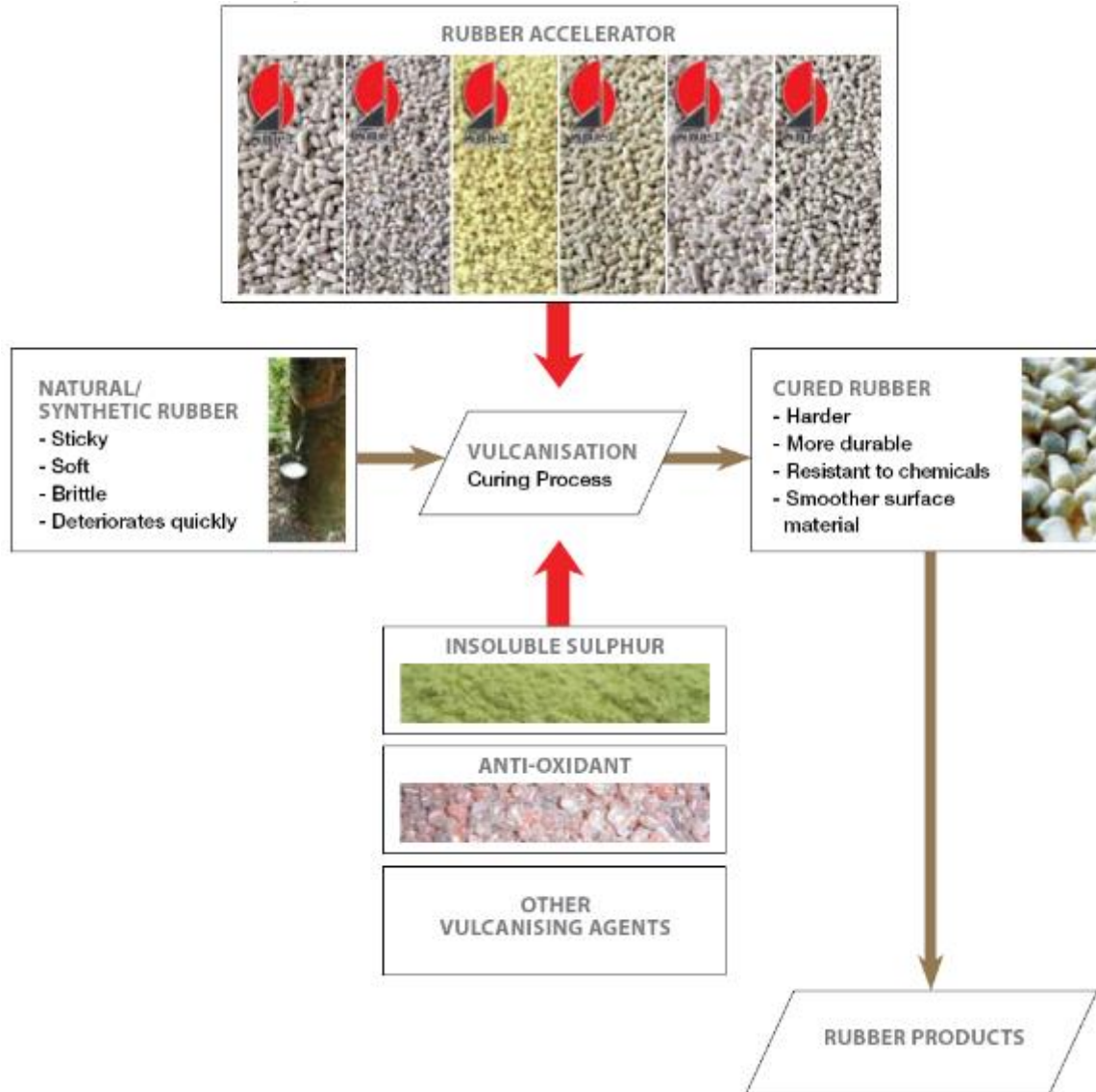
Our Company

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
- ✓ **A sizable** anti-oxidants producer
- ✓ Superior product quality and comprehensive 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)



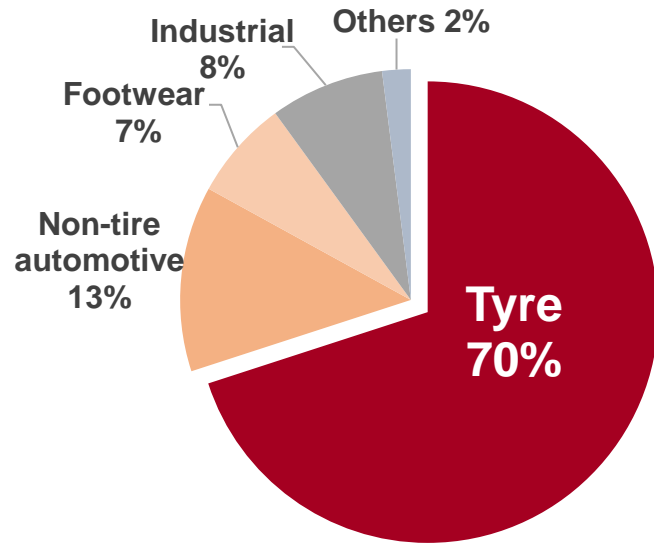
Anti-Oxidants

TMQ /HTMQ
6PPD
4010NA

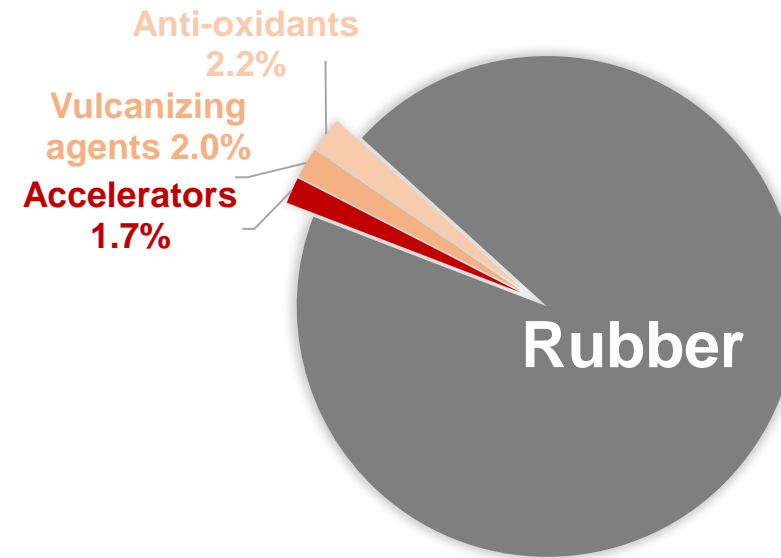


Rubber/ Rubber Chemicals Consumption

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

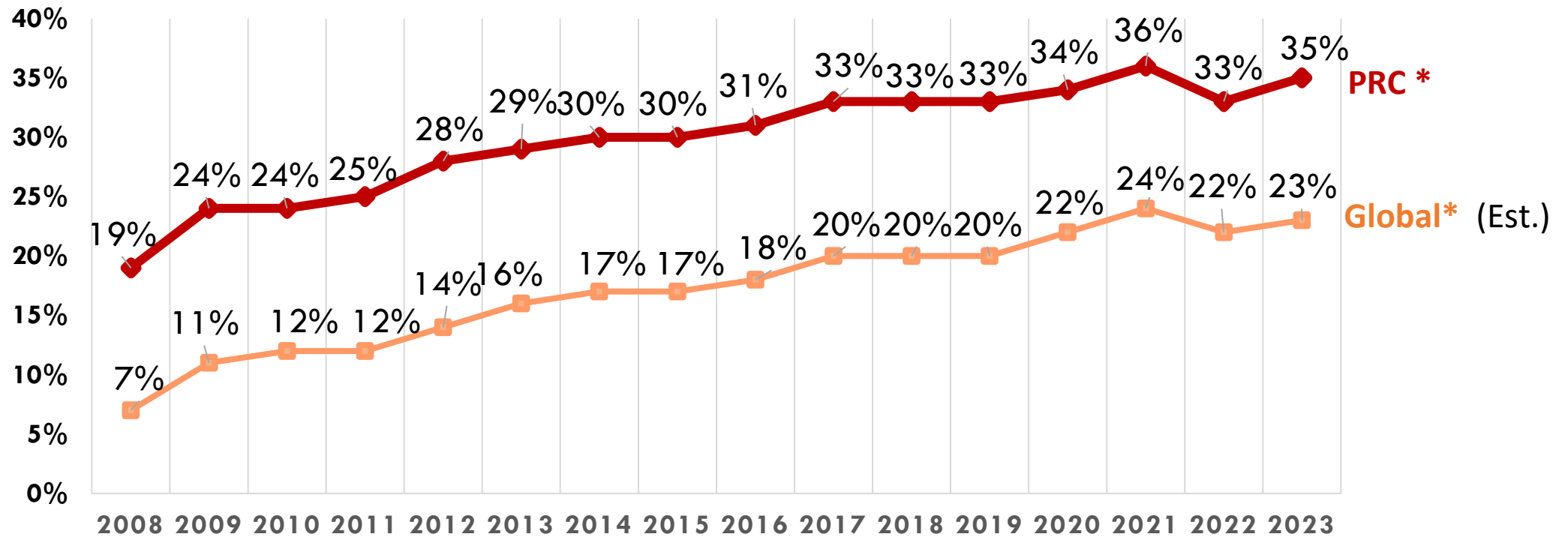


- Over **1,000** customers globally
- Serves more than **3/4** of the global top 75 tyre makers (including prominent players : Bridgestone, Goodyear, Michelin etc.)
- **1/3** output exported



