



**China Sunsine Chemical Holdings Ltd.**  
中国尚舜化工控股有限公司

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**3Q2008 Results Briefing**  
**10<sup>th</sup> Nov 2008**



**Presentation Outline**

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- **Our Company**
- **Strategy / Key Developments**
- **Financial Highlights**
- **Outlook**



## Our Company

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## Our Products

Essential for turning raw rubber into useful material

Add **sulphur** to start vulcanization process



**Accelerators** added to speed up the process from hours to minutes

**Vulcanization**  
"Curing"

### Cured Rubber

Can be made into various products like:

Vehicle tyres  
Rubber boots  
Rubber hose  
Etc.

Add **Insoluble sulphur** (esp for tyres)

Additives like **anti-oxidants**, anti-scorching agents used to enhance properties of cured rubber

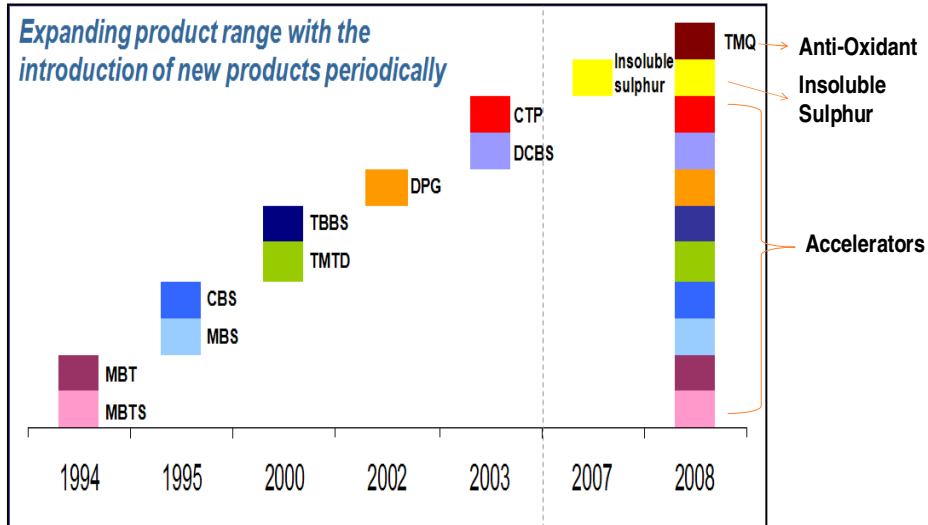


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## Our Products

Expanding product range with the introduction of new products periodically



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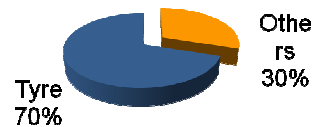
## Industry Overview

- **FY07 Global rubber consumption : 22.47 million ton**  
Steady growth expected
- **PRC consumption: 25% or 5.4 million ton**  
Largest in the world
- **Rubber Chemicals about 4-6% of total rubber consumption**

Estimated market size p.a.

('000 tonnes)	Global	PRC
Accelerators(1.7%)	382	96
Anti-oxidants(2.2%)	494	124
Vulcanizing agents – Incl Insoluble Sulphur (2%)	449	112

### Rubber Usage in PRC

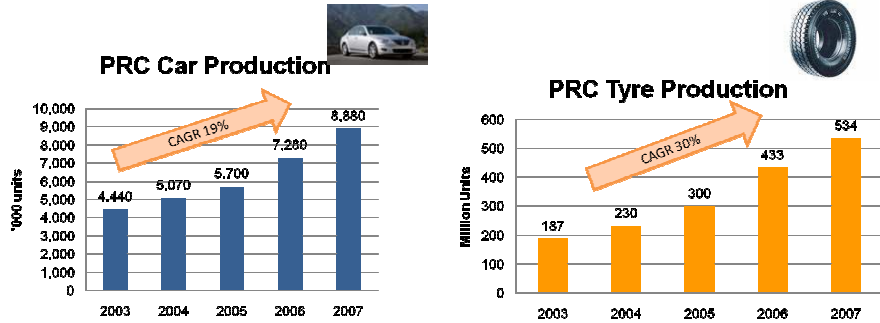


\* Both synthetic and natural rubber  
Source: International Rubber Study Group 2007 6



