



CHINA SUNSINE CHEMICAL HOLDINGS LTD.

中国尚舜化工控股有限公司

4Q2018 & FY2018 RESULTS PRESENTATION

1 March 2018

PRESENTATION OUTLINE

Our Company

Financial Overview

Key Developments

Industry Info and Outlook

Our Company

About China Sunsine Chemical

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- ✓ **Specialty rubber chemicals producer**
- ✓ **World's largest** producer of Rubber Accelerators
- ✓ **PRC's biggest** producer of Insoluble Sulphur
- ✓ **Superior product-quality and economies of scale**
- ✓ **Accredited by a strong customer base of top tire makers**
- ✓ **Beneficiary of stringent environmental protection standards**



Our Products - Rubber Chemicals

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Rubber Accelerators

MBT MBTS CBS TBBS TMTD
DPG DCBS



Insoluble Sulphur



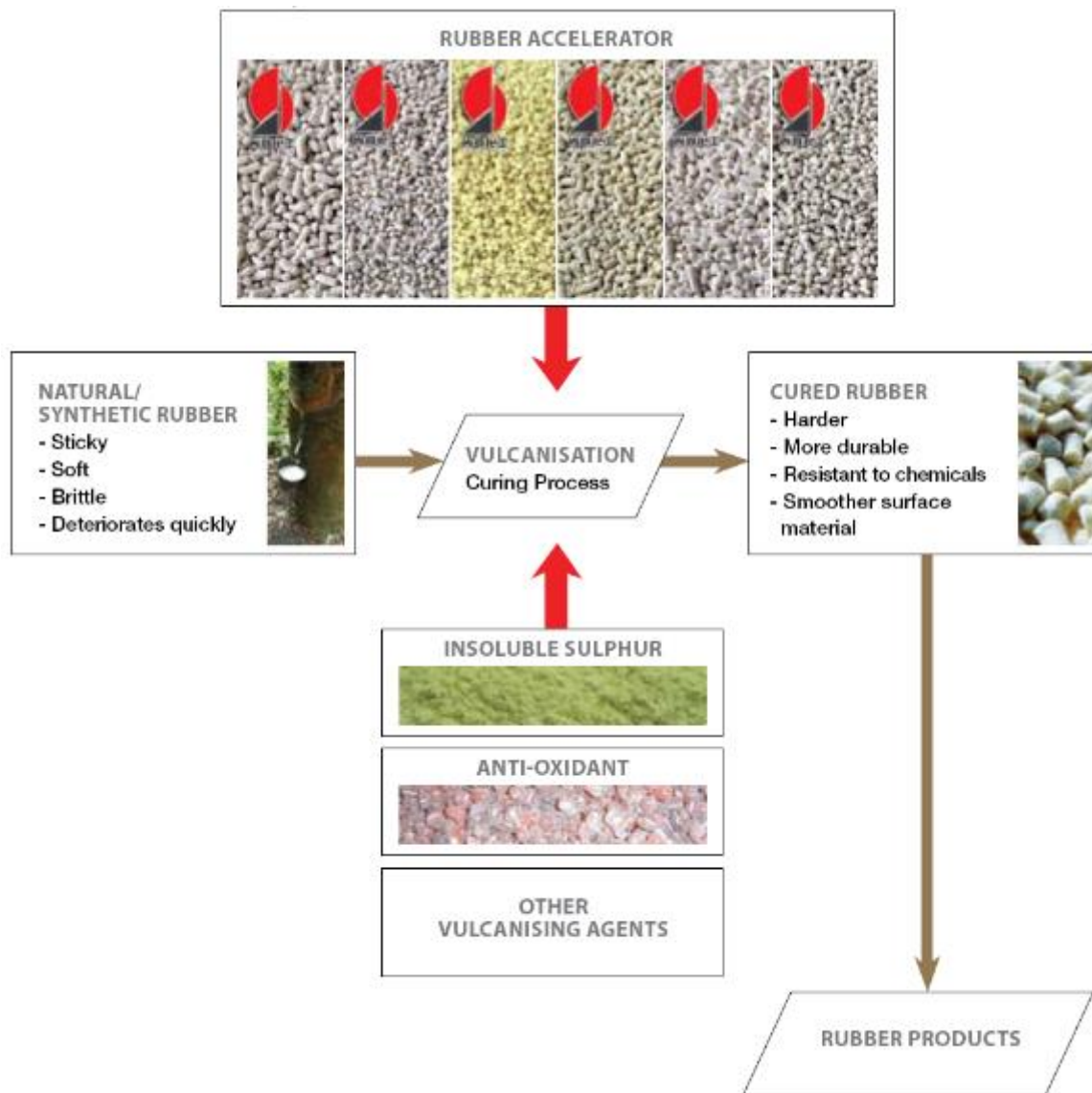
Anti-Oxidants

TMQ
6PPD
4010NA



Our Products: Rubber Chemicals

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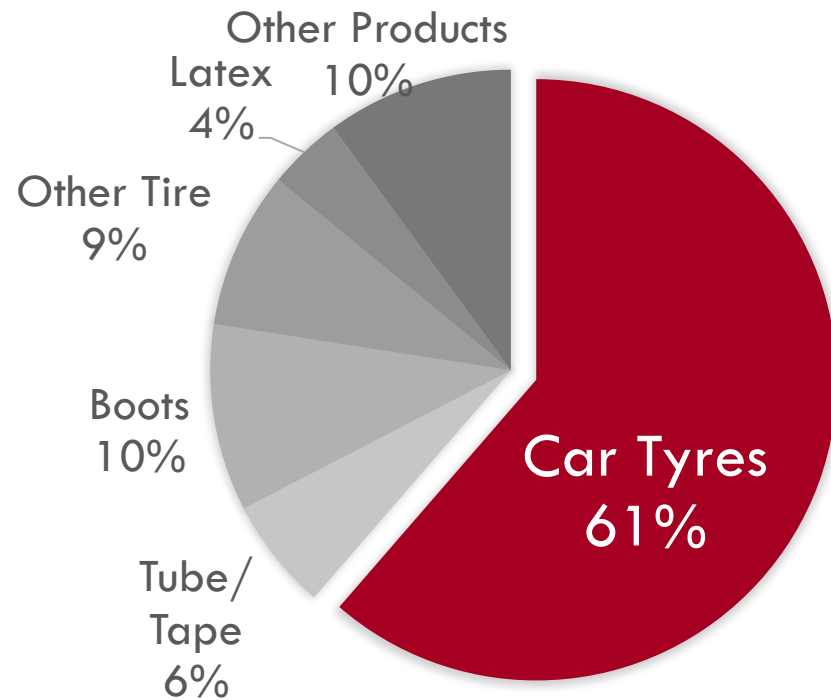