Global Largest Accelerators Producer

Group's market share of accelerators



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



Our Market Leadership Position

GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2023
China Sunsine 中国尚舜	117,000 tonnes
Tianjin Kemai 天津科迈	70,000 tonnes
Yanggu Huatai 阳谷华泰	60,000 tonnes

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2023
China Sunsine 中国尚舜	60,000 tonnes
Yanggu Huatai 阳谷华泰	60,000 tonnes
Zhongxinhuacheng 中信华诚	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 (by end of 2024)
 - MBT: Phase I 20,000-tonne (by 2H2024)
- **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

Dingtao Plant

- IS: 20,000-tonne (relocating)



Support facilities at Shanxian:

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



Financial Overview

Financial Highlights

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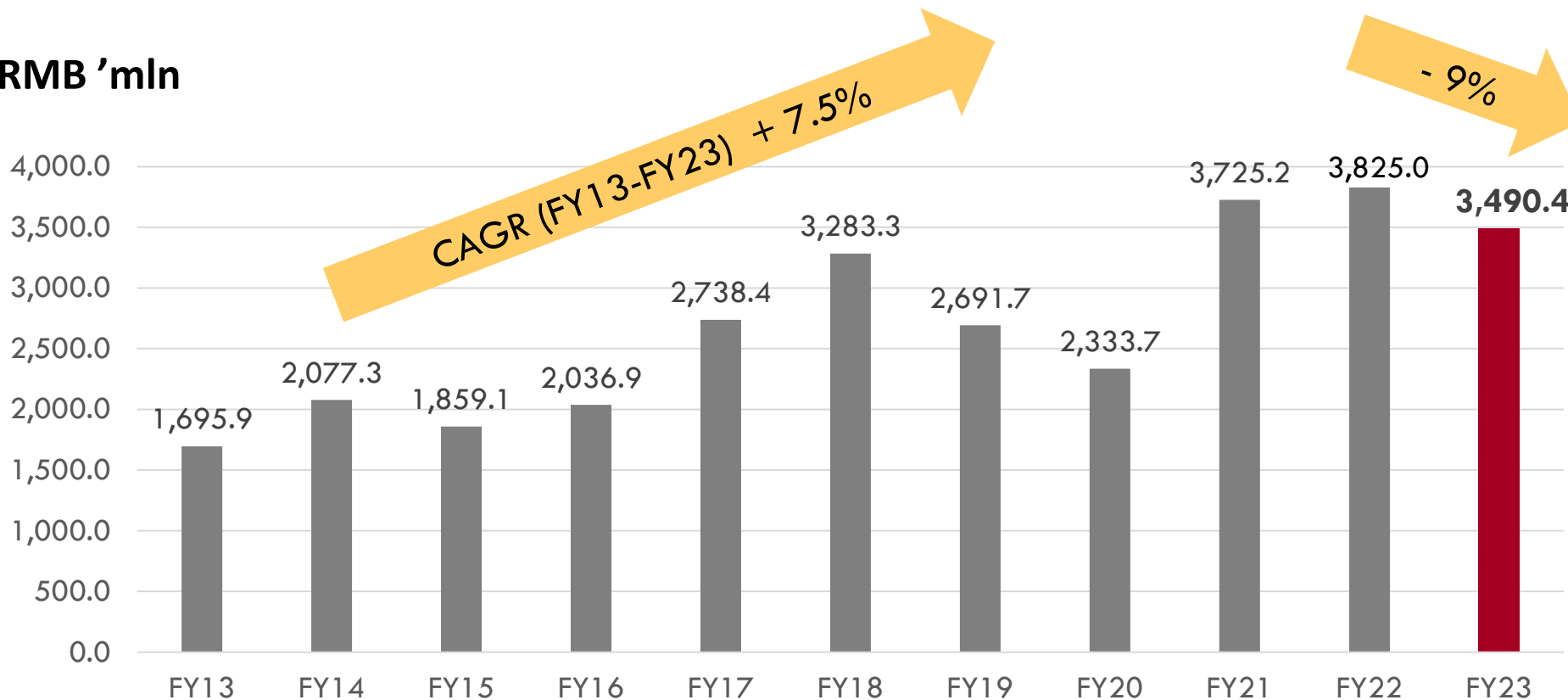
RMB 'mln	6 Months Ended			12 Months Ended		
	31/12/23	31/12/22	Change	31/12/23	31/12/22	Change
Group Revenue	1,761.3	1,802.5	(2%)	3,490.4	3,825.0	(9%)
Gross Profit	386.9	469.9	(18%)	798.9	1,163.9	(31%)
Gross Profit Margin	22.0%	26.1%	(4.1 pts)	22.9%	30.4%	(7.5 pts)
Profit Before Tax	217.1	263.6	(18%)	453.2	733.7	(38%)
Profit After Tax	177.8	214.9	(17%)	372.4	642.4	(42%)
EPS (RMB/SGD Cents*)	18.50/ 3.44	22.21/ 4.13	(17%)	38.67/ 7.19	66.29/ 12.33	(42%)
NAV per share (RMB/SG Cents*)				409.34/ 76.13	382.32/ 71.10	

* Singapore Dollars to RMB at the exchange rate of 5.3772



Revenue Growth

RMB 'mln

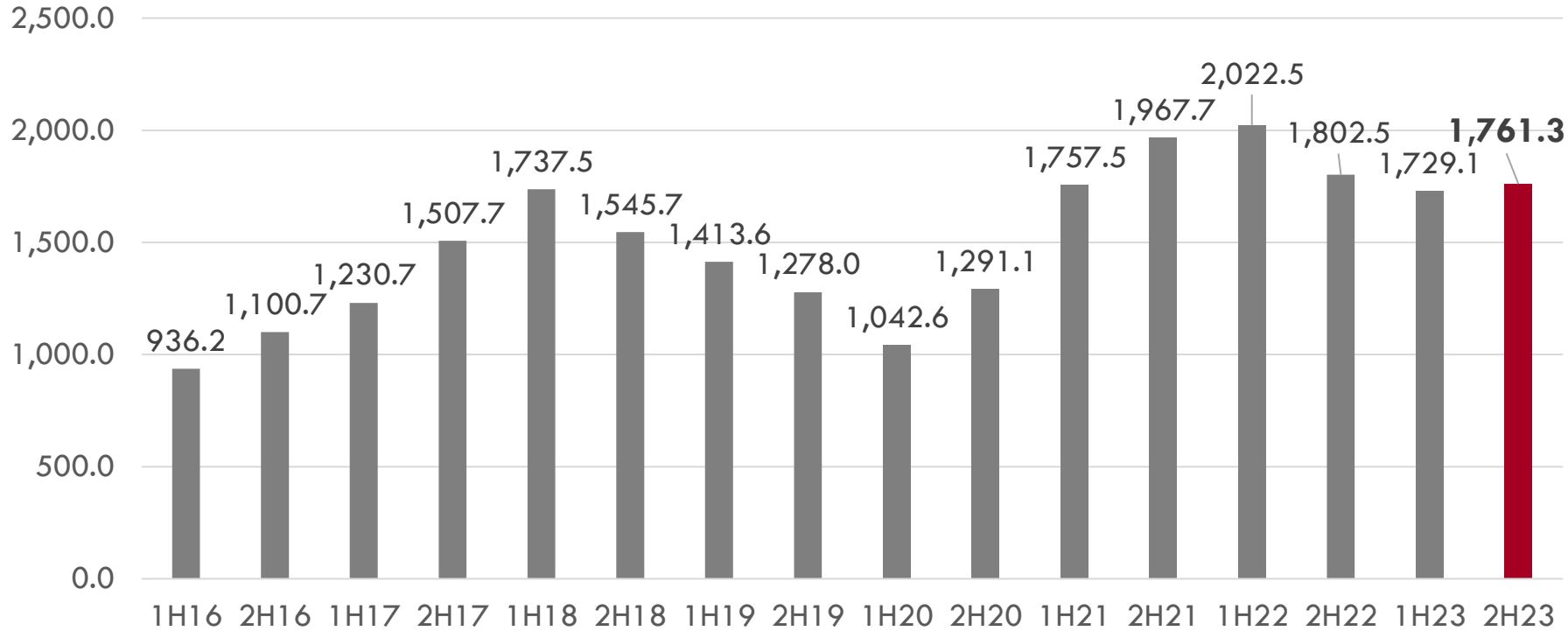


- FY2023 revenue down 9% yoy due to lower Average Selling Price (ASP), partially offset by increase in sales volume



Revenue (half-yearly)

