

CHINA SUNSINE CHEMICAL HLDS LTD

(CSSC SP / CSSC.SI)

Tyre-chain scale leader with volume resilience and FY26 spread upside

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Investment Highlights

- **Embedded in a mission-critical tyre input chain.** Sunsine supplies accelerators, insoluble sulphur and anti-oxidants used in compounding and vulcanisation. Rubber chemicals are a small share of tyre cost, but they affect cure speed, durability and production reliability; qualified suppliers therefore have stronger retention than a generic commodity label implies.
- **Scale and compliance support share gains through the cycle.** Sunsine is world's No. 1 global rubber accelerator producer and operates with 254kt of finished annual capacity at end-FY25. We expect capacity to rise to 272kt in FY26E, supporting volume-led growth as weaker producers face utilisation, environmental and working-capital pressure.
- **FY26E spread recovery, not permanent supernormal pricing.** The Yanggu outage and sulphur tightness should improve Sunsine's bargaining position, especially in insoluble sulphur. Our model still assumes only moderate blended ASP uplift and FY27E-FY30E margin normalisation, keeping the earnings case grounded.

Valuation & Action.

We initiate coverage on China Sunsine Chemical Holdings Ltd. with an **OUTPERFORM** rating and a 12-month target price of **S\$1.145**, based on a DCF using 12.0% WACC and 2.0% terminal growth. Our target price implies 69.6% upside from S\$0.675.

Risks.

Key downside risks include (i) rubber chemical ASP pressure and industry overcapacity; (ii) raw-material and energy price volatility; (iii) weaker tyre demand or customer utilisation; (iv) expansion and utilisation execution risk; and (v) FX and capital-allocation risk.

OUTPERFORM

Last close (S\$)	0.675
12M Target Price (S\$)	1.145
Previous TP (S\$)	-
Upside / (Downside) (%)	69.6%
TRADING DATA	
Market Cap (S\$m)	643.53
Issued Shares (mn)	953.38
3M Avg Daily Vol (mn)	0.43
3M Avg Daily Val (S\$m)	0.29
Free Float (%)	41.11
MAJOR SHAREHOLDERS (%)	
Success More Group L	57.19
Koh Choon Kong	0.90
Dimensional Fund Adv	0.78

Financials & Key Operating Statistics

YE Dec (CNY'mn)	FY24A	FY25A	FY26A	FY27A	FY28A
Revenue	3,516	3,277	3,378	3,521	3,639
Net Income	424	405	442	419	434
EPS (S\$ cents)	8.23	7.87	8.59	8.13	8.42
EPS growth (%)	13.8%	(4.5%)	9.2%	(5.3%)	3.6%
DPS (S\$ cents)	2.46	3.59	3.44	3.25	3.37
Div Yield (%)	3.6%	5.2%	5.0%	4.7%	4.9%
Net Profit Margin (%)	12.1%	12.4%	13.1%	11.9%	11.9%
Net Gearing (%)	N.A.	N.A.	N.A.	N.A.	N.A.
P/E (x)	8.2x	8.6x	7.9x	8.3x	8.0x
P/B (x)	0.8x	0.8x	0.7x	0.7x	0.7x

Source: Company data, KGI Research estimates

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Company Background

China SunSine Chemical Holdings Ltd. was listed on the Main Board of the Singapore Exchange in July 2007 and operates primarily through production facilities in Shanxian and Weifang, Shandong Province. The group is the world’s largest producer of rubber accelerators and one of China’s largest rubber chemicals enterprises. Its products are marketed under the SunSine brand and sold to a global customer base of more than 1,000 customers.

The company’s customer list includes many of the largest global tyre manufacturers and Chinese tyre manufacturers. The customer base matters because rubber chemicals are qualification driven. Large tyre makers usually require technical approval, consistent batch quality, reliable delivery and environmental compliance. Once a supplier is qualified, switching is possible but not frictionless, especially for mission critical curing inputs that affect tyre durability, ageing resistance and production yield.