# Industry Overview

## Riding on the growth of tyre industry



2008/9 **growth** expected from **massive investments** in last few years, affected by global market slowdown.  
 China – largest potential car market in world. For every 100 pp:

China	5 cars
World Avg	12 cars
U.S.	75 cars



# Market Position

## PRC No. 1 producer of rubber accelerators

### Global Top 3 Accelerator Producers

Company	Annual Capacity
LANXESS Corp.	45,000 tons?
<b>China Sunsine</b>	<b>49,000 tons</b>
Chemtura	<30,000 tons

### PRC Top 3 Accelerator Producers

Company	Annual Capacity
<b>China Sunsine</b>	<b>49,000 tons</b>
Tianjin Organic (SOE)	26,000 tons
Zhenjiang No. 2 Chemical (SOE)	19,000 tons

Current market share (FY07):  
**PRC ~ 19%**  
**Global ~ 8%**  
 Target: Global market share >15% by 2010



## Strong Customer Base

Quality Growth from strong customer base of over 600 customers including Global and PRC tyre makers



## Key Customers



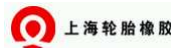
(佳通轮胎)



(PT Gajah Tunggal)



(杭州中策)



Growth potential among current customers

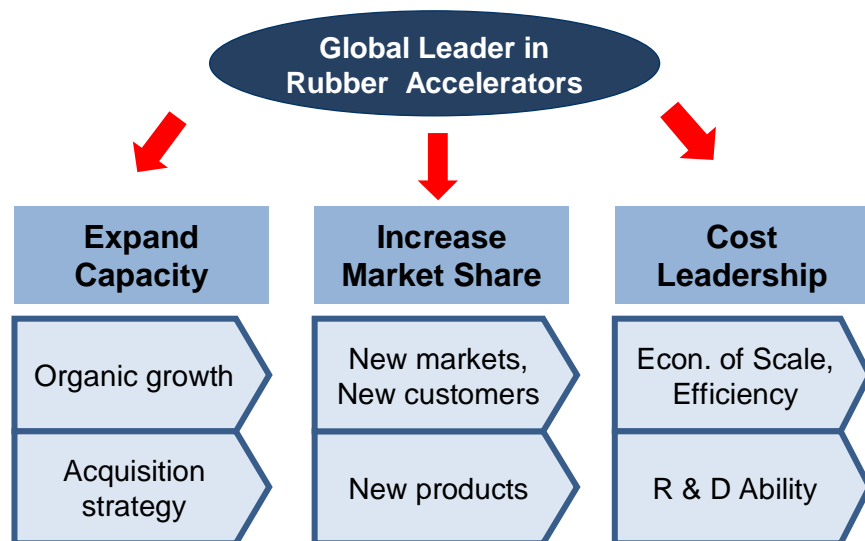


## Strategy / Key Developments

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## Business Strategy



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## Market Expansion

### Current Customers, New Markets(9M2008)

- Yokohama: Japan
- Bridgestone: India
- Kumho: Vietnam
- Pirelli: Brazil, Turkey
- Continental: Malaysia, South Africa
- Goodyear: Brazil, Poland, Columbia

### New Customers (9M2008)

- **114 new customers, 86 PRC vs 28 Foreign**
- Amtrade (Australia)
- OCI (Hong Kong)
- Chemcon (Brazil)
- Samotech (Korea)
- PT Gajah Tunggal
- Basil Quimica (Brazil)
- LB CIF (Greece)
- AMIK (Italy) .....

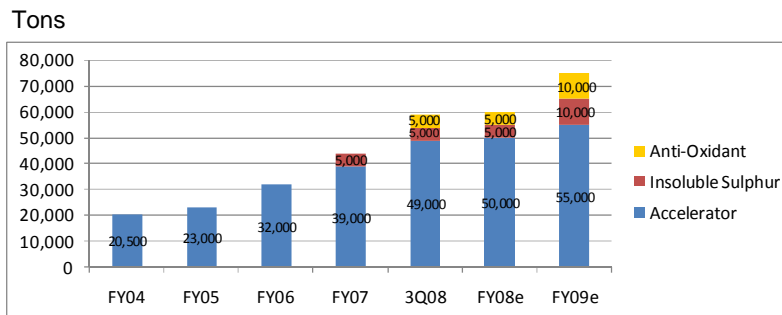
### New Products

- Insoluble Sulphur
- Anti-oxidant TMQ

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## Capacity Expansion



Tons	FY2004	FY2005	FY2006	FY2007	FY2008e	FY2009e
Accelerators	20,500	23,000	32,000	39,000	50,000	55,000
Insoluble Sulphur	-	-	-	5,000	5,000	10,000
Anti-oxidants	-	-	-	-	5,000	10,000