RMB 'mln

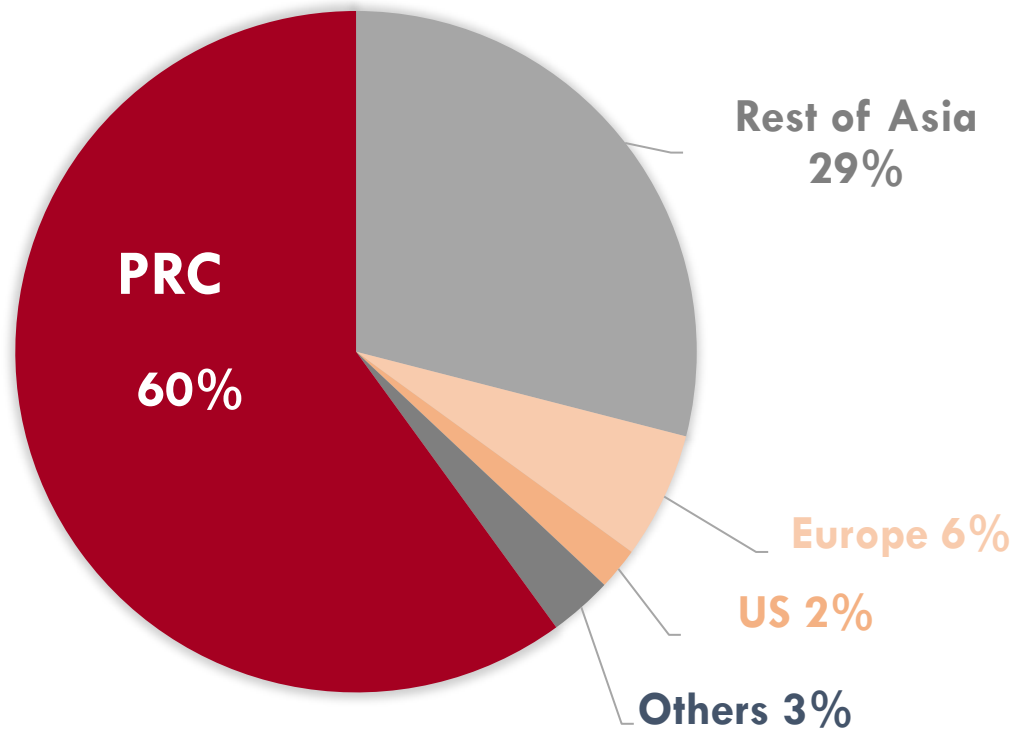


2H23 vs 2H22: **-2%**
2H23 vs 1H23: **+2%**

- 2H2023 revenue down 2% yoy due mainly to decrease in ASP, offset by increase in sales volume
- 2H2023 vs 1H2023 revenue up 2% due mainly to increase in sales volume, offset by decrease in ASP



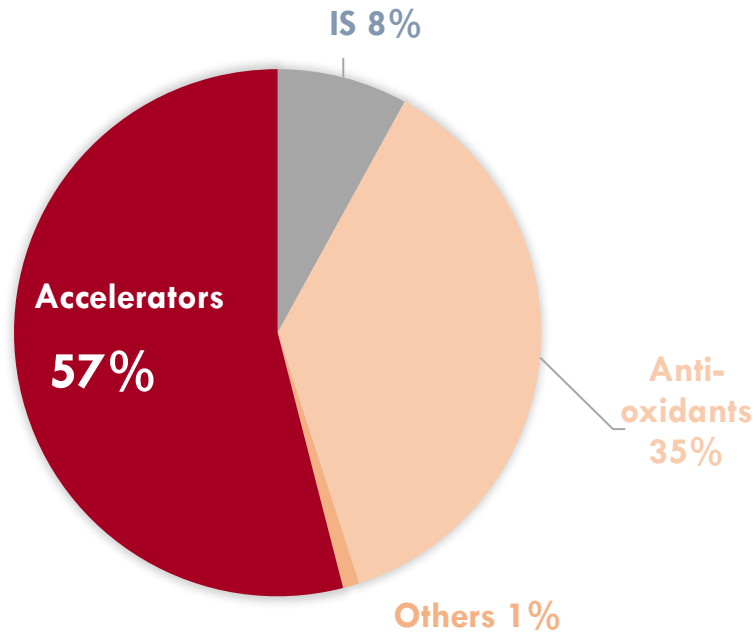
Rubber Chemical Sales By Region



Region	FY2023	FY2022	FY2021
China	60%	62%	62%
Rest of Asia	29%	27%	28%
Europe	6%	8%	5%
US	2%	2%	3%
Others	3%	1%	2%
Total	100%	100%	100%



Rubber Chemical Sales By Products

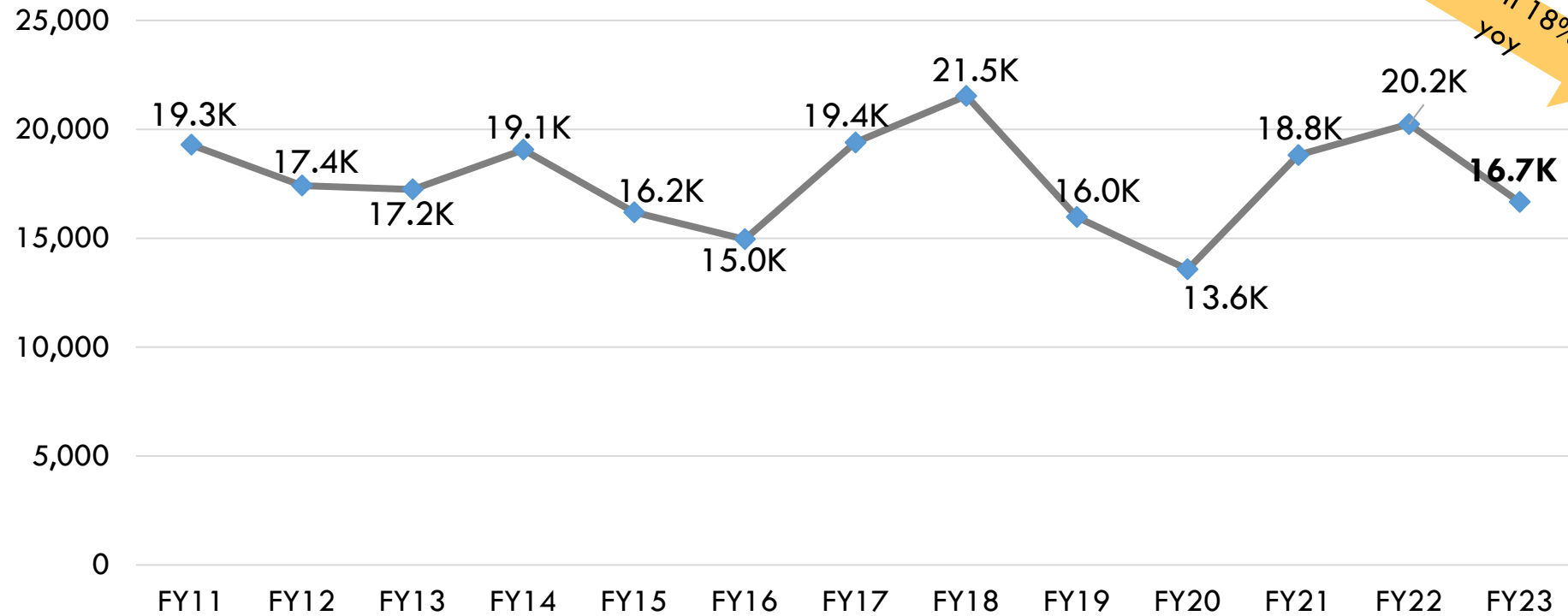


Product	FY2023	FY2022	FY2021
Accelerators	57%	54%	60%
IS	8%	8%	8%
Anti-oxidants	35%	37%	30%
Others	1%	1%	2%
Total	100%	100%	100%



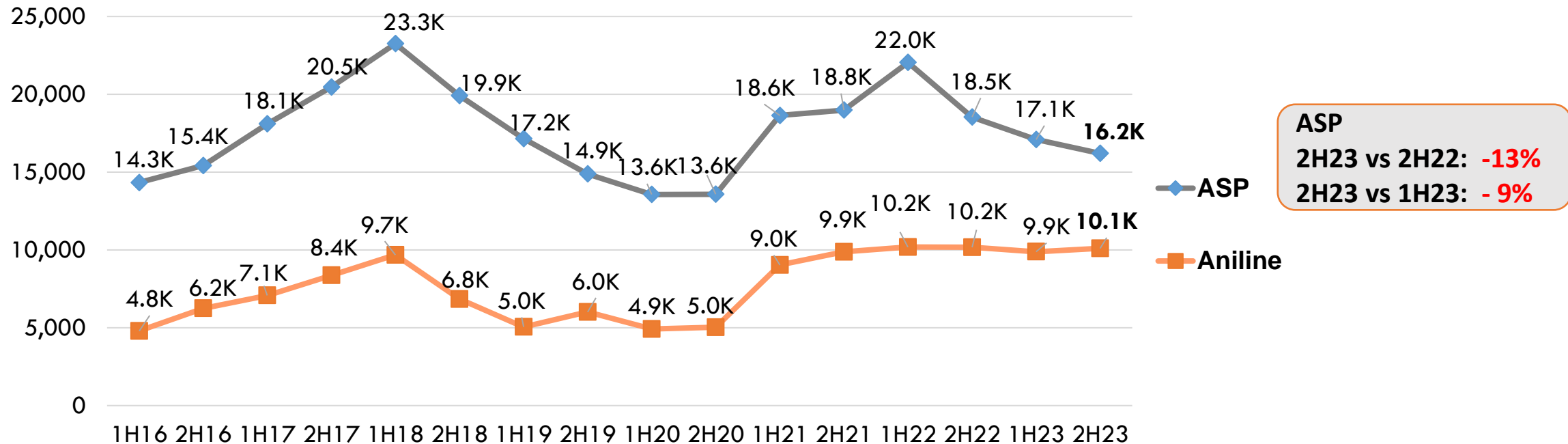
Overall Average Selling Price (ASP)

RMB/Tonne



ASP vs Major Raw Material Price (half-yearly)