SunSine’s total stated production capacity is 254,000 tonnes per annum, comprising 117,000 tonnes of accelerators, 60,000 tonnes of insoluble sulphur and 77,000 tonnes of anti-oxidants. The group also operates a centralised heating plant that generates steam and electricity, as well as waste treatment capabilities. These ancillary assets are not the investment story by themselves, but they are important to cost control and regulatory resilience.

The company’s history has been defined by capacity expansion, compliance investment and customer penetration. In 2021, stated capacity was 222,000 tonnes. By 2023, capacity had increased to 254,000 tonnes following anti-oxidant expansion. FY2025 volume of 222,243 tonnes implies a high level of utilisation against stated capacity, although product-level utilisation differs by category.

Figure 1: Core Business Segments

Product	Stated capacity	FY2025 sales volume	Implied utilisation	Comment
Accelerators	117,000 tonnes	108,773 tonnes	93.0%	Core franchise; 25% global and 37% PRC market share disclosed by company.
Insoluble sulphur	60,000 tonnes	46,371 tonnes	77.3%	Higher growth in FY2025, increasingly important to high-performance radial tyre production.
Anti-oxidants	77,000 tonnes	64,689 tonnes	84.0%	Larger revenue pool than IS but more ASP pressure in FY2025.
Total rubber chemicals	254,000 tonnes	222,243 tonnes	87.5%	Record sales volume despite ASP pressure.