Rubber Chemicals are
Essential Additives
in the production of rubber products



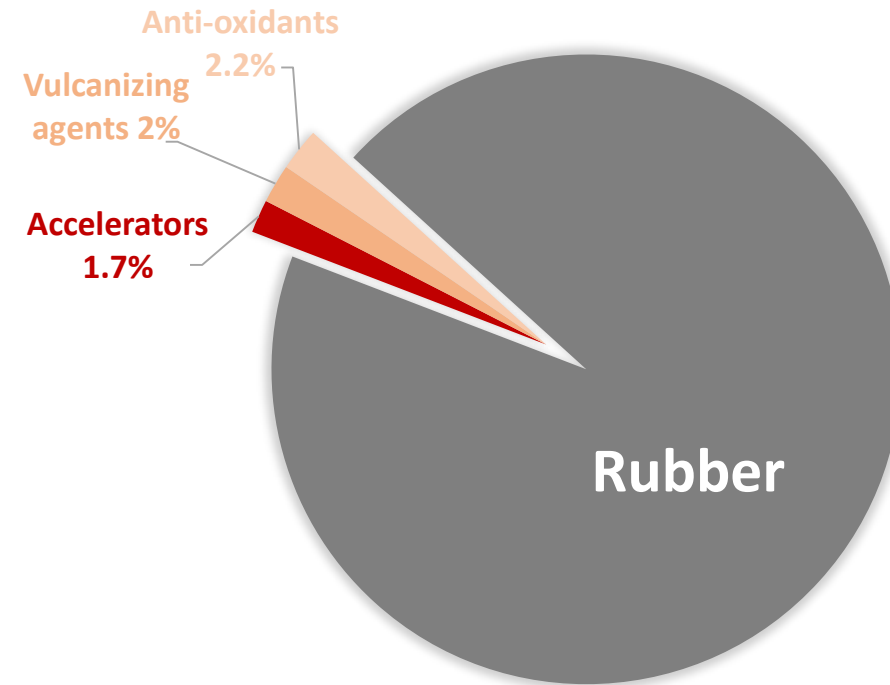
Global Consumption of Rubber

7



<http://www.chemn.com>

Global rubber consumption in 2017:
28.27 million tons - By IRSG

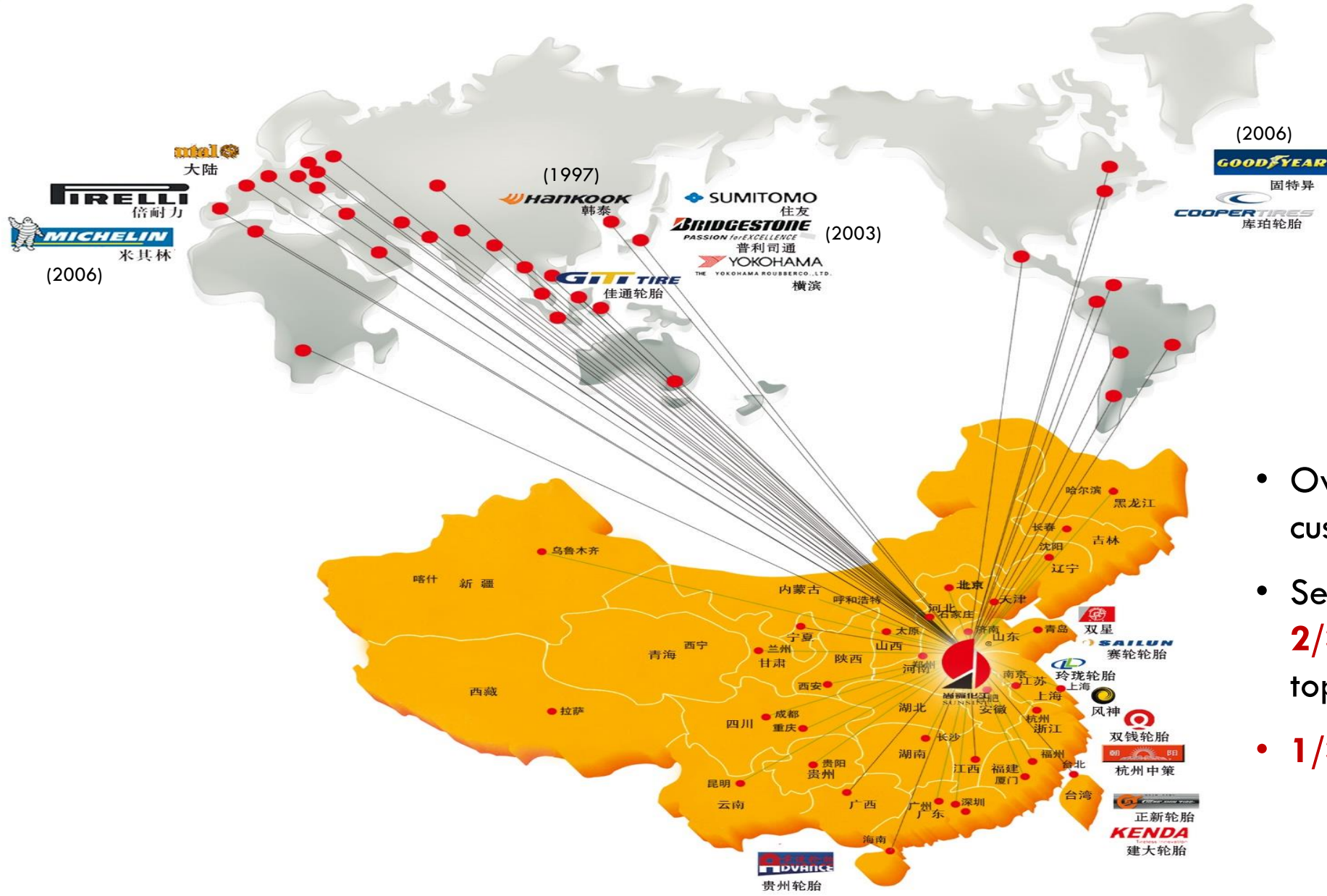


- **By weight**, every 100 tons of rubber consumes about 6 tons of rubber chemicals (**100:6**)
- **By value**, rubber chemical's cost accounts for about 3% of total tire cost (**100:3**)



Our Strong Customer Base

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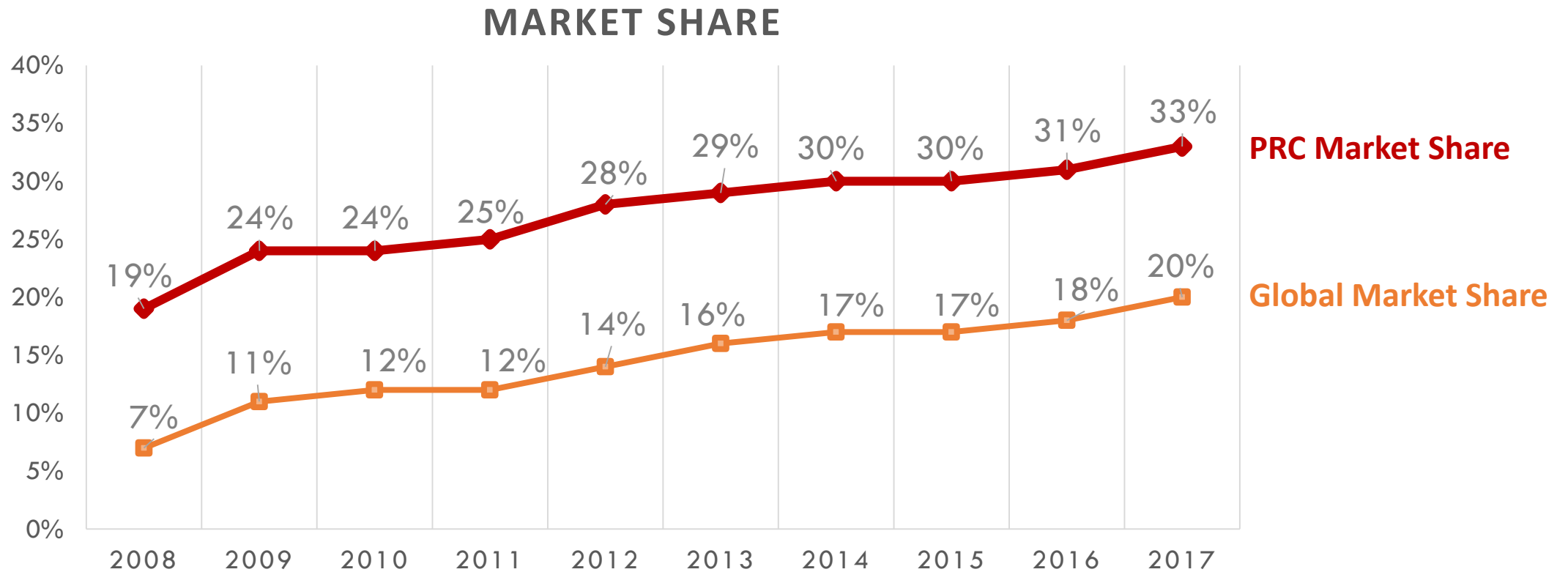


- Over **1,000** customers globally
- Serves more than **2/3** of the global top 75 tire makers
- **1/3** output exported



Market Share: Rubber Accelerators

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Our Market Leadership Position

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GLOBAL TOP 3 ACCELERATOR PRODUCERS

Company	Annual Capacity 2018
China Sunsine 中国尚舜	87,000 tons
Tianjin Kemai 天津科迈	51,000 tons
Yanggu Huatai 阳谷华泰	45,000 tons

PRC TOP 3 INSOLUBLE SULPHUR PRODUCERS

Company	Annual Capacity 2018
China Sunsine 中国尚舜	30,000 tons
Yanggu Huatai 阳谷华泰	20,000 tons
Sennics 圣奥化学	15,000 tons



Our Production Bases

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Five production bases in three locations



Dingtao Base
• 10,000-ton Insoluble Sulphur
(another 10,000-ton to be completed by 2017)



Shanxian
• Home base: 116,000-ton
• Sub-base-Yongshun: 10,000-ton TBBS (high-grade accelerator) expected to be completed by 2017.
• Sub-base-Guangshun Heating plant: Centralised steam production



Weifang Plant
• 26,000-ton accelerators



Financial Overview

P&L Highlights

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RMB 'mln	4th Quarter Ended			Year Ended		
	31 Dec18	31 Dec17	Change	31 Dec 18	31 Dec 17	Change
Group Revenue	770.1	873.3	(12%)	3,283.3	2,738.4	20%
Gross Profit	249.4	291.2	(14%)	1,125.9	788.1	43%
Gross Profit Margin	32.4%	33.3%	(0.9 pts)	34.3%	28.8%	5.5 pts
Profit Before Tax	142.3	195.6	(27%)	711.6	476.8	49%
Profit After Tax	108.6	132.0	(18%)	641.3	341.3	88%
EPS (RMB cents/SGD Cents*)	22.11/ 4.42	26.85/ 5.36	(18%)	130.45/ 26.06	70.83/ 14.15	84%