RMB/Tonne

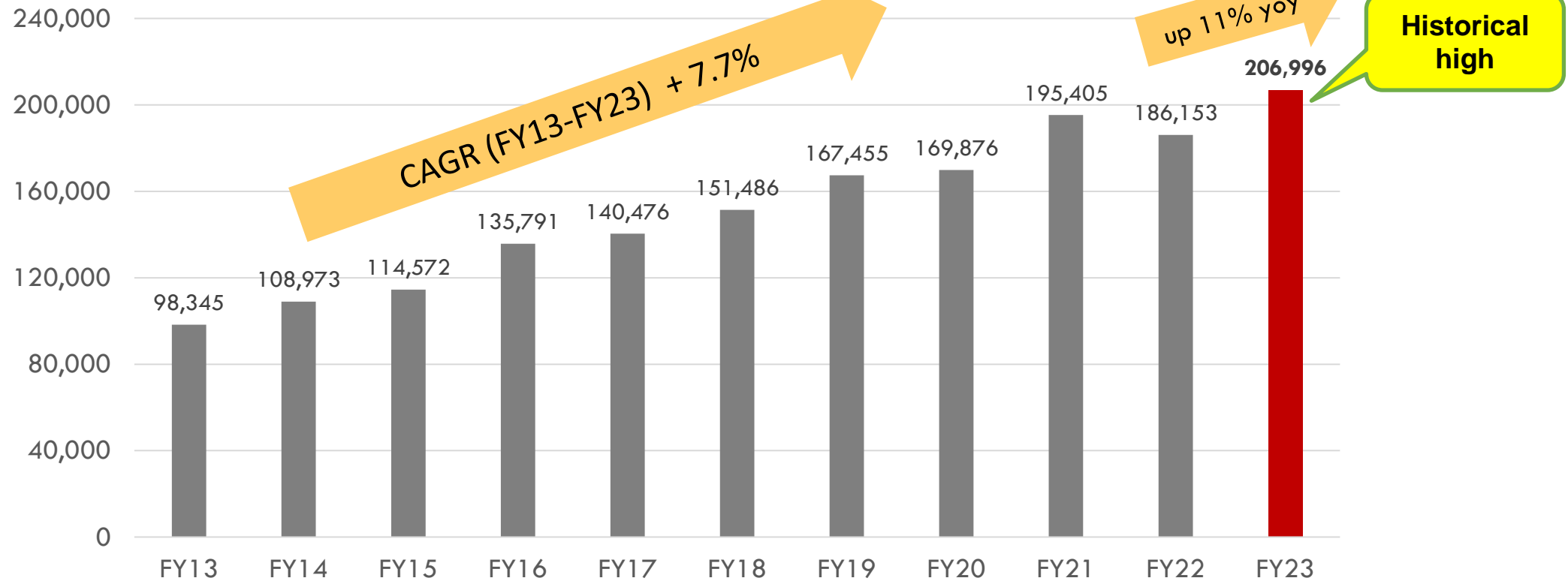


- ASP decrease due to:
 - lower raw material prices
 - adopting flexible pricing strategy in response to intensified competition



Sales Volume

Tonnes

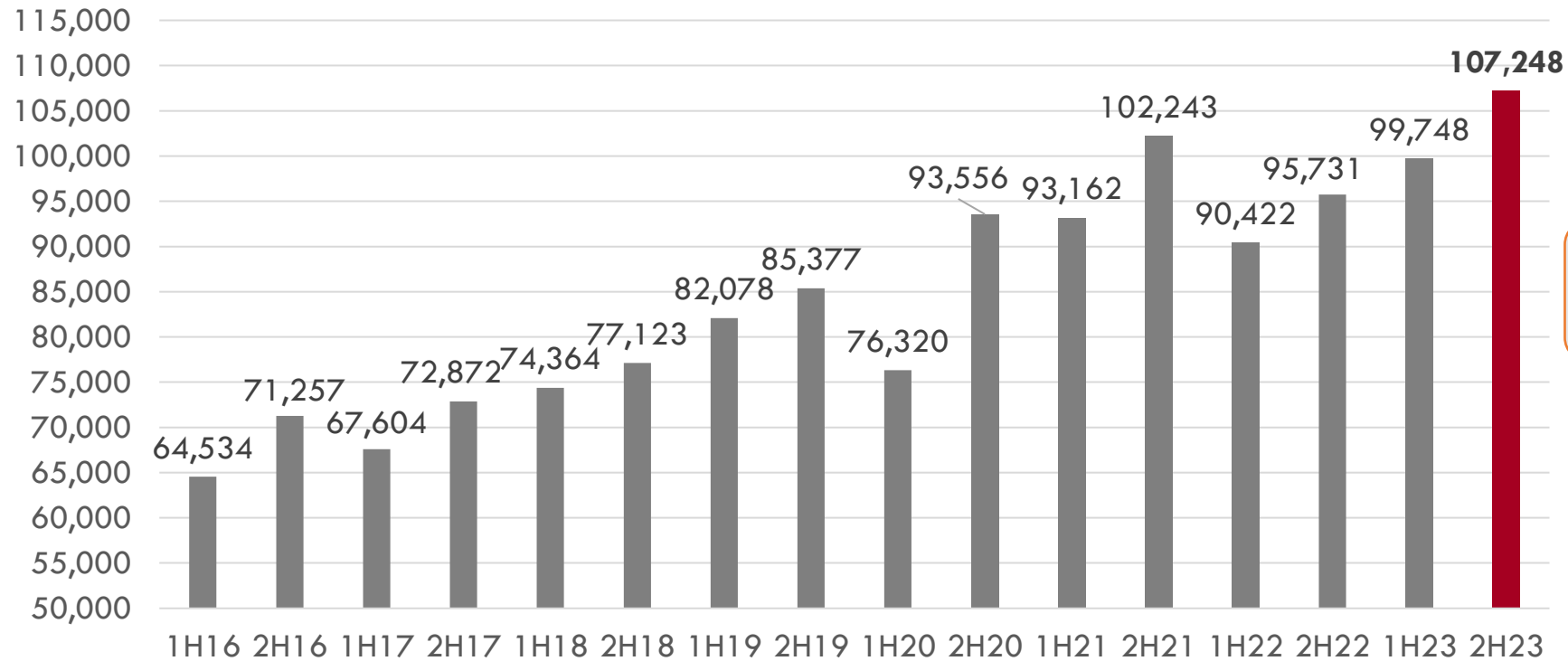


- Sales volume reached record high in FY2023 due to:
 - more orders acquired resulted from the adoption of flexible pricing strategy
 - capability to produce more to meet market demand for our products



Sales Volume (half-yearly)