Source: Company, KGI Research

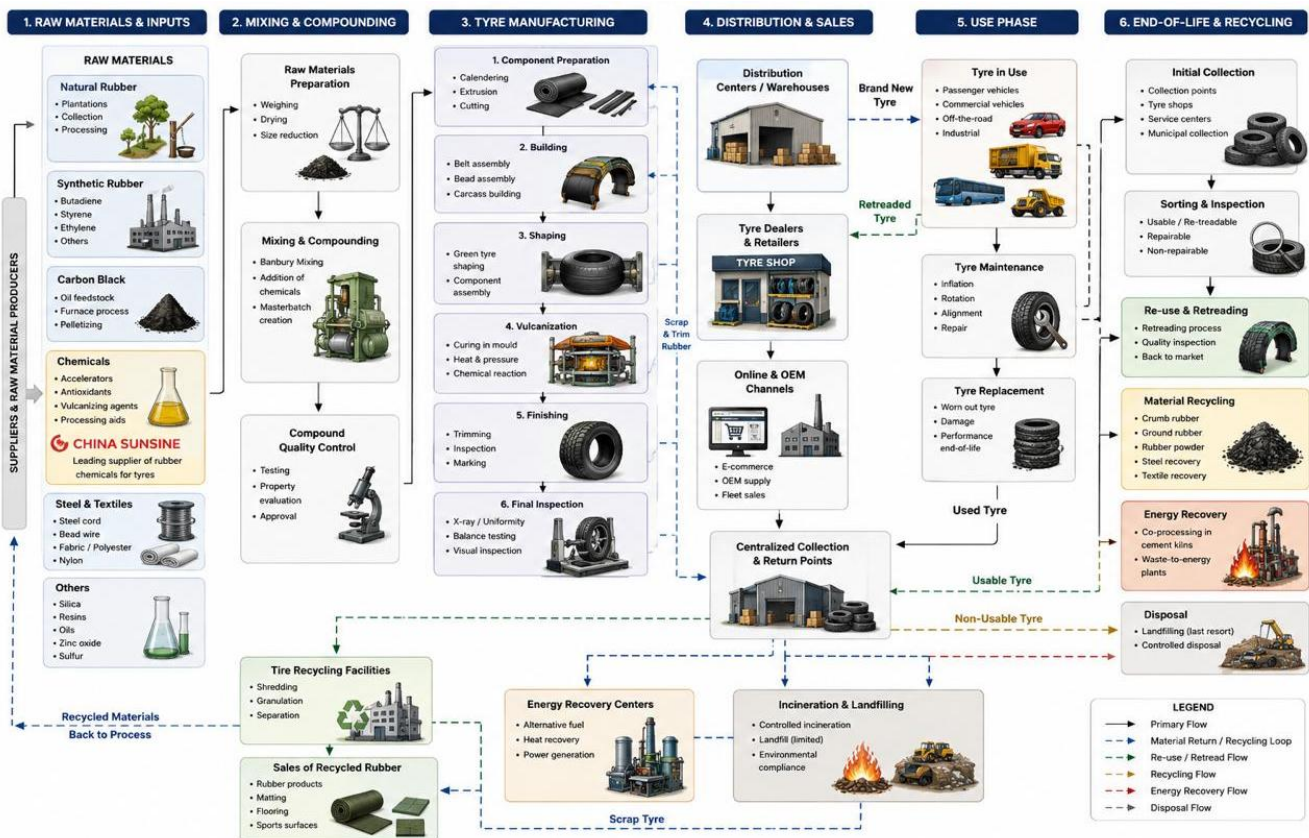
Investment Thesis

We initiate coverage on China SunSine with an Outperform rating. The investment case is anchored on a simple view: SunSine controls a strategically important position in the tyre chemicals value chain, with scale, manufacturing reliability and customer qualification that are not fully reflected in its valuation. Rubber chemicals represent a small share of a tyre’s bill of materials, but they are critical to vulcanisation efficiency, ageing resistance and product consistency. This combination of low cost share and high functional importance supports recurring demand, customer stickiness and a more resilient earnings base than implied by a generic commodity chemicals framework.

Thesis 1 — Business Model and Tyre Value Chain Positioning

SunSine sits at the compounding and vulcanisation stage of the tyre value chain, supplying accelerators, insoluble sulphur and antioxidants before rubber compounds are formed, cured and converted into finished tyres. These inputs do not drive the visual identity of a tyre, but they influence cure speed, cross-link density, heat resistance, ozone resistance and durability. For tyre manufacturers, the cost of failure is far higher than the cost saving from switching to an unproven supplier. This creates a practical barrier to substitution once a producer is qualified.