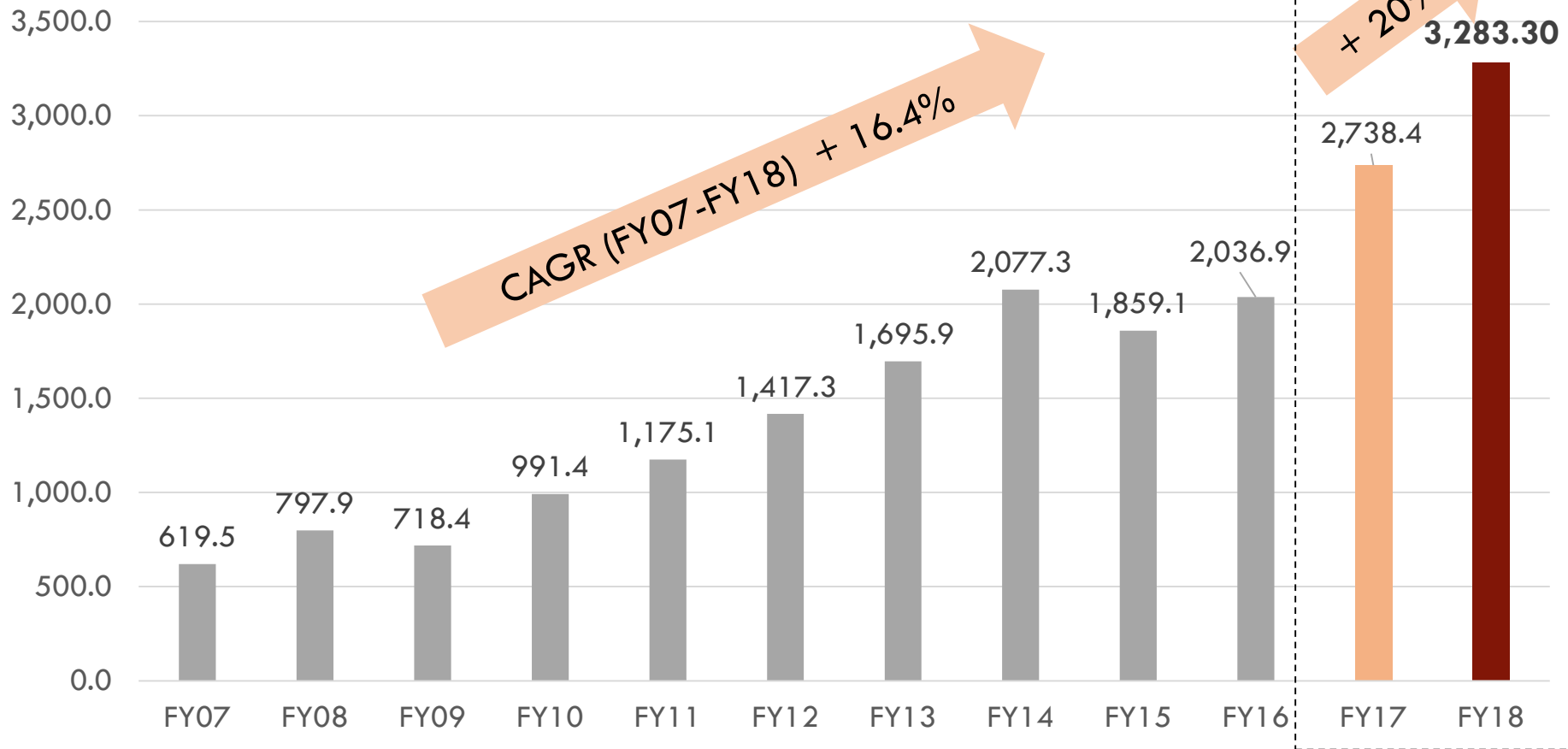
* SGD to RMB exchange rate @5.0062



Revenue Growth

14

RMB 'mln



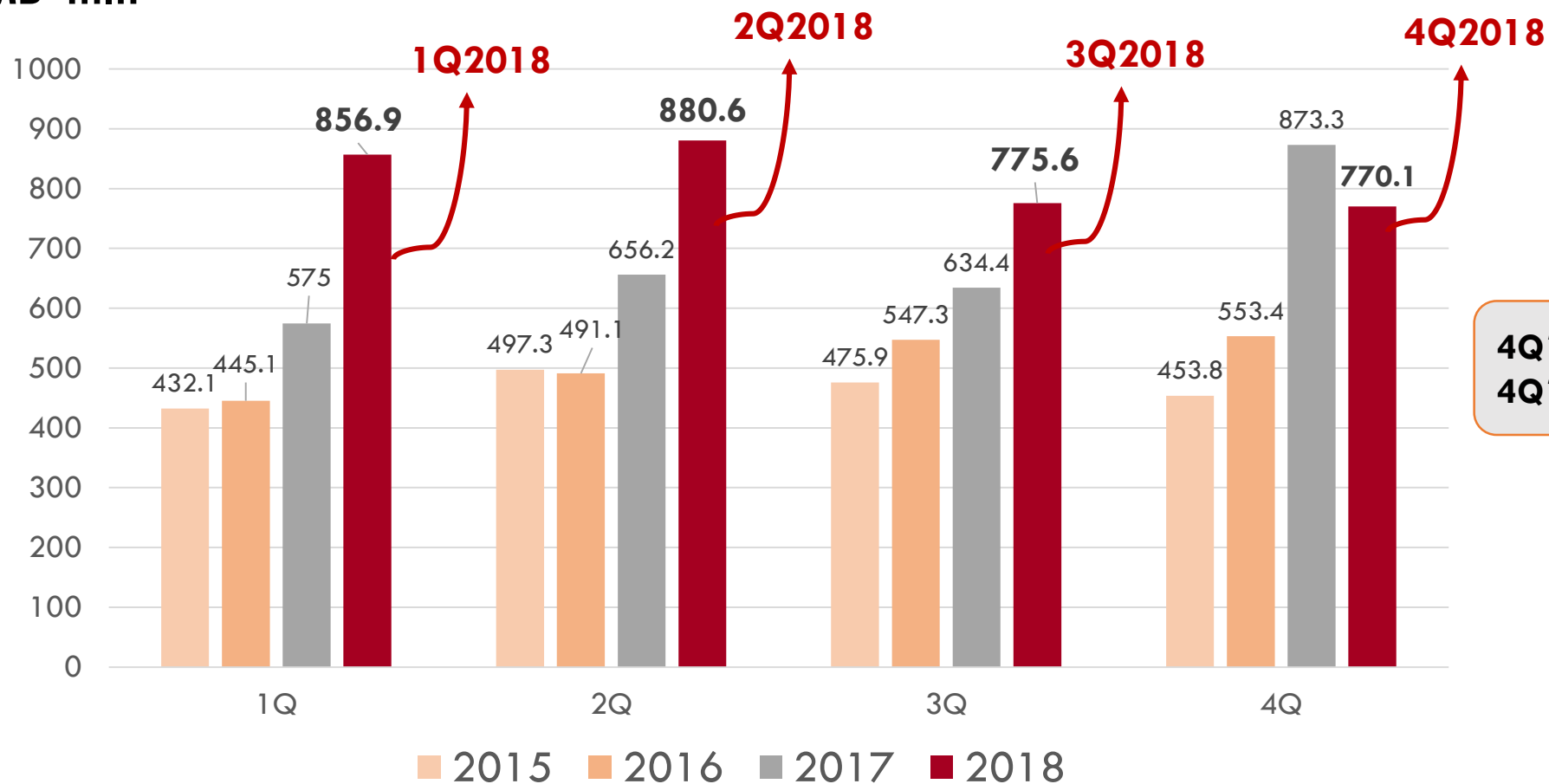
FY18 Revenue up 20% y-o-y boosted by higher average selling price (ASP) and sales volume



Revenue By Quarter

15

RMB 'mln



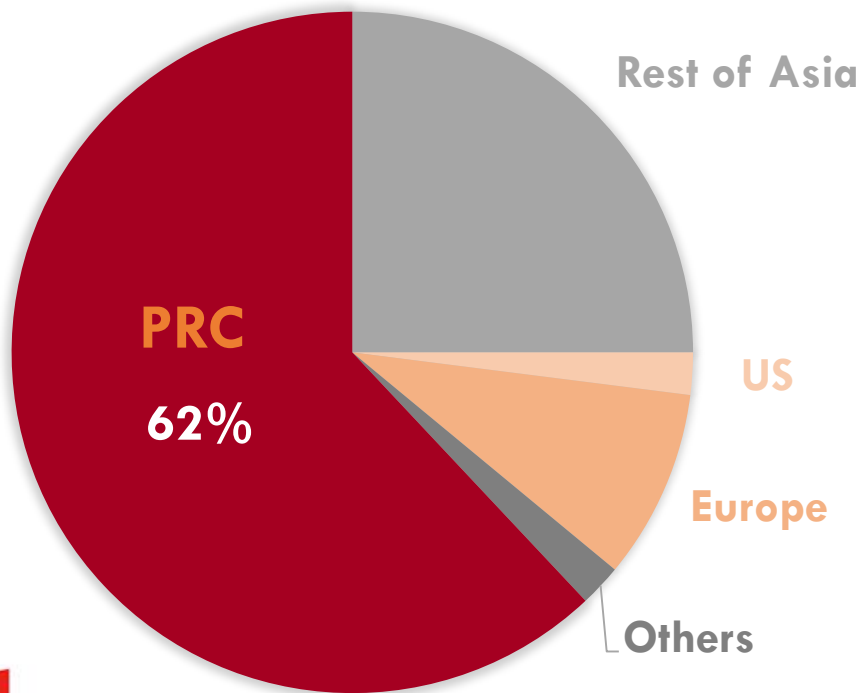
4Q18 vs 4Q17 : -12%
4Q18 vs 3Q18 : -1%



Sales Contribution (By Region)

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FY18 Sales Contribution (y-o-y)

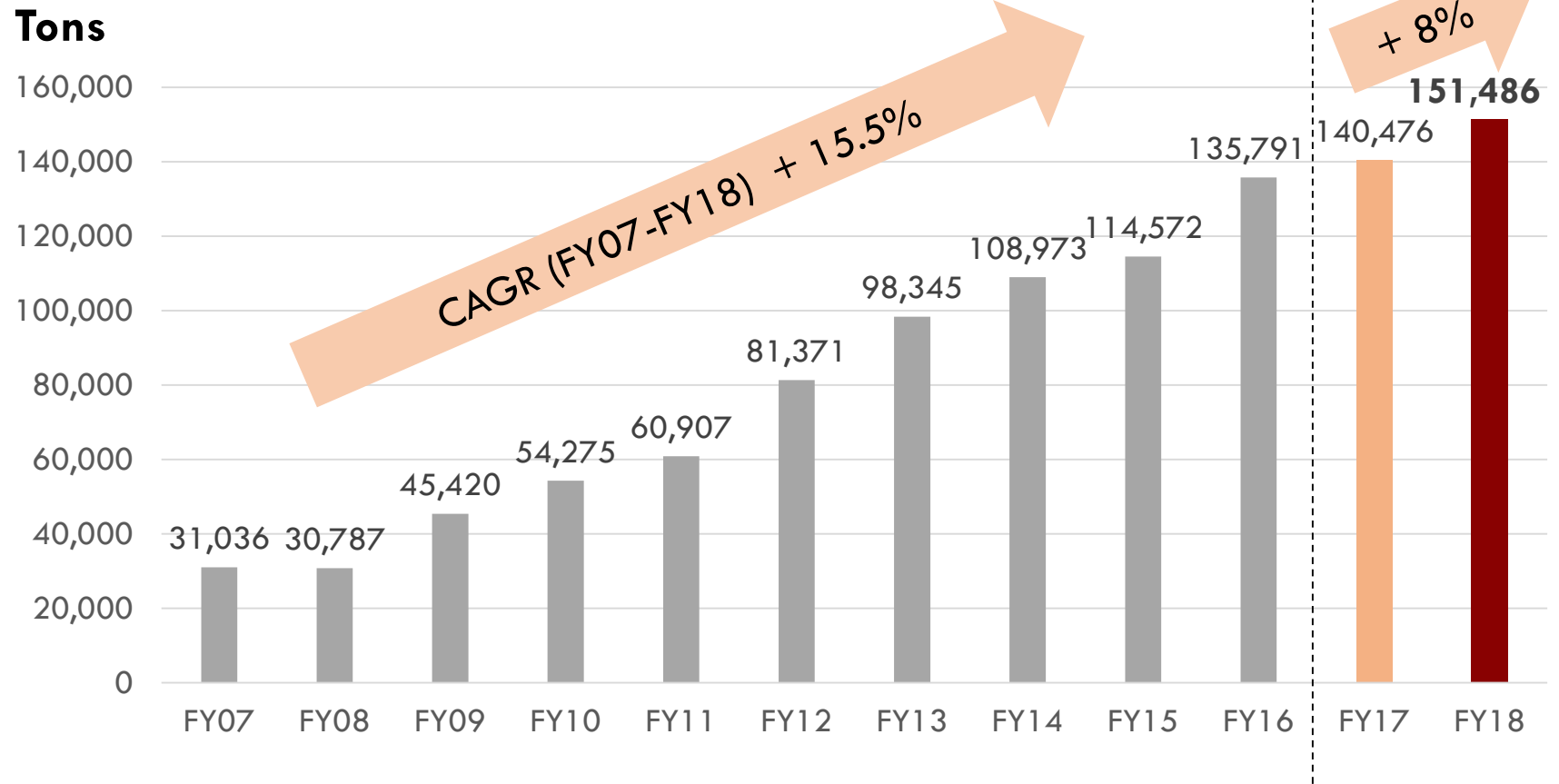


Region	4Q2018	FY2018	FY2017
China	64%	62%	64%
Rest of Asia	23%	25%	24%
US	2%	2%	5%
Europe	8%	9%	5%
Others	3%	2%	2%
Total	100%	100%	100%