Tonnes

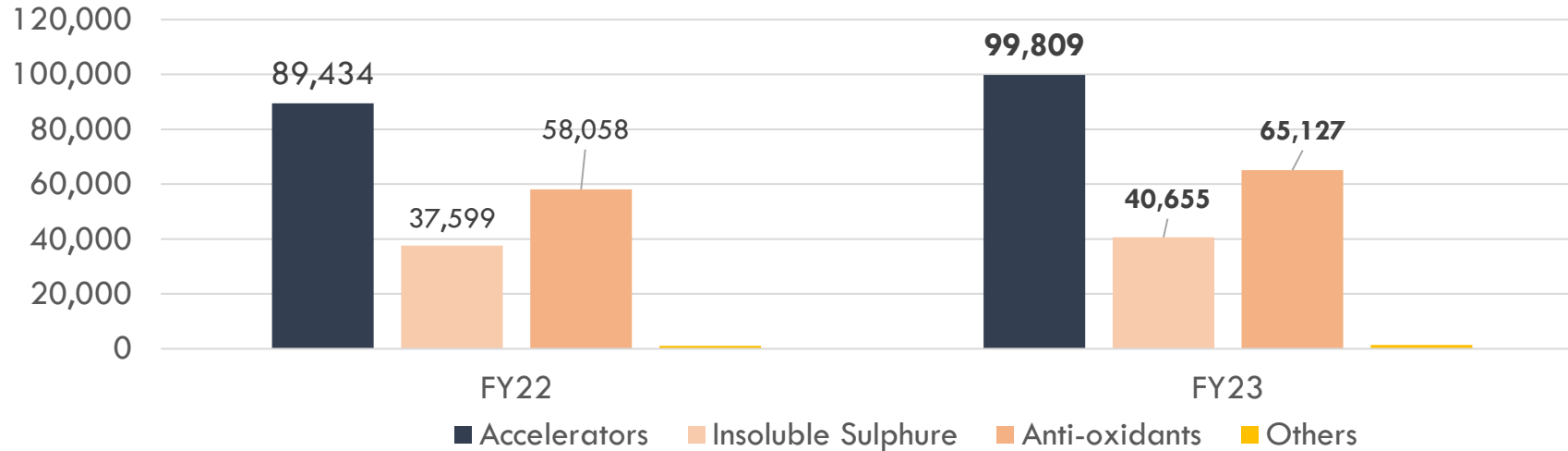


2H23 vs 2H22 : + 12%
2H23 vs 1H23 : + 8%



Sales Volume by Products

Tonnes



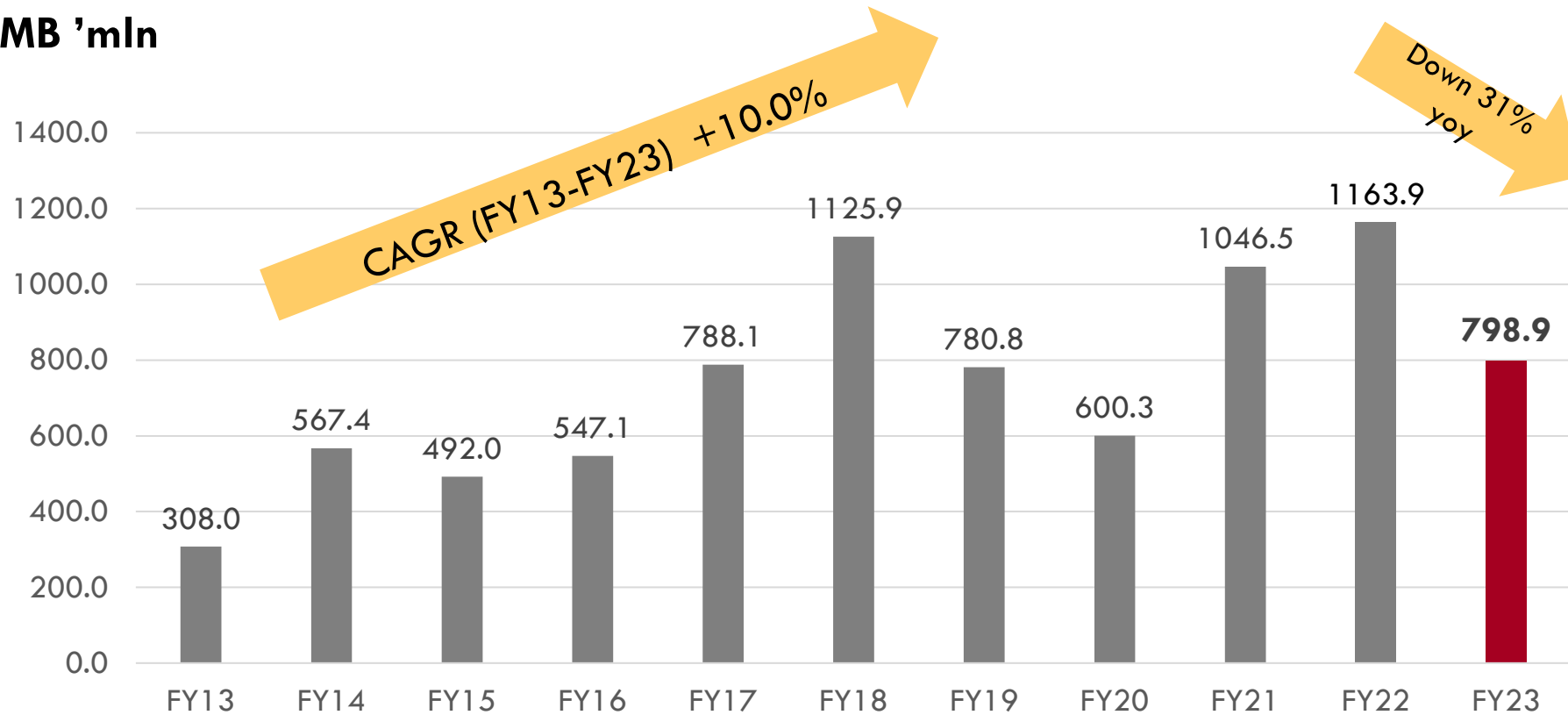
	FY2022 Effective Capacity	FY2022 Utilisation Rate	FY2023 Effective Capacity	FY2023 Utilisation Rate
Accelerators	117,000	76%	117,000	85%
Insoluble Sulphur	60,000	63%	60,000	68%
Anti-oxidants	69,250	84%	77,000	85%

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



Gross Profit

RMB 'mln

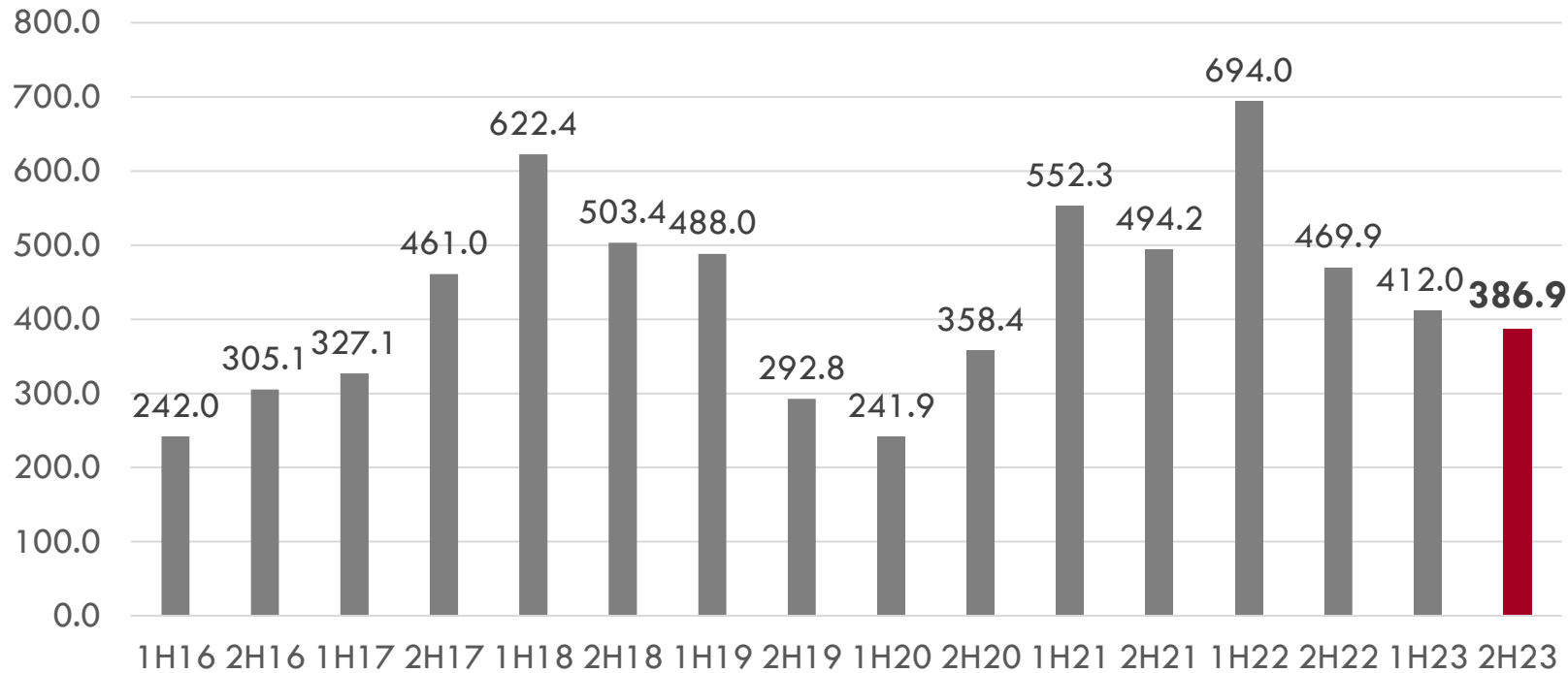


- FY23 Gross profit down 31% yoy due mainly to lower ASP



Gross Profit (half-yearly)