Figure 2: Core Business Segments



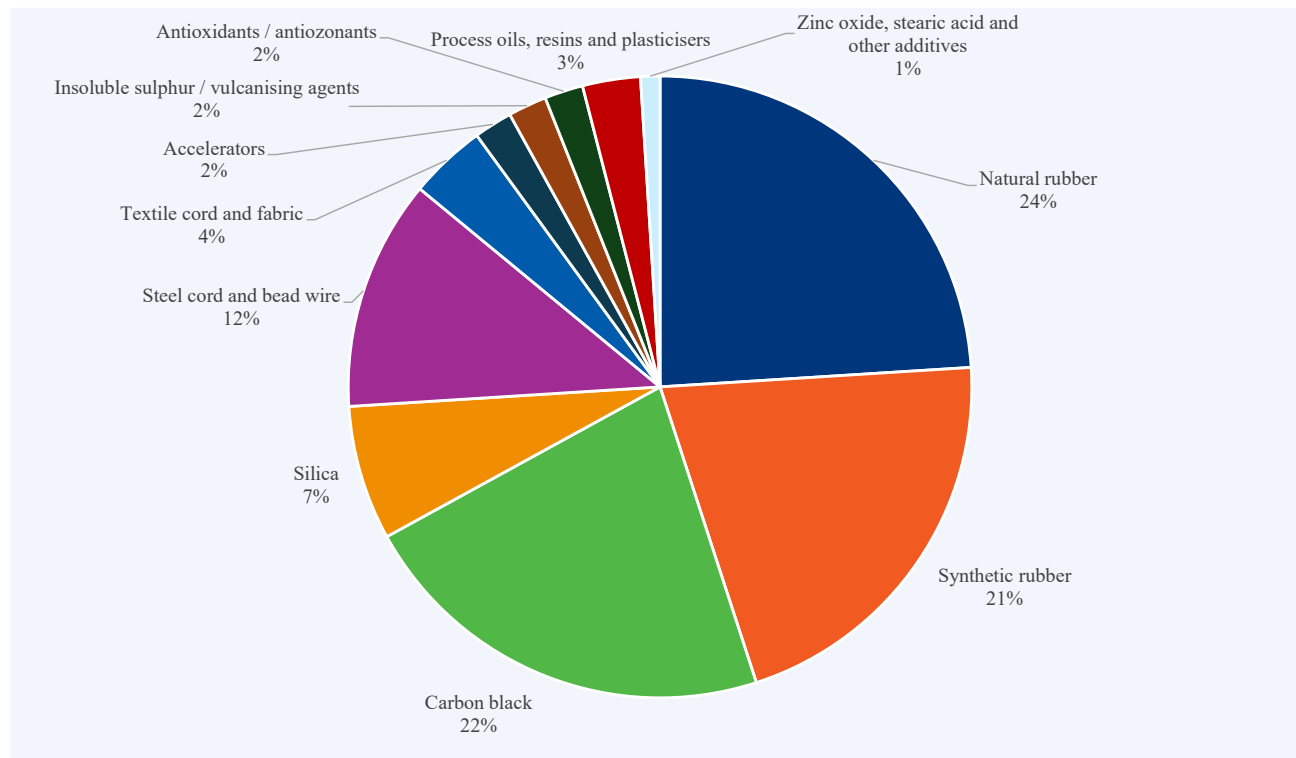
Source: Company, KGI Research

The business model is therefore more attractive than the apparent commodity label suggests. SunSine sells into a large, recurring end market where replacement tyre demand provides a stabilising base, while OEM tyre demand adds cyclicity. Its products are consumed continuously in tyre production, are difficult to remove from the process, and require consistency across batches. We think SunSine’s position in a mission-critical step of tyre production gives it enough volume durability and pricing discipline to compound through cycles.

The overseas expansion of Chinese tyre producers strengthens this positioning. As Chinese tyre makers add capacity in Southeast Asia and other offshore locations, their qualified chemical suppliers should follow the volume migration.

Sunsine’s broad customer base and established relationships with major tyre producers position it to participate in this shift without taking direct tyre-manufacturing risk. This makes the company a leveraged supplier to global tyre supply-chain relocation rather than only a domestic China tyre proxy.

Figure 3: KGI Estimates on Tyre Bill-of-Materials



Source: KGI Research

Thesis 2 — Product Economics and Manufacturing Moat

Sunsine’s moat is built on scale, product breadth, environmental compliance and process reliability. The company is the largest global producer of rubber accelerators and has meaningful capacity in insoluble sulphur and antioxidants. This matters because tyre customers prefer suppliers that can provide consistent quality, reliable delivery and a broad product suite across multiple chemical categories. Smaller producers may compete on price in strong markets, but they are structurally weaker when utilisation falls, raw material spreads move against them, or environmental compliance costs rise.

The product economics are favourable because rubber chemicals have a small customer cost share but a high process value. Accelerators improve plant throughput and curing efficiency. Insoluble sulphur supports more stable vulcanisation and helps reduce blooming risk. Antioxidants and antiozonants protect tyres from heat, oxygen, ozone and flex cracking. These functions are directly linked to tyre safety, durability and warranty risk. The procurement decision is therefore not purely price-based, especially for larger tyre manufacturers with global quality systems.