Sales Volume

17



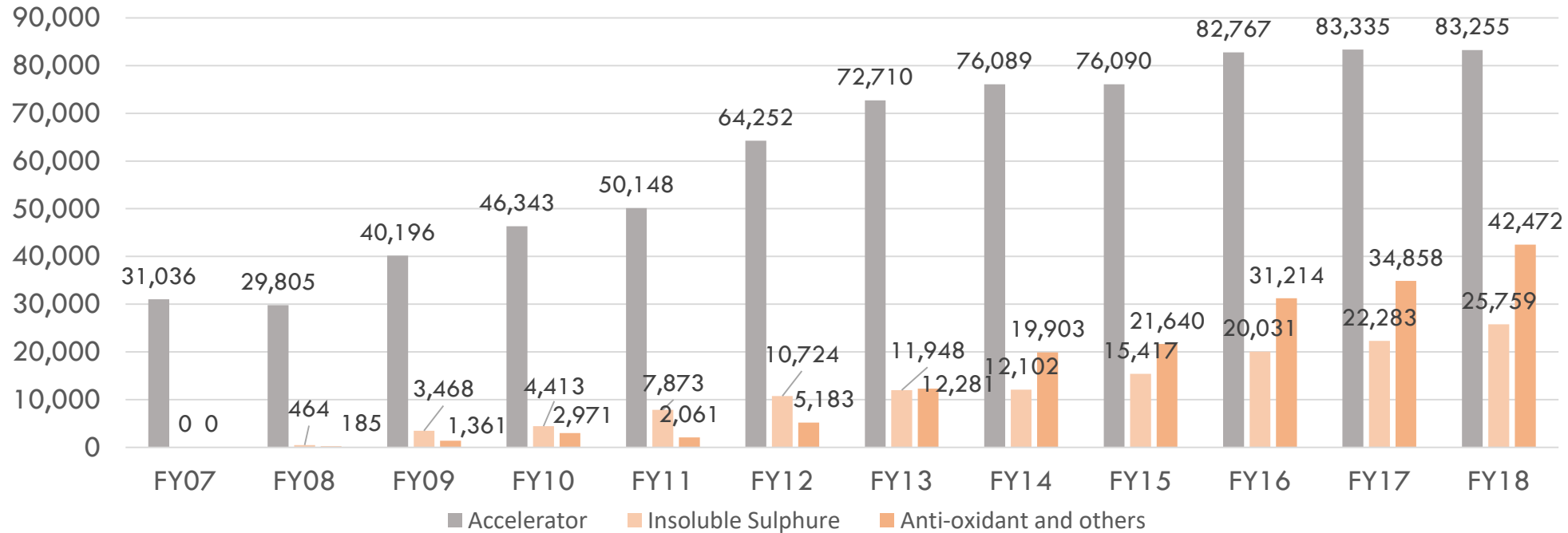
FY18 Sales volume up 8% y-o-y due mainly to higher sales volume of Insoluble Sulphur (IS) and Anti-oxidant products



Sales Volume by Products

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Tons

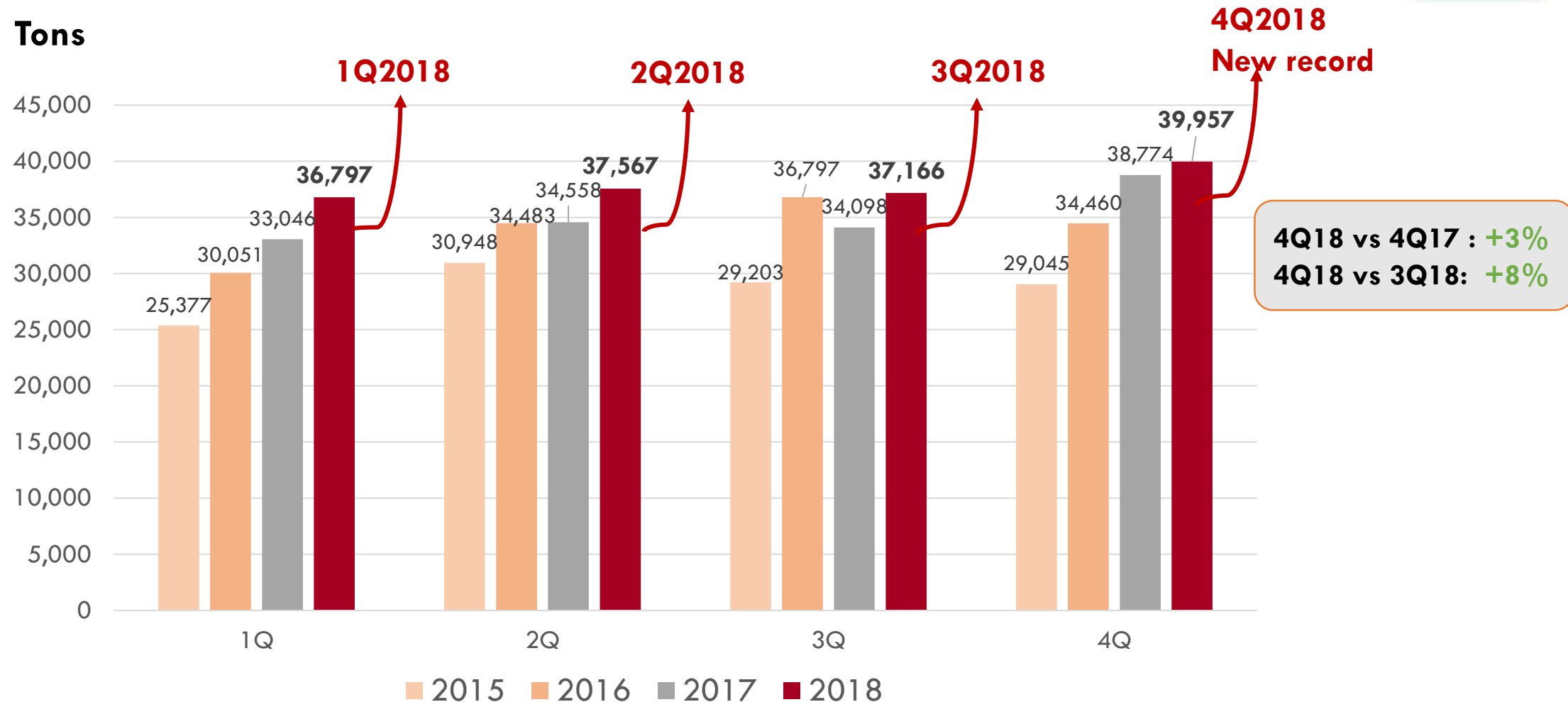


Sales Volume	FY18 vs FY17	Utilization Rate
Accelerators	+ 0%	Almost fully utilized
Insoluble Sulphur	+ 16%	Fully utilized
Anti-oxidants & Others	+ 24%	About 90%



Sales Volume By Quarter

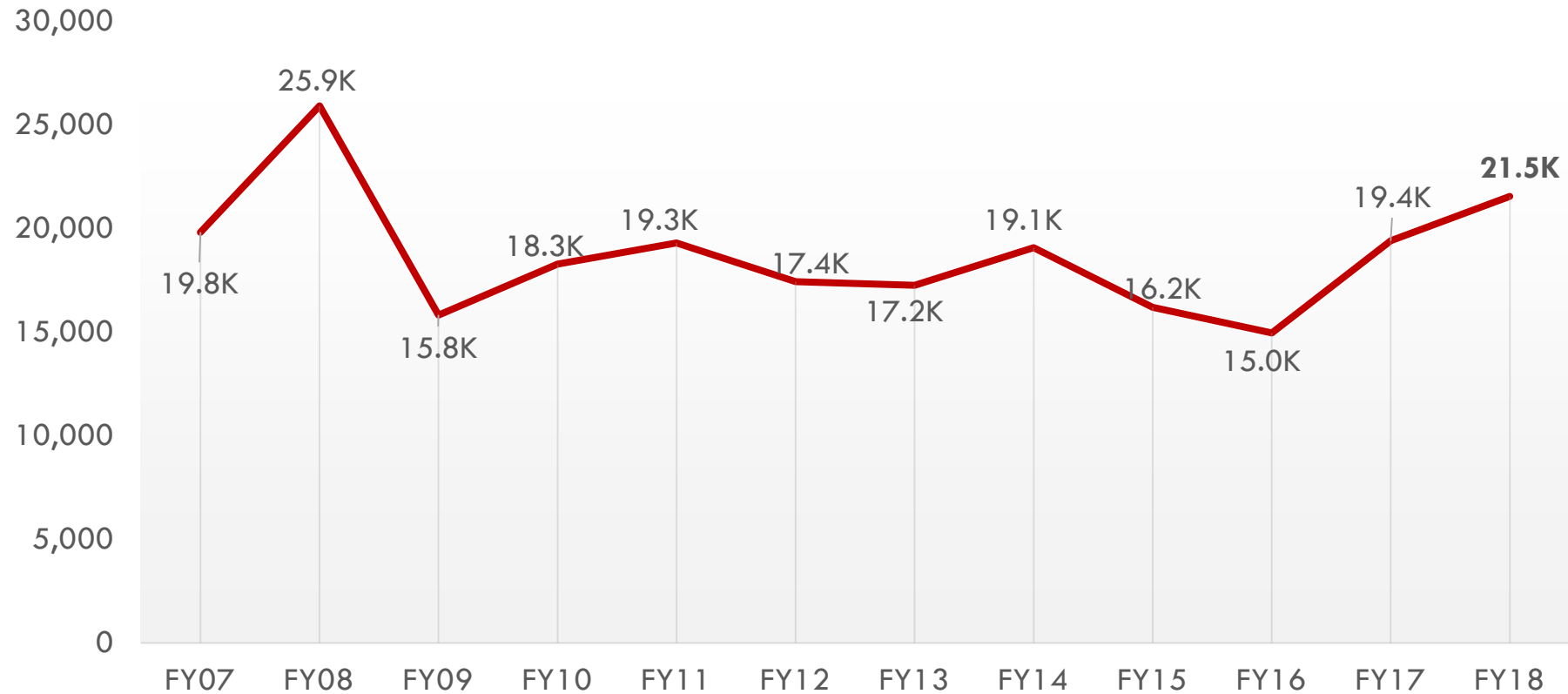
19



Overall Average Selling Price (ASP)