RMB 'mln



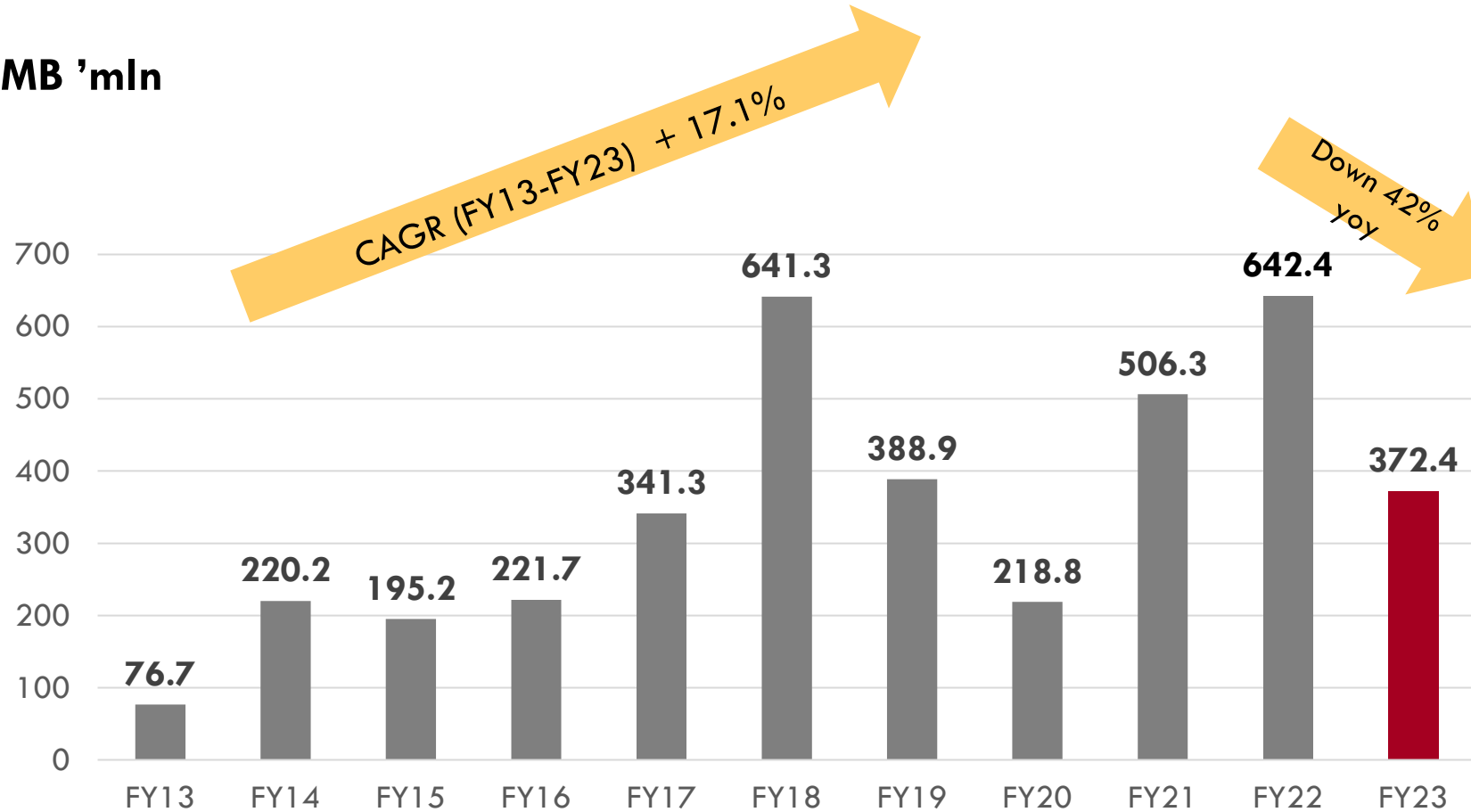
2H23 vs 2H22: - 18%
2H23 vs 1H23: - 6%

- 2H23 Gross profit down 18% yoy due mainly to lower ASP



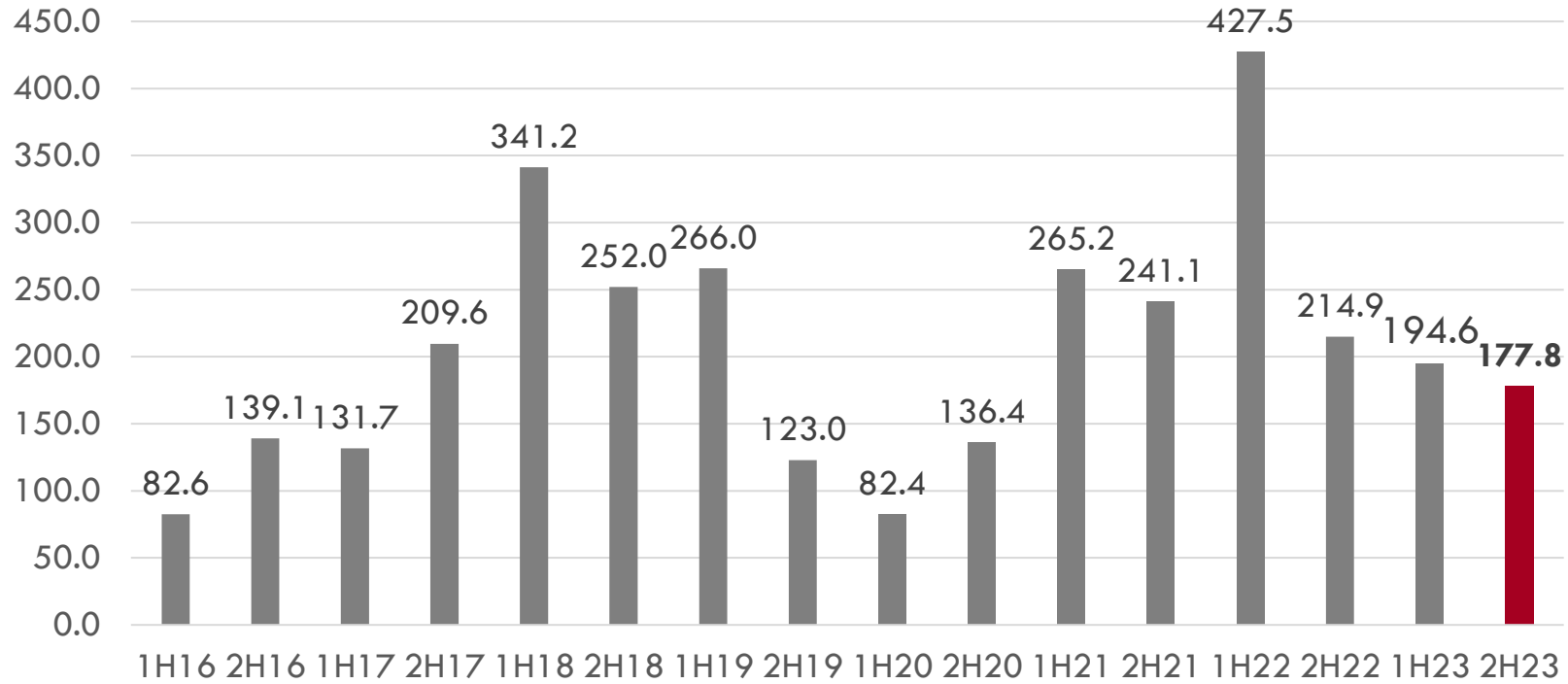
Net Profit

RMB 'mln



Net Profit (half-yearly)

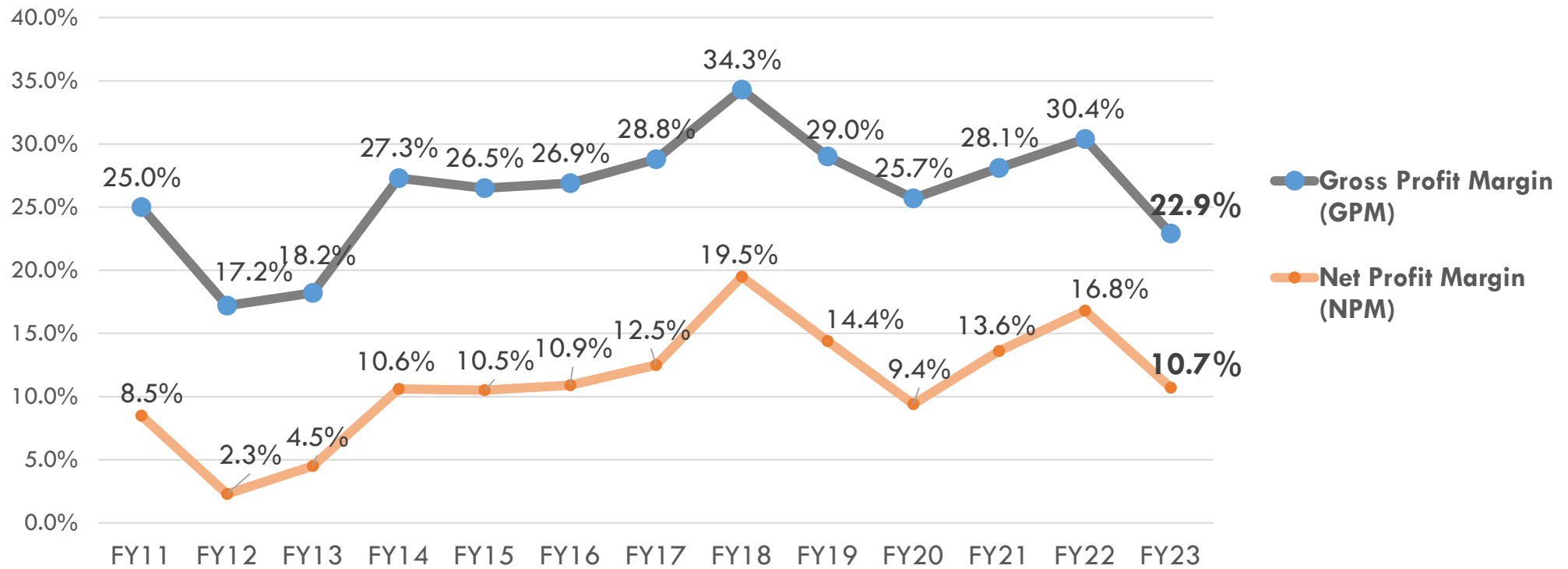
RMB 'mln



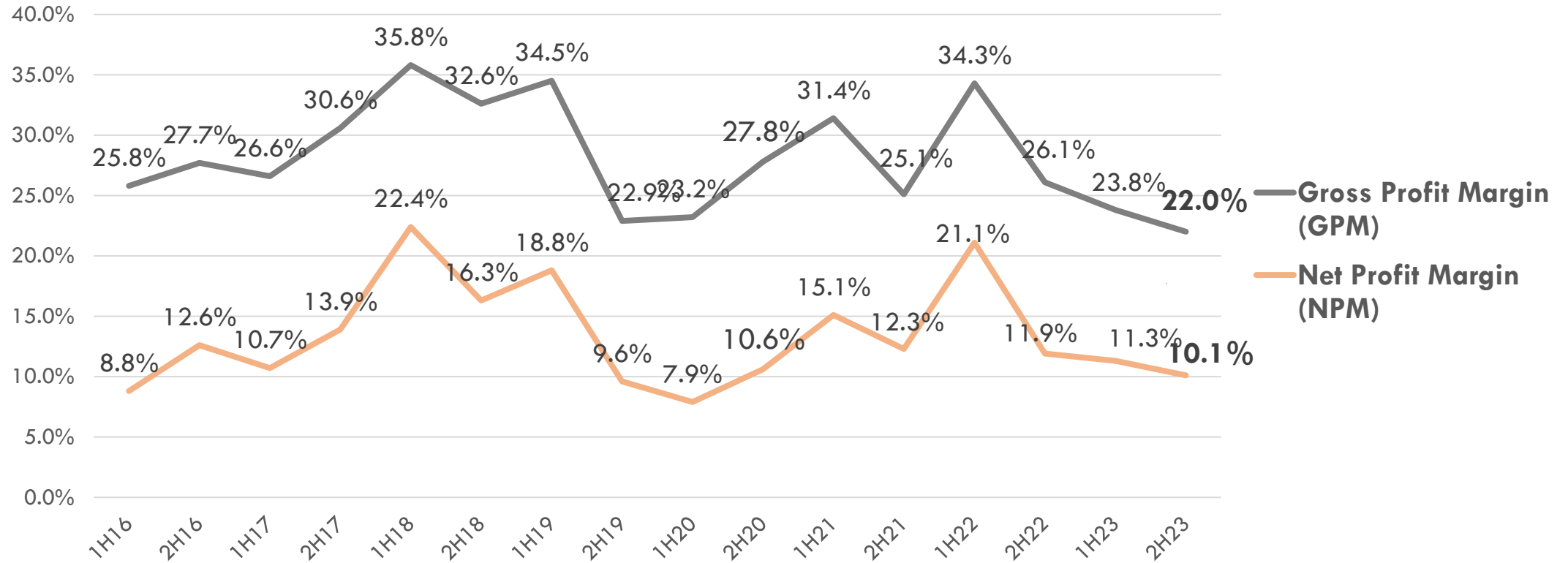
2H23 vs 2H22: - 17%
2H23 vs 1H23: - 9%



Margins Analysis



Margins Analysis (half-yearly)



- 2H23 GPM decreased mainly due to the decrease in raw material prices and intensified market competition



Balance Sheet Highlight

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	31/12/2023	31/12/2022	31/12/2021
Current Assets (RMB'mln) *	3,314.8	3,149.8	2,839.5
Current Liabilities (RMB'mln)	459.2	532.7	747.2
Current Ratio	7.22	5.91	3.80
Shareholders' Equity (RMB'mln)	3,926.6	3,691.8	3,176.1
D/E ratio	0	0	0
ROE	9%	17%	16%
NAV per share (RMB cents) (equivalent to SGD cents)	409.34/ 76.13	382.32/ 71.10	327.3/ 60.87
Cash per share (RMB cents) (equivalent to SG cents)	175.96/ 32.72	143.13/ 26.62	141.93/ 26.39

- Current Assets including cash of RMB 1,687.9 mln
- Singapore Dollars to RMB at the exchange rate of 5.3772



Key Developments

Expansion Projects Completed in recent years

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	To be completed by end of 2024	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 in 1H2024	RMB 200 mln	

*CPCIF: China Petroleum Chemical Industry Federation

Adoption of continuous and automated production methods, among other technologies, to enhance eco-friendly production, improve production efficiency, and reduce production costs.