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## Updates on Expansion plan for FY2008/9

Project	Plan		CapEx	Reason
	Old	New		
Insoluble Sulphur plant from 5,000 to 10,000 tons	Completion by 4Q2008	Completion by 1H2009	RMB 10 million	Current capacity adequate to meet market demand. Expansion depend on market demand.
	Completion by 4Q2008	Completion by 1H2009		
Anti-Oxidant TMQ plant from 5,000 to 10,000 tons	Completion by 4Q2008	Completion by 1H2009	RMB 10 million	
	Completion by 4Q2008	Completion by 1H2009		
DCBS of 3,000 tons production workshop	Completion by 1H2009 to replace current 1,000-ton workshop		RMB 15 million	Demand for DCBS is better
MBTS of 7,000 tons plant	Completion by 3Q2009 to replace current 4,000-ton plant at facility 1		RMB 20 million	Demand for MBTS increases

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## Updates on Expansion plan for FY2008/9

(cont'd)

Project	Plan		CapEx	Reason
	Old	New		
Upgrading of Sulphur recycling at Facility 2	Completed in 3Q2008		RMB 30 million	No necessity for early completion as current treatment capacity is adequate
Upgrading waste-water treatment plant at Facility 2	Completion by end FY2008	Completion by 1H2009		
R&D centre, Office Building, worker's canteen and rest quarters at Facility 2	Completion by end of FY2009		RMB 20 million	To support growth of Company

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## Financial Highlights

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## Financial Highlights

RMB' million	3QFY08	3Q FY07	Change	9MFY08	9MFY07	Change
Revenue	<b>258.6</b>	154.8	67%	660.8	440.0	50%
Gross Profit	<b>92.0</b>	29.0	217%	184.9	91.4	102%
Gross Profit Margin	<b>35.6%</b>	18.7%	+16.9 pts	28.0%	20.8%	+7.2 pts
Profit Before Tax	<b>52.6</b>	8.9	491%	113.8	53.3	114%
Net Profit	<b>45.0</b>	8.9	406%	98.6	53.3	85%
Net Profit Margin	<b>17.4%</b>	5.7%	+11.6 pts	14.9%	12.1%	+2.8 pts
EPS* (RMB cents)	<b>9.16</b>	1.83	401%	20.05	13.56	48%

\* Based on weighted average number of shares applicable to basic EPS

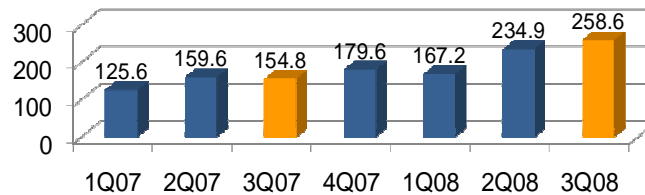
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## Strong Revenue Growth

### Revenue Growth

RMB'million



+67.2%  
Y-Y  
growth

RMB 'million	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Revenue	125.6	159.6	154.8	179.6	167.2	234.9	<b>258.6</b>

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## Strong Revenue Growth

### Revenue growth of 67.2% due to:

#### Sharp Spike in ASP

- ASP up 82% to RMB36,274 per ton from RMB19,982 in 3Q2007, up 46.5% from RMB24,764 in 2Q2008
- Impact of Beijing Olympics, short supply