20

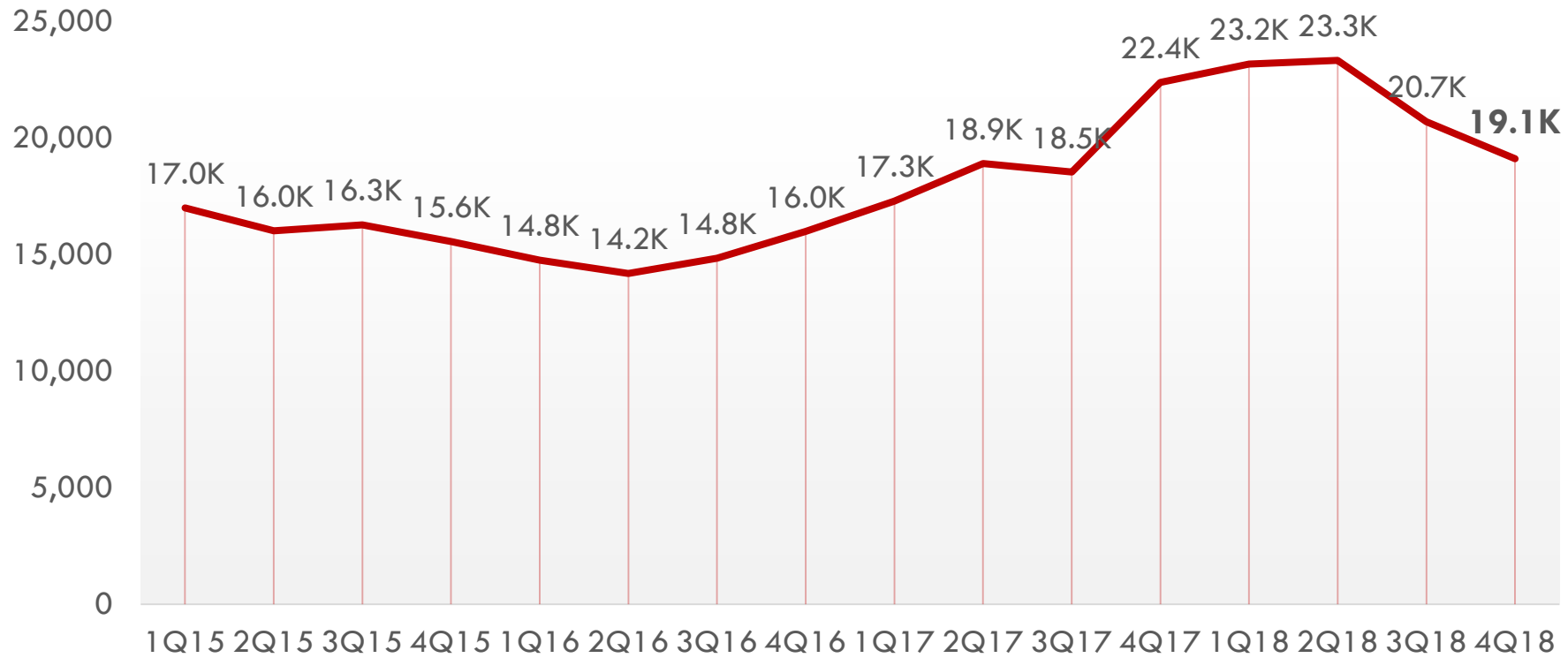
RMB/Ton



ASP by Quarter

21

RMB/Ton

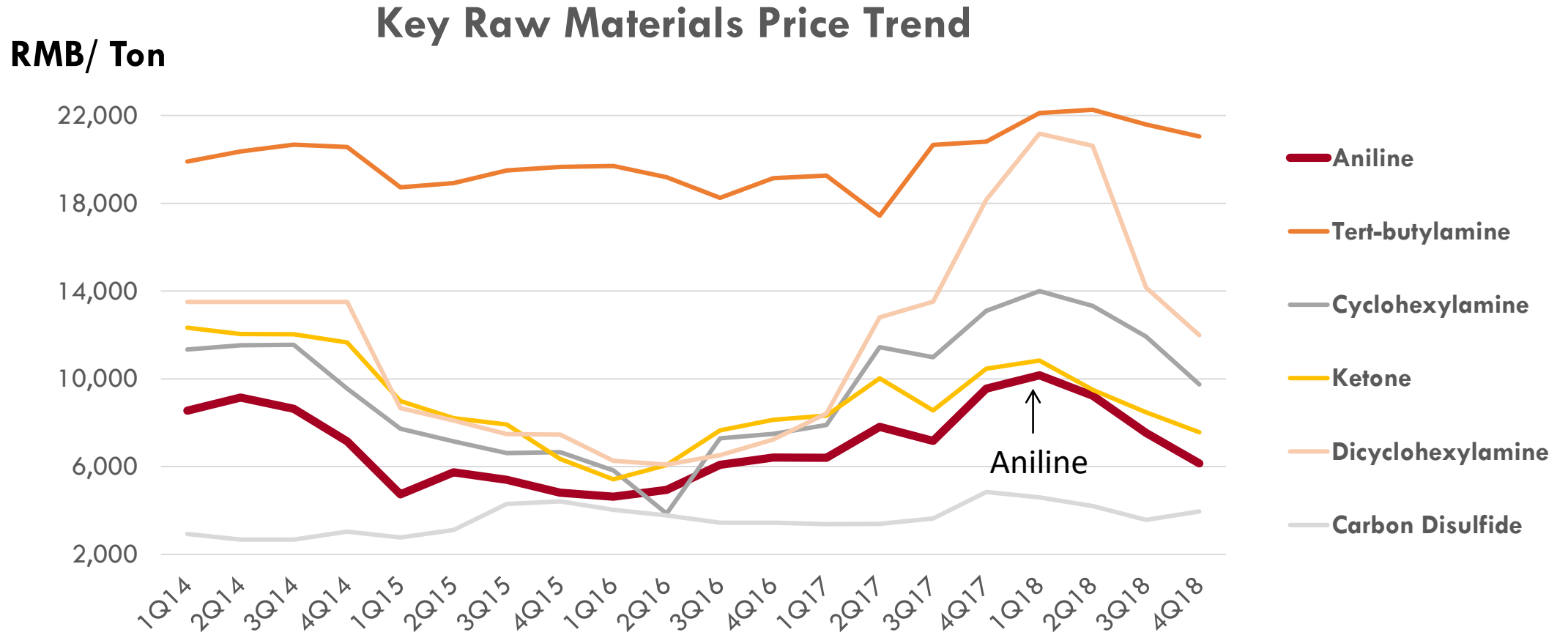


- 4Q18 ASP dropped 15% y-o-y mainly due to the eased short supply situation and the decrease in raw material prices