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

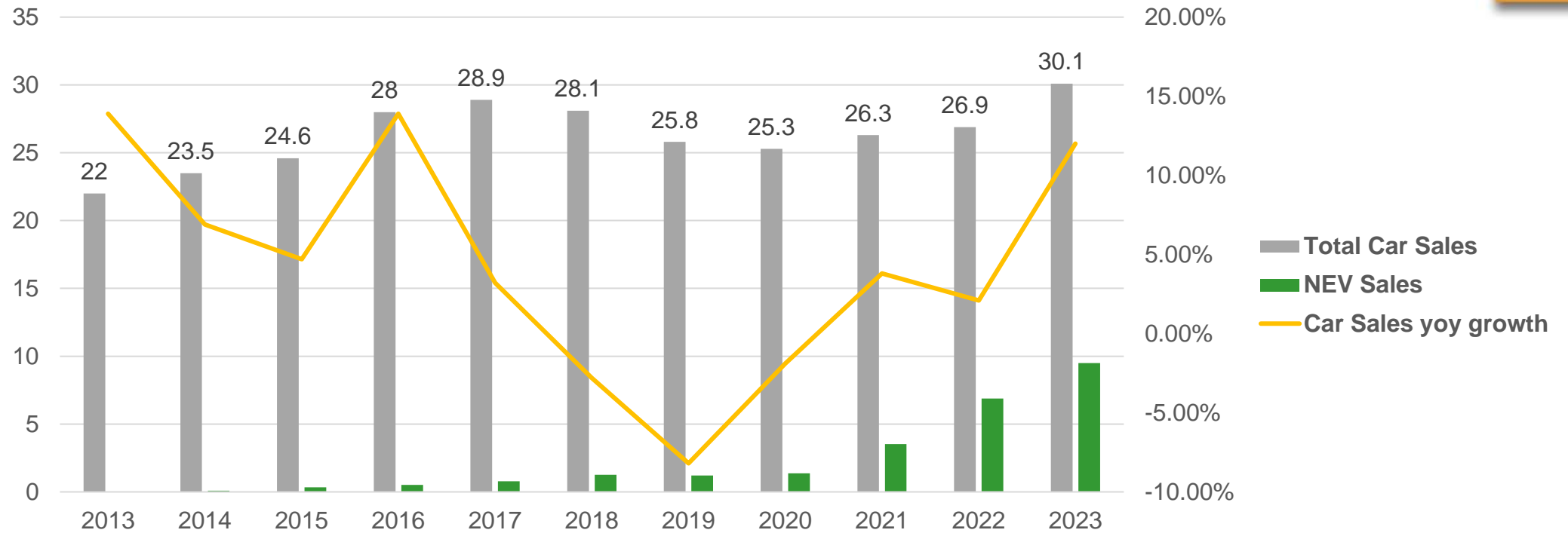
Note: Annual capacity refers to the capacity by the end of each financial year, and is exclusive of the capacity of intermediary materials such as MBT and 4ADPA



Industry Info and Outlook

PRC New Car Sales

in million units



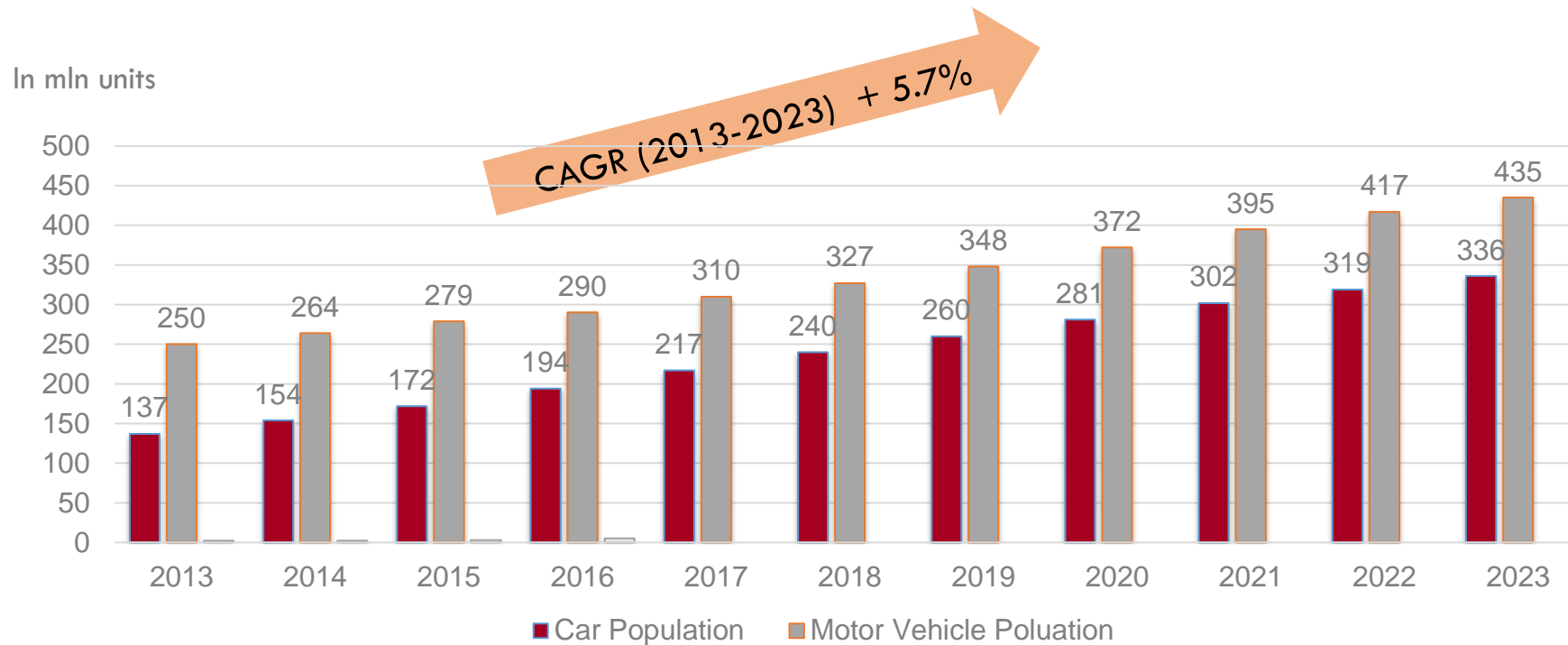
Source: China Association of Automobile Manufacturers (CAAM)

- China's automotive sales surged to a new record of 30.1 million units in 2023, up 12% y-o-y
- New Energy Vehicles (NEVs) sales contributed 32% of new car sales. 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