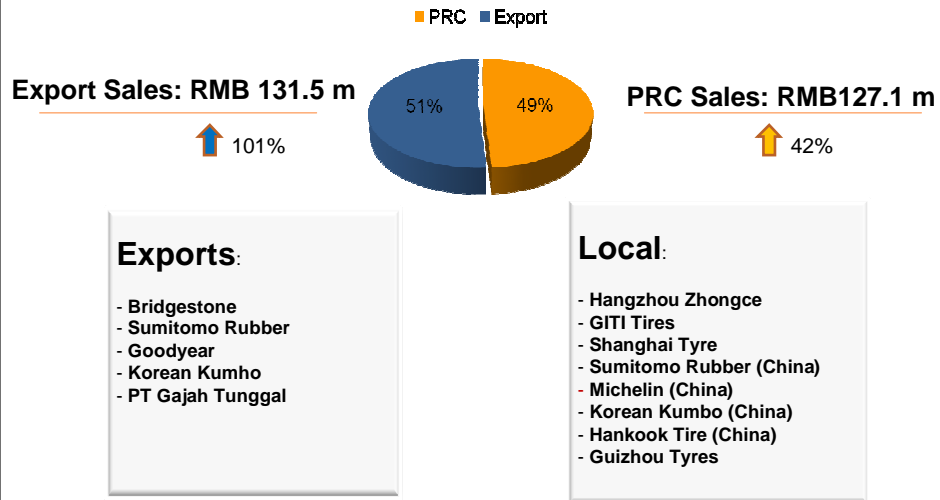
#### Demand Stable

- Benefits from shutdown of factories during Olympics period
- Expansion to new markets from current customers:
  - Goodyear: Brazil, Poland, Columbia
  - Bridgestone: India
  - Yokohama: Japan

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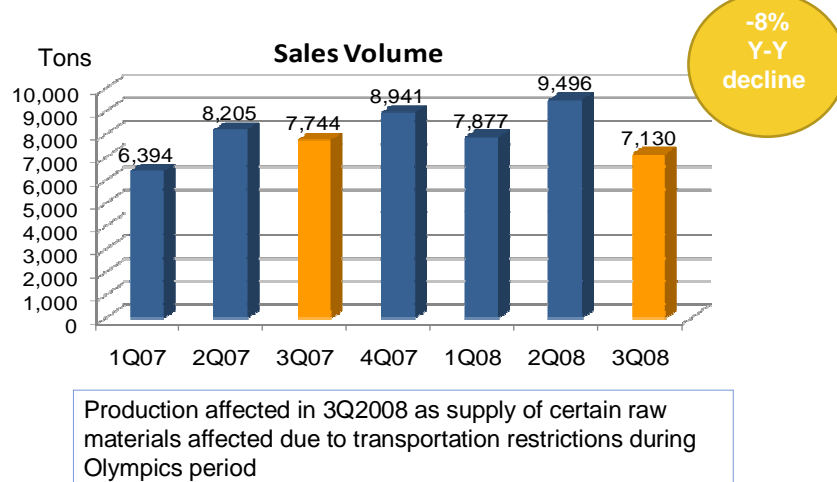
## Strong Revenue Growth



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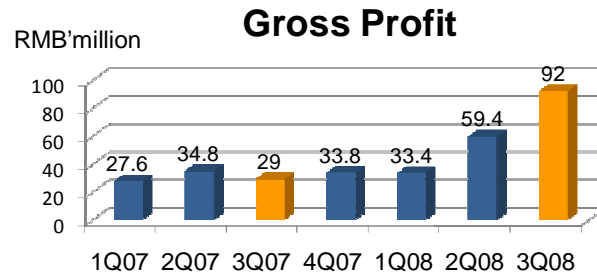
## Strong Revenue Growth



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## Gross Profit

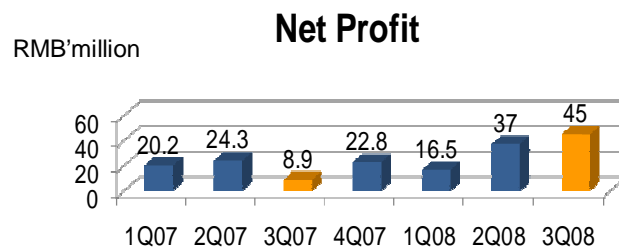


**+217%**  
Y-Y  
growth

RMB'million	2007	2008	% Change
3Q	29.0	92.0	↑ 217%
9M	91.4	184.9	↑ 102%



## Net Profit



**+406%**  
Y-Y  
growth

RMB'million	2007	2008	% Change
3Q	8.9	45.0	↑ 406%
9M	53.3	98.6	↑ 85%

3Q07 has a one-time share issue cost of RMB7.7 million. Excluding share issue cost, Profit from Operation in 3Q08 up 217% to RMB52.6 million.