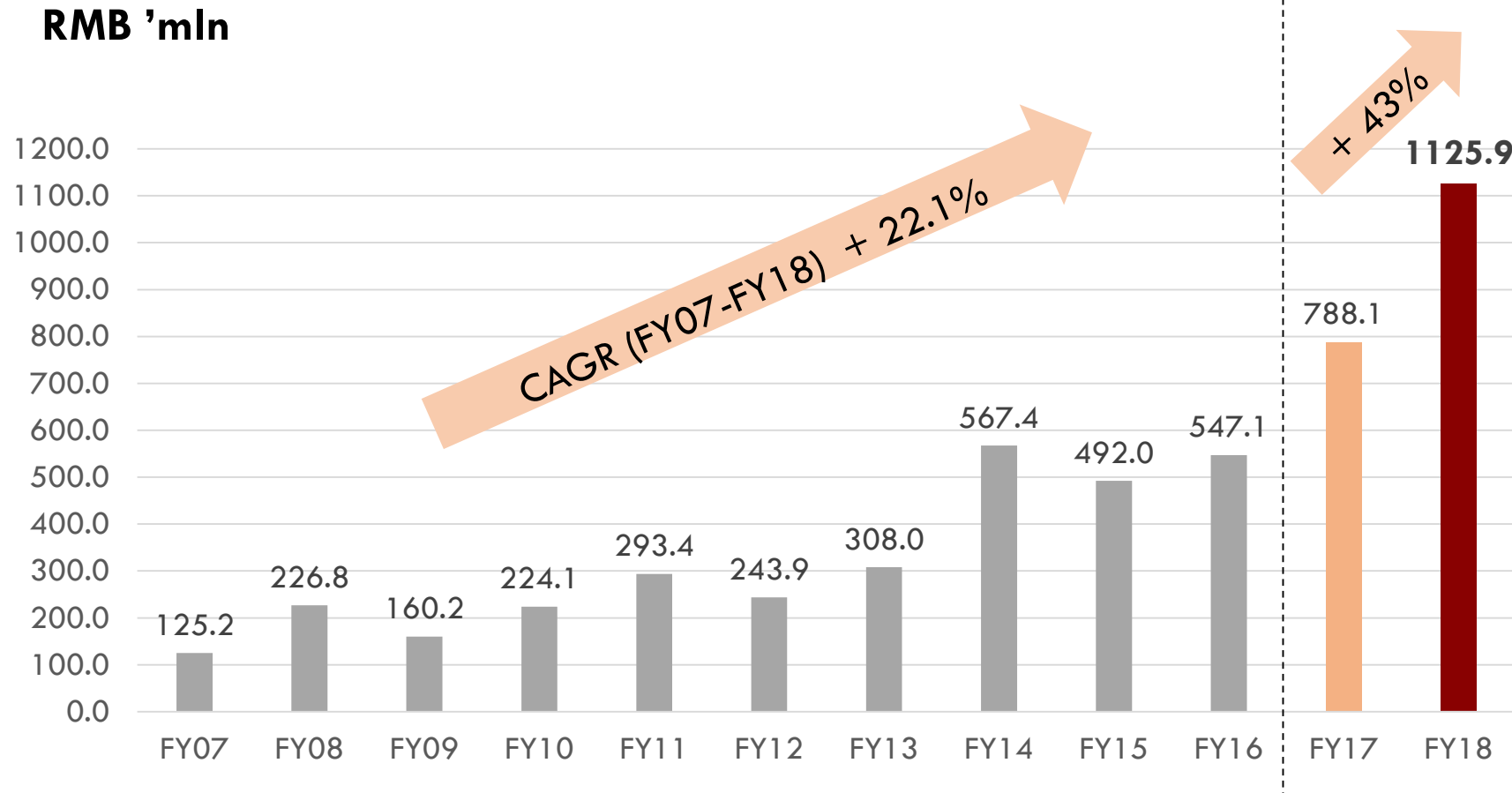
Main Raw Materials Cost

22



Gross Profit

23



FY18 Gross profit grew 43% y-o-y due to higher ASP and sales volume

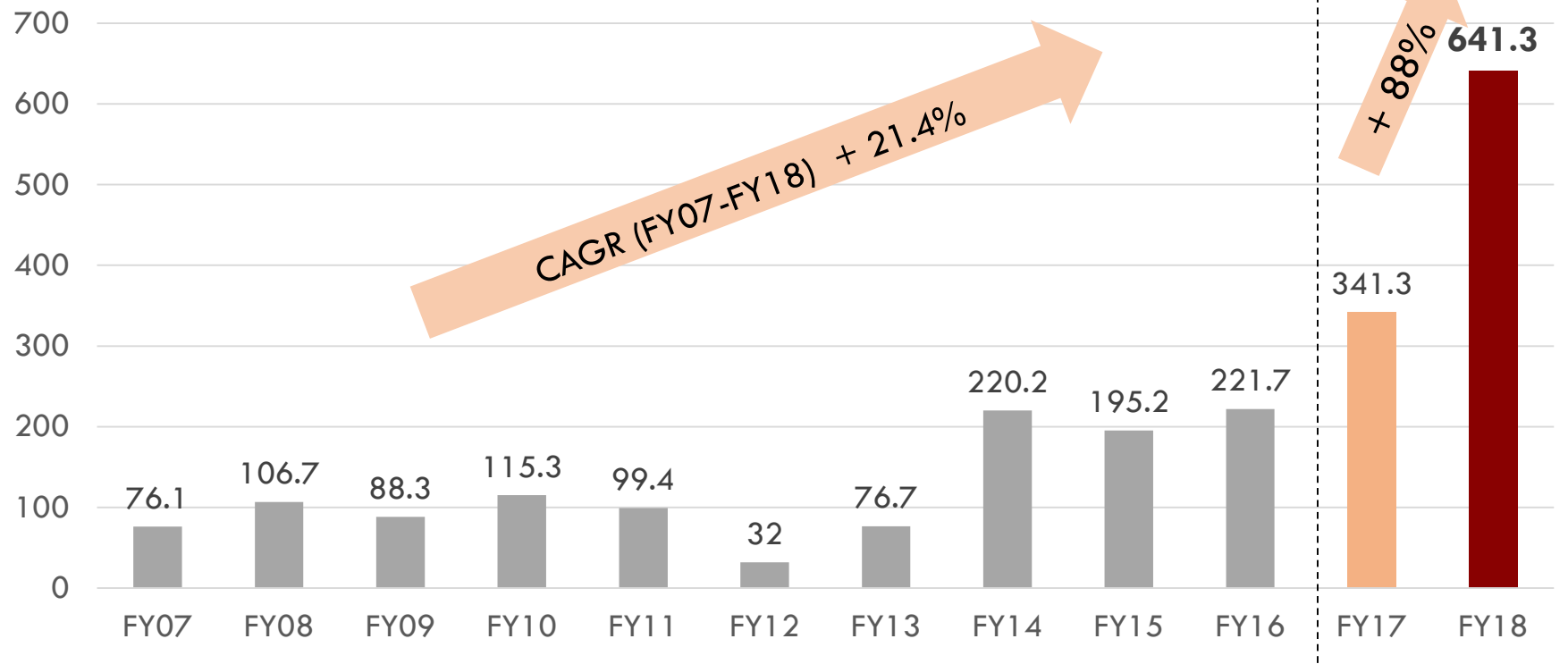


Net Profit

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RMB 'mln

Net Profit



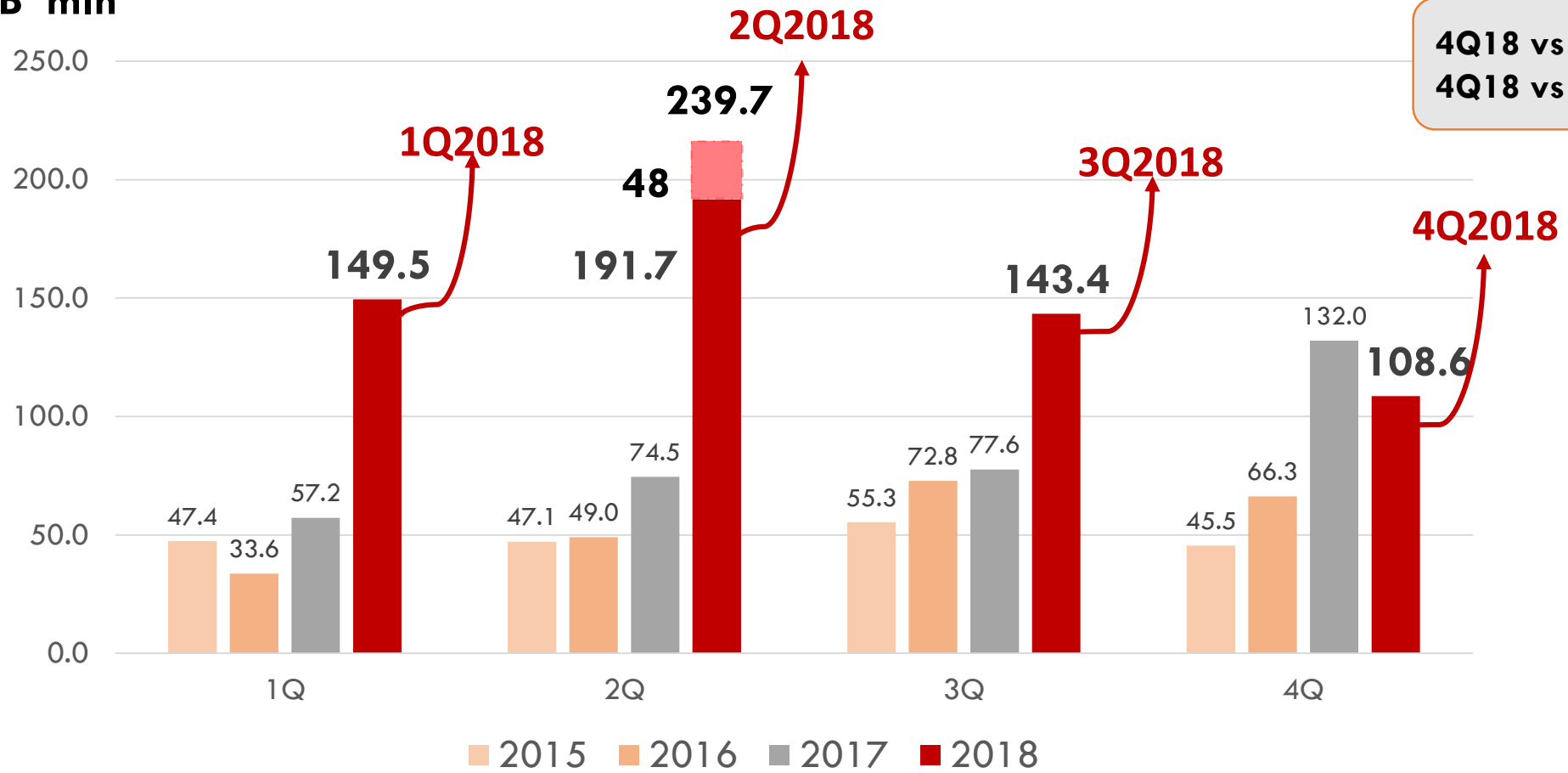
- Net Profit surge due to higher ASP and higher sales volume.
- Group's main subsidiary-Shangdong Sunsine enjoys a concessionary tax rate of 15% throughout FY17, FY18 and FY19 due to its "High-tech Enterprise" status



Net Profit By Quarter

25

RMB 'mln

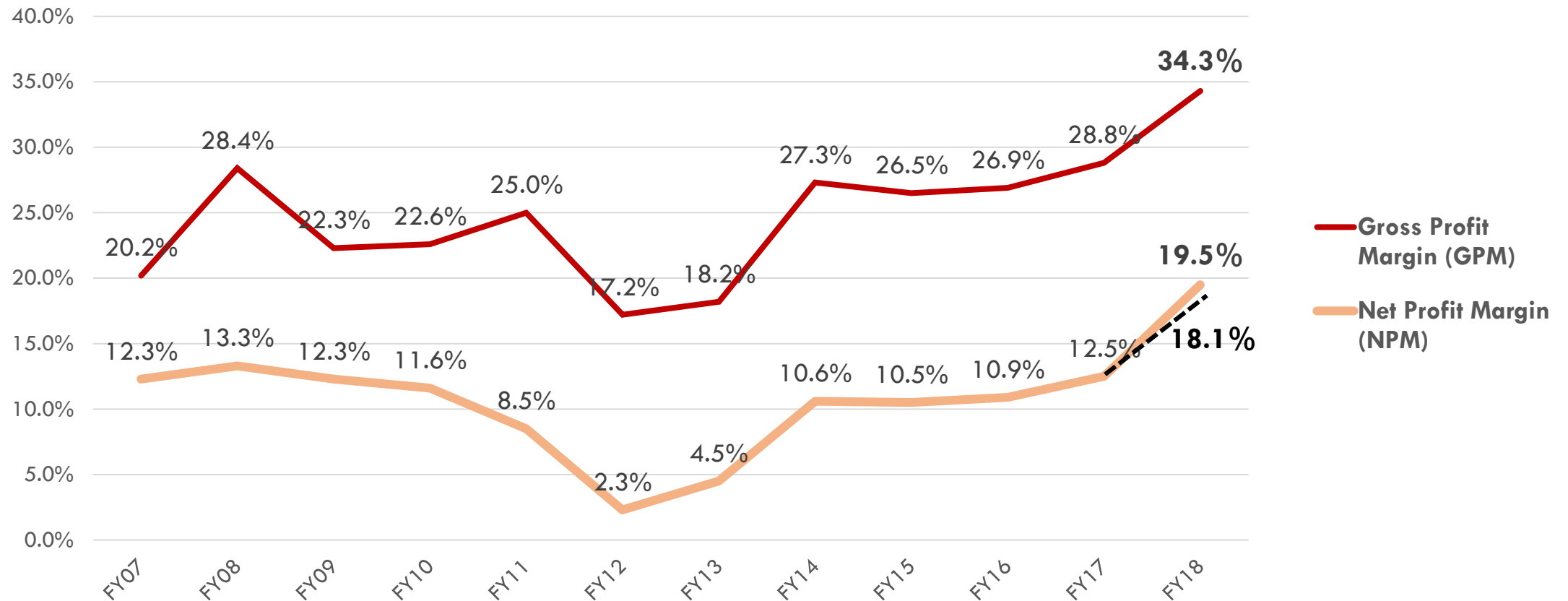


- A RMB48 million tax refund was credited in 2Q18



Margins Analysis

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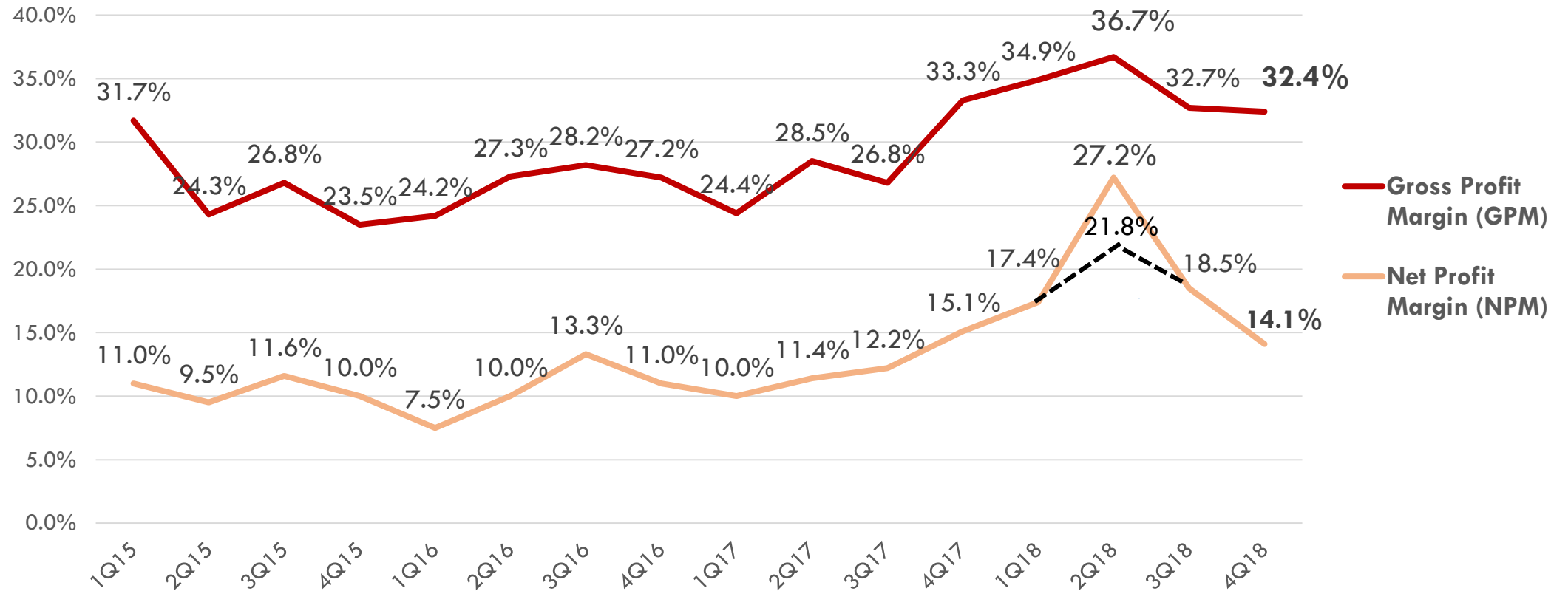