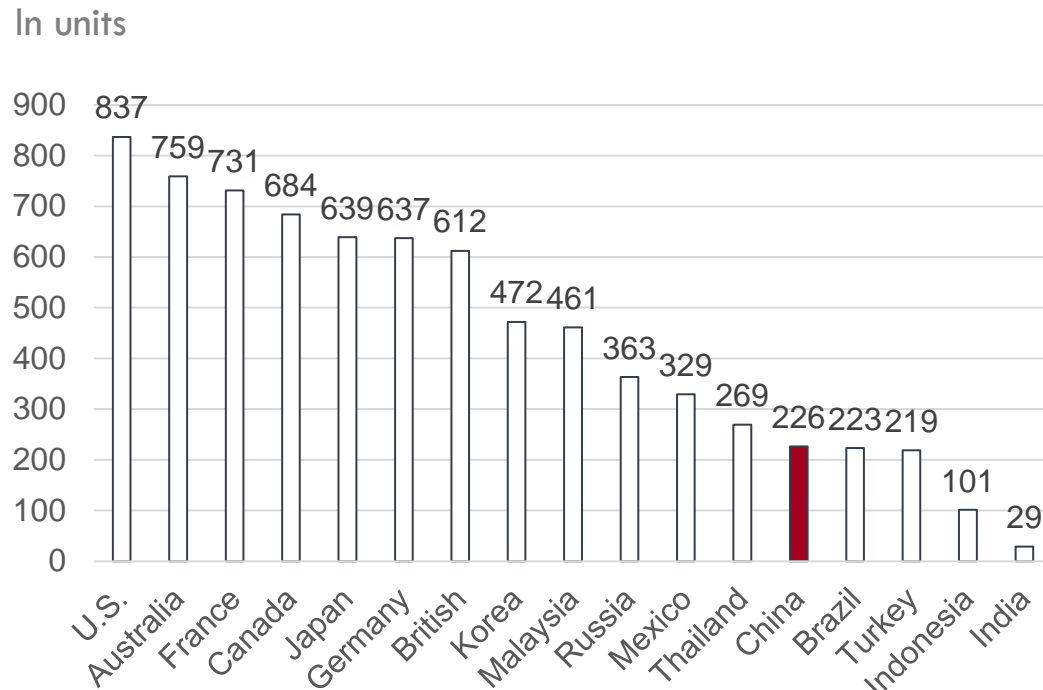
Source: <https://www.mps.gov.cn>

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



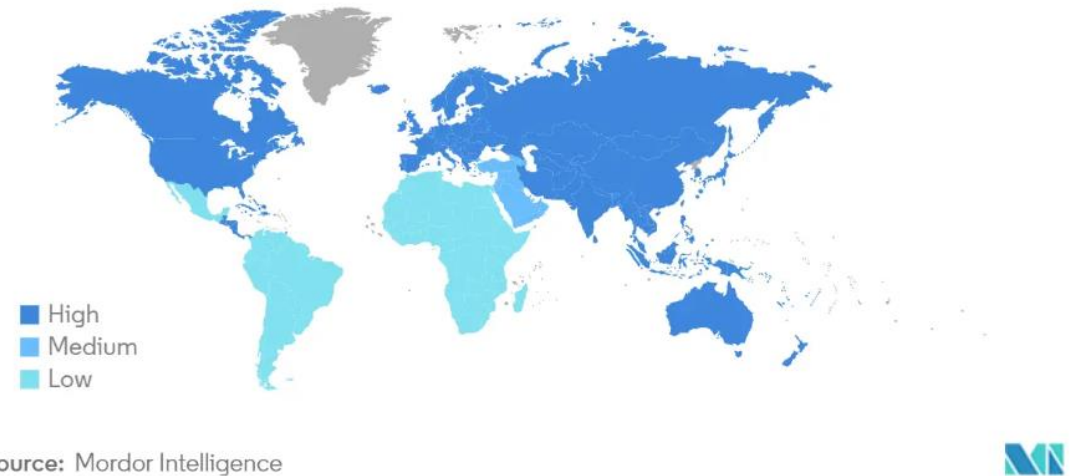
Global Car Population

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



Source: www.163.com

Automotive Tires Market - Growth Rate by Region, (2021 - 2026)



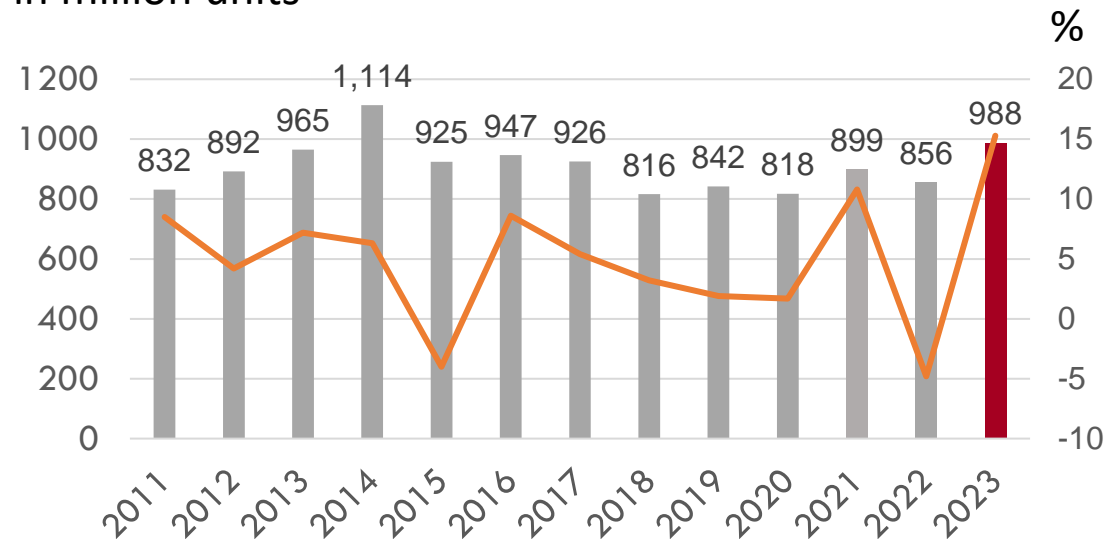
[Automotive Tire Market - Size & Share - Automobile Industry Report \(mordorintelligence.com\)](https://mordorintelligence.com)

- 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 reached a total of 2,388 million units in 2023. Looking ahead, it is expected to grow further, reaching approximately 3,012 million units by 2032. This growth reflects a compound annual growth rate (CAGR) of 2.5% during the period from 2024 to 2032

-by IMARC Group



- Tyre segment by end use: OEM (for new cars) 30% & Replacement 70%
- One of the leading factors driving the demand for tyres is the accelerating sales of passenger vehicles, particularly in emerging economies.

Operating Environment & Industry Outlook

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- **Greater challenges and uncertainties** in the macro-economic environment, such as high interest rate, the Ukraine-Russia conflict, conflict in Gaza, the Red Sea Crisis, rising geopolitical tensions between the US and China, and weakening international trade
- **Intensified market competition**, resulting from the successive launch of expansion projects in recent years, is exerting significant pressure on our selling price
- **China's auto market remain robust. The utilisation rate in tyre manufacturing** is expected to improve due to increased demand
- **Resilient demand** from replacement tyres -70% (vs OEM tyres-30%)
- **The “Initiating a new round of large-scale equipment upgrade and encouraging the exchange of old consumer goods for new ones” (推动新一轮大规模设备更新和消费品以旧换新)** will greatly promote the automotive market



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 production process, operational improvement, cost control, elimination of wastage, cash flow management etc
- Poised for long-term sustainable growth



Competitive Strengths

Market Leadership

- World largest accelerators and China's biggest IS producer
- Our accelerator products capture 35% of PRC market and 23% 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
- 1/3 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

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SHARE PERFORMANCE



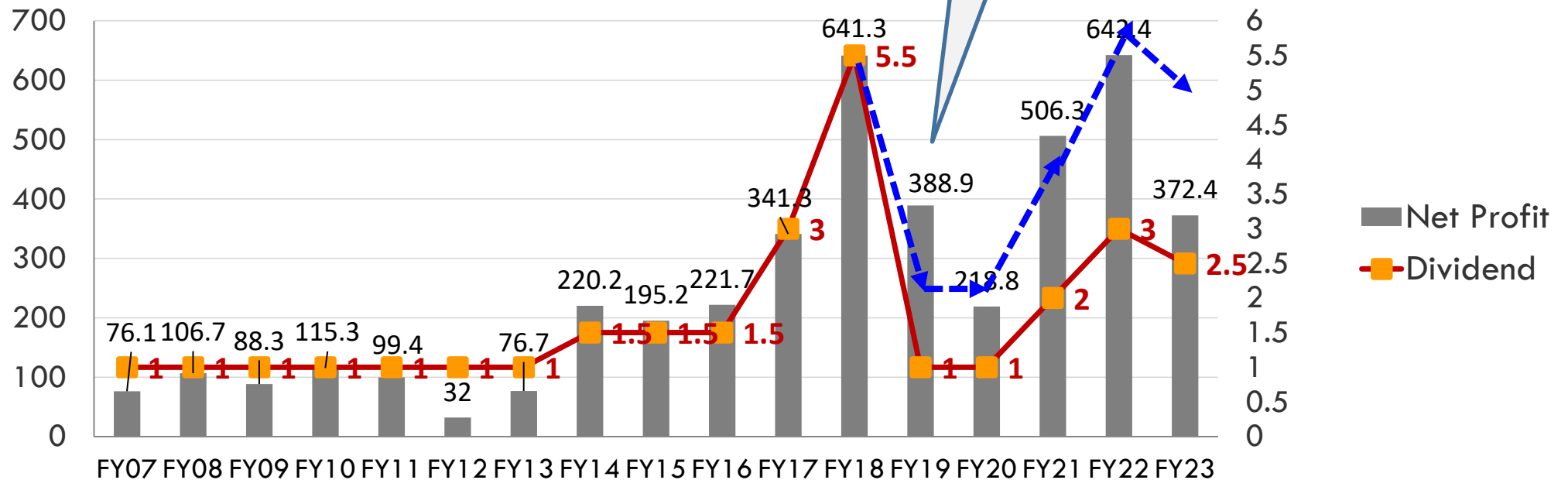
- Since IPO, no new share placement and rights issue



Dividend Payment History

Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



Proposed Final Dividend : 1.5 cents per share (ordinary), 1.0 cents per share (special)
Total dividend for FY2023 will be 2.5 SGD cents, payout ratio at 34%

Total dividend paid amounting RMB810 mln (2007-2023) vs IPO raised RMB264 mln in 2007



Investment Merits

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- ✓ Market leadership position and largest market share in rubber accelerators
- ✓ Strong customer base
- ✓ Strong corporate governance & transparency
- ✓ Capable and reliable management team
- ✓ Capacity expansion ongoing, focusing on growing sales volume and market share
- ✓ Strong cash position (cash per share SGD 0.32) with no bank loan
- ✓ A strong track record of profitability for over 25 consecutive years
- ✓ Annual dividend payments since IPO
- ✓ NAV per share SGD 0.76. Price/NAV only 0.5X
- ✓ Ongoing share buyback mandate



Chairman's Message

“Despite the various turbulent international situations and intense domestic competition, I am pleased that the Group achieved a satisfactory set of results in FY2023.

Entering into FY2024, China's auto market remains robust, Chinese tyre makers' production utilisation rate appears relatively high, and our sales order has seen improvements. However, we believe that the challenges and uncertainties brought about by various geopolitical tensions and the high interest rate environment will persist. In addition, some of our rivals have implemented their expansion plans. The management expects the intensification of competition to persist in the rubber chemicals industry. Nevertheless, the Group will continue with its strategy of 'Sales Production Equilibrium', focus on the fulfilment of the needs of its customers, and seek to improve its sales volume in FY2024.

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