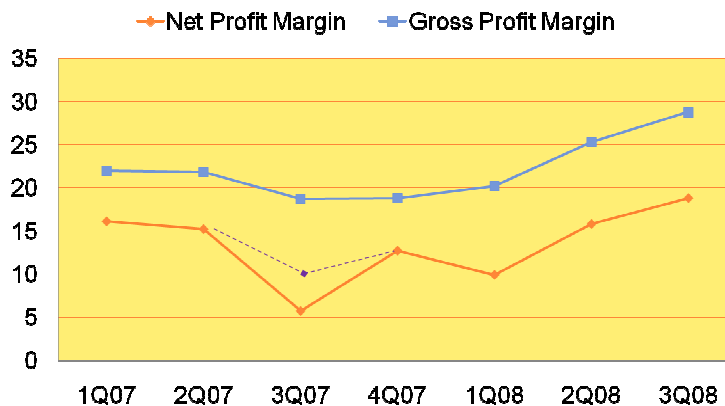
## Operating Expenses

- **Selling and distribution expenses**
  - Up by 152% to RMB11.6 million in 3Q2008
  - Due to increase in sales revenue and higher distribution and shipping costs
- **Administrative expenses**
  - Up by 273% to RMB28.7 million in 3Q2008
  - Provision for doubtful debt of RMB5.9 million, due to higher credit risk faced
  - Higher headcount arising from new integrated and antioxidant TMQ plants which were completed end 2Q08, but not operational till Aug and setup costs for the 10,000-ton MBT workshop
  - Past years' local water tax fees and general maintenance costs
  - Wage adjustment, incentive payments, as well as compliance cost
- **Research costs**
  - Up RMB2.1 million to RMB2.3 as comparative period was low due to controlled expenditure last year. Group intends to expand R&D work this year
- **Other operating costs**
  - Up by RMB0.1 million to RMB 0.3 million, mainly due to exchange loss
- **Taxation costs**
  - 12.5% taxation of RMB7.6 million compared to full exemption for 3Q2007.

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## Margins Analysis



In 3Q07, there was a one-time share issue cost of RMB7.7 million. If adjust out share issue cost, net profit margin would have been 10.7% in 3Q07.

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## Balance Sheet Highlights

RMB 'million	30/09/08	31/12/07
Current assets	493.6	450.3
Current liabilities	133.2	115.3
Non-current assets	178.8	133.9
Non-current liabilities	0	0
Shareholders' equity	539.2	468.9
Cash/Notes position	200.3	214.5

Note: Cash RMB 181m, No bank loan, unutilised facility RMB 50 million  
Notes receivable RMB 53 million

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## Key Financial Ratios

	3Q08	2Q08	FY07
Current assets / Current Liabilities	3.7	3.8	3.9
Avg Receivables Turnover (days)	52	57	68
Avg Payables Turnover (days)	11	12	12
Avg Inventory Turnover (days)	33	24	19
Cash Conversion Cycle (days)	76	69	75
Gearing Ratio	Net cash	Net cash	Net cash
NAV per share (RMB cents) as of end period	109.8	101.2	95.4



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## Outlook

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## Outlook

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- **Global financial crisis -> Global economic slowdown**  
4Q2008 volume and ASP to be lower than 3Q2008
- **Global rubber consumption s/b stable, tyre industry FY09 unclear. Growth in certain vehicle markets BRIC hopeful**
- **Sunsine may be negatively affected, BUT may gain if competitors more affected than us**
- **Sunsine to continue Deepening customer relationship, Up market share, Penetrate new markets (North America, South America, Euro) [Direct vs Distributorship]**
- **Remain prudent, Confident on Profitability**

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## Chairman's note

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*“We continue to execute our expansion plans to be the clear global market leader, serving our global customers in their other markets that we don't currently serve. In a down cycle, customers are more likely to stick with you if your pricing is reasonable, and you continue to provide stable and reliable supply.”*

*China SunSine Chemical's strong branding and market leadership position allow it to ride out this bumpy ride during this period of uncertainty.”*

*Xu Cheng Qiu  
Executive Chairman*

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## Q & A

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