--- Adjusted by taking out the one-time credit of tax expense of RMB 48 mln in FY17



Margins Analysis By Quarter

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--- Adjusted by taking out the one-time credit of tax expense of RMB 48 mln in FY17



Balance Sheet Highlight

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	31/12/2018	31/12/2017	31/12/2016
Current Assets (RMB'mln) *	2,016.4	1,424.6	1,050.5
Current Liabilities (RMB'mln)	421.8	385.3	280.8
Current Ratio	4.78	3.70	3.74
Shareholders' Equity (RMB'mln)	2,325.5	1,742.4	1,361.6
D/E ratio **	0	0	0
NAV per share (RMB cents) (equivalent to SGD cents)	473.32/ 94.6	354.37/ 70.8	293.42/ 58.6
Net Cash per share (RMB cents) (equivalent to SGD cents)	211.4 42.2	101.6/ 20.3	56.1/ 11.2

* Including Cash RMB 1,038.6 mln

** No bank borrowing



Key Developments

Ongoing Projects

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Project	Status	CapEx
<u>30,000-ton fully-automated, high-end Accelerator TBBS at Shanxian:</u> 1. Phase I of 10,000-ton capacity 2. Phase II of 20,000-ton capacity	Whole project was approved in Jan 2019 Commercial production commenced Production line to be installed in 2019	RMB 100 mln RMB 60 mln
<u>Insoluble Sulphur at Dingtao:</u> 10,000-ton production line	Obtained approval in Nov 2018 Commercial production commenced	RMB 50 mln
<u>Heating Plant:</u> Add one boiler and one electric generator	Completed	RMB 100 mln

The Group is currently negotiating with local government to acquire more land for further expansion



Annual Capacity

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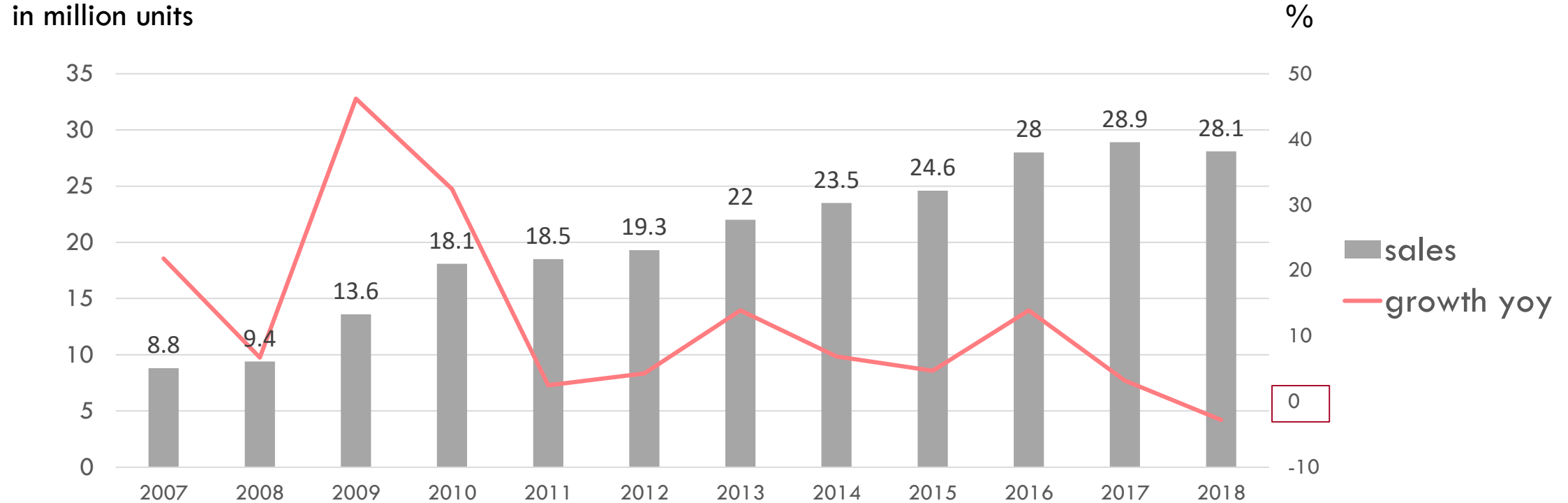
	2007 (before IPO)	FY17	FY18	FY9e
Rubber Accelerators	32,000	87,000	87,000	117,000
Insoluble Sulphur	nil	20,000	30,000	30,000
Anti-oxidant (TMQ & 6PPD)	nil	45,000	45,000	45,000
Total	32,000	152,000	162,000	192,000



Industry Info and Outlook

China's New Car Sales

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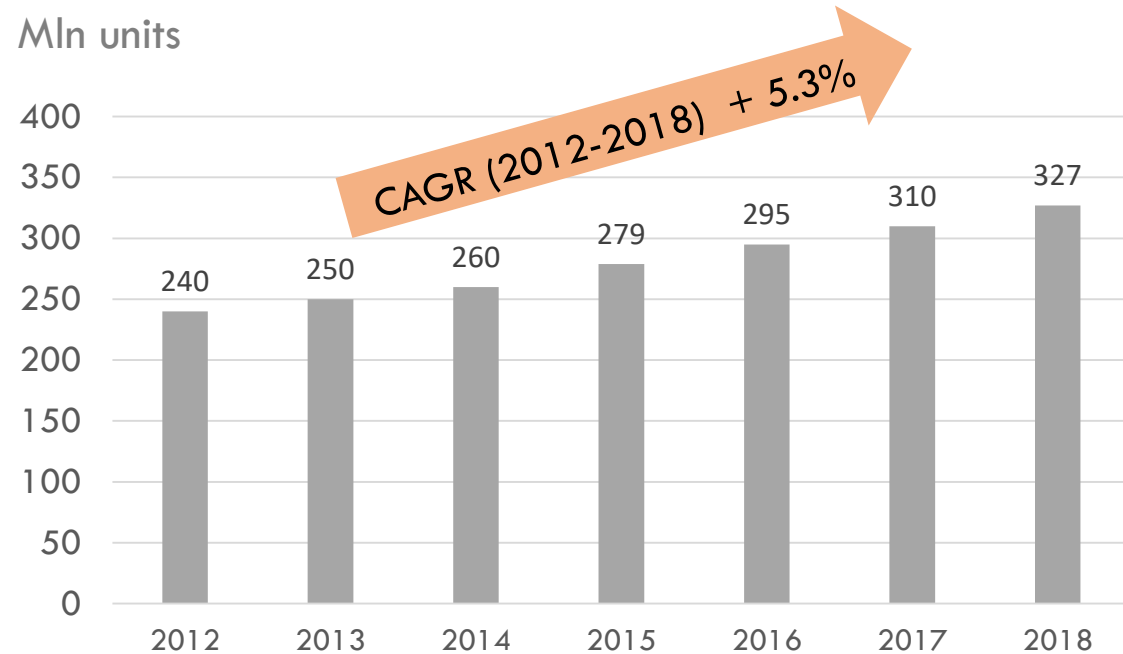
- 28.1 mln cars sold in China in 2018, down 2.8% y-o-y
- New car sales volume have seen the first time drop after 28 years of consecutive growth



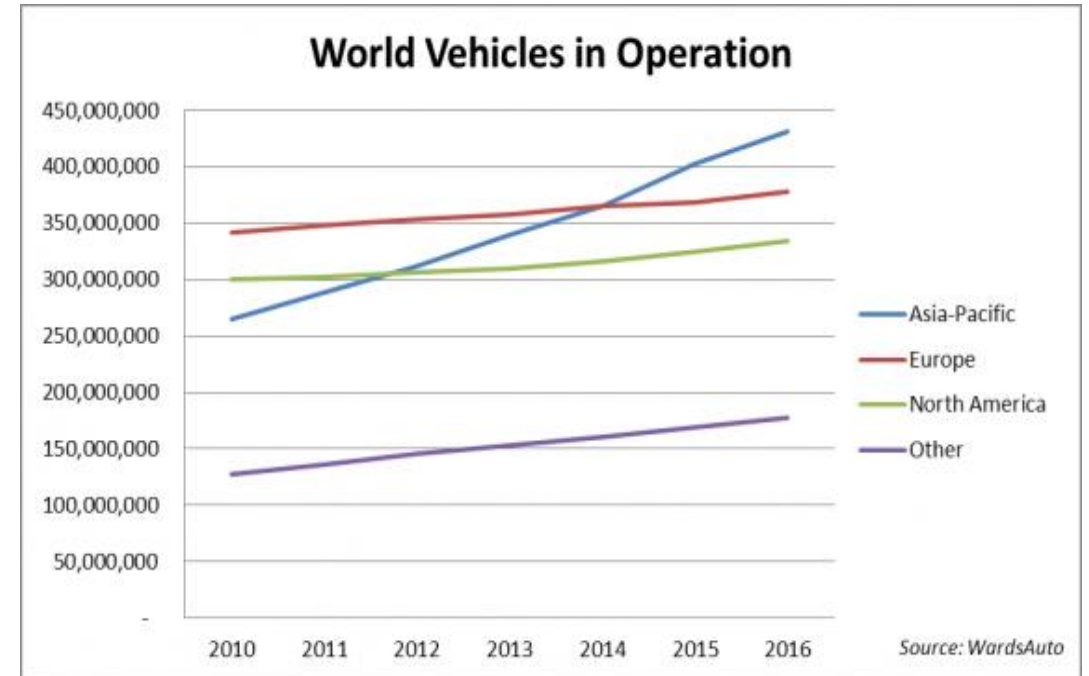
Global Vehicle Population

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PRC Motor Vehicle Population



http://www.sohu.com/a/289093749_390500



<http://subscribers.wardsintelligence.com/analysis/world-vehicle-population-rose-46-2016>



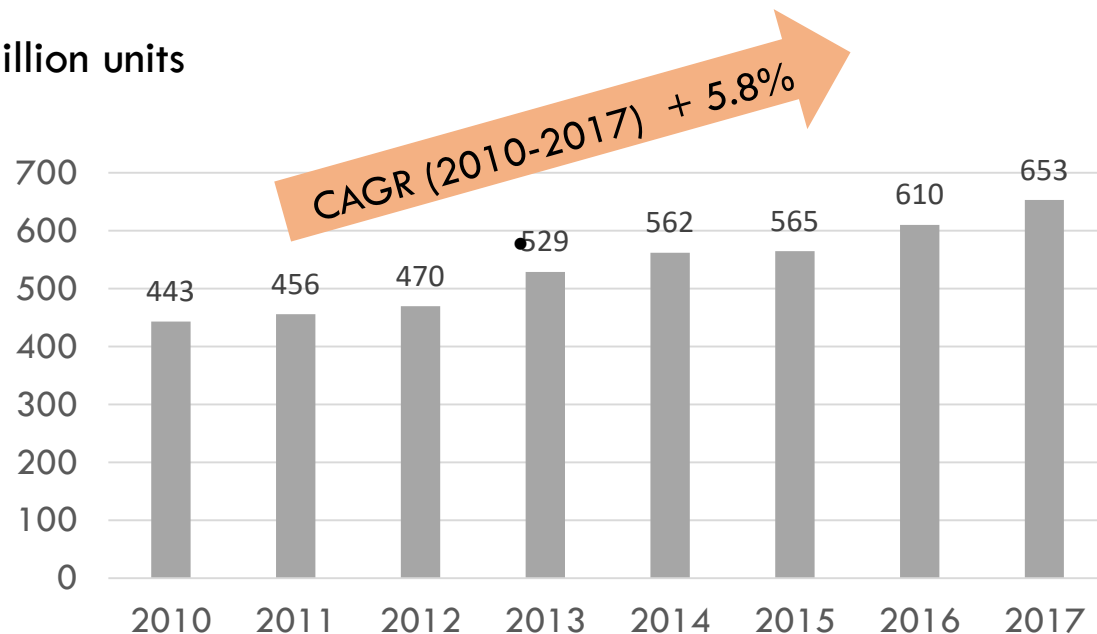
- Global vehicle population is growing, mainly driven by rising car ownership in developing countries

Riding on Rising Tire Consumption

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PRC Tire Production Volume

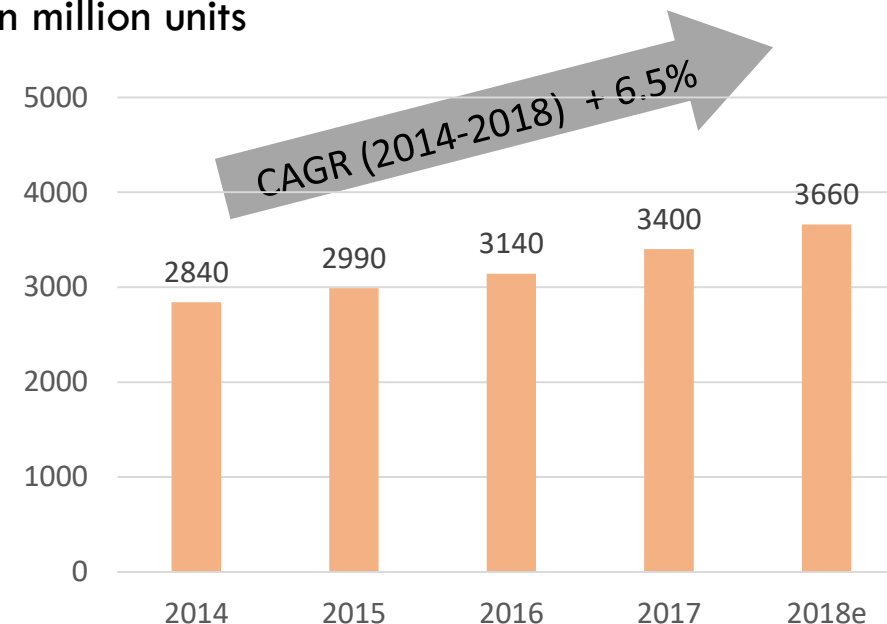
in million units



Source: <http://www.tyrefh.org/>

Projected worldwide tire market volume from 2014 to 2018

in million units



www.statista.com



- Replacement tire and new car tire sales account for 70% and 30% respectively
- As overseas factories of Chinese tyre makers produce for export to the US and the EU, tire production in China expected to grow moderately

Competitive Strengths

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Market Leadership

- World largest accelerators and China's biggest IS producer
- Capturing 20% of global and 33% of China's accelerators markets
- 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 economy of scale

Strong Customer Base

- Over 1,000 customers worldwide spanning over 40 countries
- Serving 2/3 of global top 75 tire 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

- "High-tech Enterprise" Status
- Academician R&D workstation in collaboration with Tsinghua and CAS
- R&D Centre partnered with Qingdao University of Science and Technology

Ready Resources for Future Expansion

- Strong cash position
- Built-up infrastructures



Q : Are rubber chemical products commodities?

A : NO – They are products in the niche market.

Reasons:

1. Rubber chemicals are not produced in a large scale
2. Renowned tire makers, which account for the bulk of the global tire production, require rubber chemicals to satisfy their special, onerous specifications. High technology and talents are required to make such rubber chemicals
3. China Sunsine has been profitable since 1998



Q : Are entry barriers high for the rubber chemical industry?

A : Yes.

Reasons:

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



Q : Will weakening car sales affect the rubber chemical industry?

A : There will be material impact only if the new car sales experience significant negative growth

Reasons:

1. New cars accounts for only 30% of tire consumption. Existing cars consume the remaining 70% as replacement for old tires. For passenger cars, every car needs to replace 1.5 piece of tires 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	231

https://en.wikipedia.org/wiki/List_of_countries_by_vehicles_per_capita



Q : Will weakening ASP affect the Group's performance?

A : The Group expects a downward pressure on ASP moving forward. For a long run, growing sales volume is what we are pursuing for sustainable growth

Reasons:

1. ASP depends on the demand & supply situation and raw material prices. The Group is able to gain a reasonable margin due to its comprehensive competitive advantage.
2. Growing sales volume to further strengthen our market leadership position.
3. Robust financial position to support future capacity expansion



Turning Challenges into Opportunities

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Challenges

Opportunities

Stringent environmental and safety enforcement may affect all chemical companies in China



The policy affects smaller producers more and will lead to industry consolidation, benefiting bigger players

Short supply situation may ease as some affected productions resume gradually which could lead to the decline of ASP



Sunsine's capacity growth will result in sales volume growth and lower unit cost. Profit will grow in long term even if ASP normalises

Trade war tension between US and China makes the world economy uncertain and weakens China's tire export to US



Group's sales to US are small, about 2%. Wherever they are located, tire factories all over the world need rubber chemicals



Listed On SGX Mainboard

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SHARE PERFORMANCE

China Sunsine Chemical Holdings Ltd. (CH8.SI) ☆

SES - SES Delayed Price. Currency in SGD

1.3200 -0.0200 (-1.49%)

At close: 5:04PM SGT



- P/E 5 times & P/B 1.4 times
- Dividend yield 4.2%

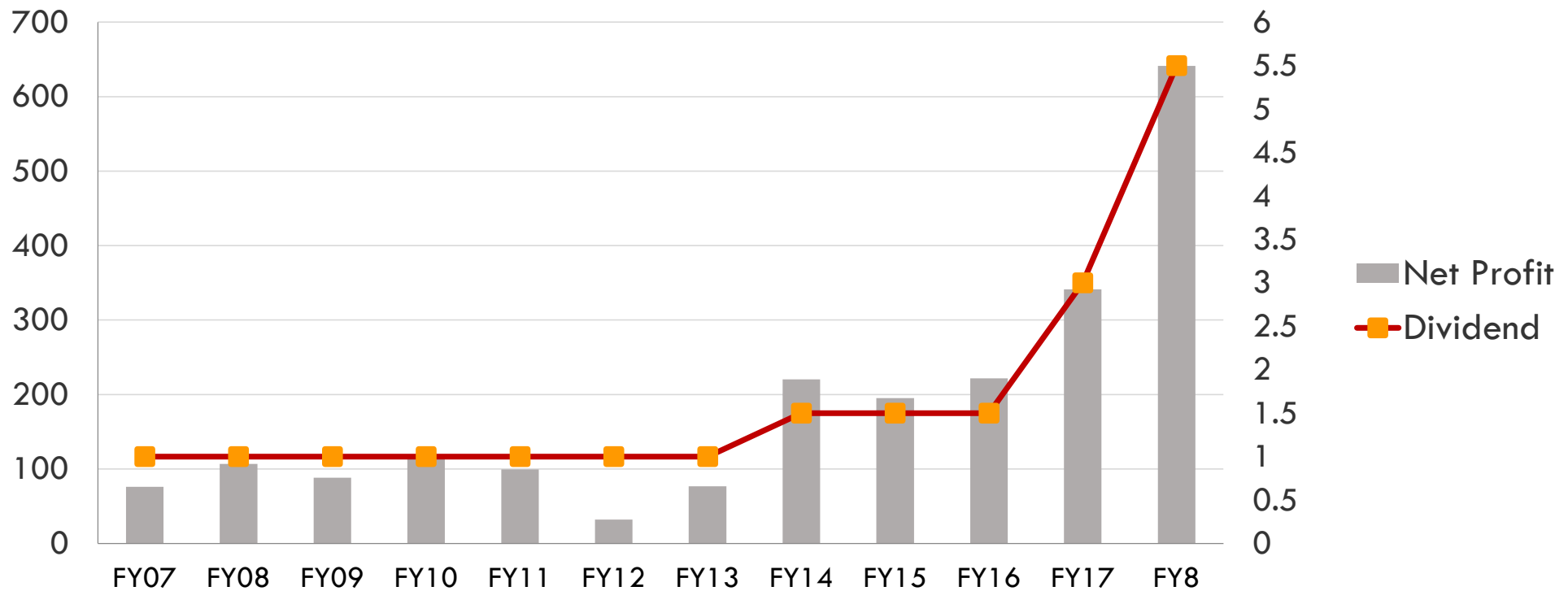


Dividend Payment History

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Net Profit
(in RMB 'mln)

Dividend
(in SGD cents)



Chairman's Message

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"I am pleased that the Group has achieved this phenomenal performance in 2018. The global economic and geopolitical conditions remain uncertain. China's economy is continuing to slow down. Auto sales have seen its first decline in 2018 after 28 years of consecutive growth. On top of that, some players which have placed more emphasis on their environmental protection and safety measures had resumed their operations. The Group expects downward pressure on prices moving forward."

"In spite of many challenges ahead, as a leading rubber chemicals producer, the Group continues to focus on production technology and innovation through investment in R&D, to gain a competitive edge over other players. We remain cautious about the outlook of the Group and are confident of our profitability in the next 12 months."



Mr. Xu Chengqiu
Executive Chairman



Q & A

MEDIA/INVESTOR CONTACT

Tong Yiping, CFO, tongyiping@ChinaSunsine.com
Jennie Liu, IR Manager, jennie@ChinaSunsine.com

112 Robinson Road #11-01
Singapore 068902
(+65) 6220-9070
www.ChinaSunsine.com