Industry oversupply and ASP pressure remain important risks, but they are also part of the consolidation logic. In weak pricing periods, SunSine can use scale, utilisation, raw material procurement, internal utilities and environmental infrastructure to defend margins better than smaller competitors. The company’s centralised heating and waste treatment assets are not large external revenue contributors, but they support lower operating disruption, compliance control and production continuity. Over time, these advantages should allow SunSine to convert industry pressure into share gains rather than simply absorb margin compression.

Figure 4: Rubber Chemical Product Economics

Major category	Customer value	Qualification barriers	Margin sensitivity	Implication for SunSine
Accelerators	Shortens curing cycle, improves throughput and helps tyre plants run stable vulcanisation processes.	Compound recipe approval, tyre performance validation, batch consistency, residue control and customer audits.	Sensitive to aniline, CS2 and other feedstock spreads; ASPs volatile, but qualified suppliers can defend volume.	Core category. Scale and customer approvals should support utilisation even when pricing is competitive.
Insoluble sulphur / vulcanising agents	Enables cross-linking; improves heat stability and reduces migration risk during storage and processing.	Storage stability, dispersion quality, bloom control and curing compatibility are difficult to switch quickly.	More mix and quality sensitive than basic rubber inputs; margins depend on stability premium and utilisation.	Supports deeper customer embedding because tyre makers prioritise process reliability over lowest spot price.
Antioxidants / antiozonants	Extends tyre life by protecting rubber from oxygen, ozone, heat and ageing; critical for safety and warranty risk.	Long testing cycle, ageing performance validation, impurity control and compliance with customer specifications.	Margins exposed to raw materials and competitive pricing, but durability value supports supplier discipline.	Broadens wallet share with tyre customers and reduces dependence on a single accelerator cycle.
Processing aids and other additives	Improves processability, mixing efficiency, compound flow and final product consistency.	Lower barrier than core curing system, but still requires compatibility with plant recipe and equipment.	More commoditised; pricing follows feedstocks and competitive intensity more closely.	Useful portfolio extension, but less central to the investment case than accelerators and antioxidants.
Environmental and utility infrastructure	Ensures reliable production, waste treatment, emissions compliance and continuity of supply for tyre customers.	Permitting, capex, operating know-how and recurring compliance audits raise the hurdle for smaller producers.	Not a direct product margin line, but reduces disruption risk and supports stable cost absorption at scale.	Compliance-led capacity discipline should matter more as smaller producers face higher environmental costs.

Source: KGI Research

Thesis 3 — Historical financial and operating performance

Sunsine’s historical performance supports the case for a higher-quality cyclical chemicals business. Over the past five years, the company has expanded sales volume, added capacity and remained profitable despite meaningful ASP and raw material cycles. FY2025 rubber chemical sales volume reached a record 222.2k tonnes, with high utilisation across accelerators, insoluble sulphur and antioxidants. This is an important datapoint because it shows that the company can absorb industry pressure through volume, customer breadth and operating execution.

The financial track record also shows that SunSine is not a pure spread trade. Revenue and margins move with ASPs and input costs, but the company has consistently retained a strong balance sheet, paid dividends and reinvested in capacity, environmental infrastructure and process reliability. That combination is unusual for a lowly valued cyclical chemical name. It gives the company more flexibility to protect market share during weak cycles and to capture operating leverage when demand and spreads improve.

Valuation & Peer Comparison

We use a DCF as the primary valuation method because SunSine's valuation is driven more by through-cycle free cash flow than by one-year earnings. A P/E or EV/EBITDA approach is useful for cross-checking, but it is less reliable as the sole method because rubber-chemical earnings are cyclical, peer multiples are dispersed, and SunSine's large net cash position mechanically depresses EV-based multiples. The DCF captures operating cash generation, reinvestment requirements, terminal cash flow and balance-sheet value in a single framework.

DCF Valuation

The DCF implies an equity value of RMB5.89bn and a fair value of S\$1.145 per share, based on diluted shares of 953.4m and an SGD/CNH exchange rate of 5.4. Against a current share price of S\$0.675, this implies 69.6% upside.

Figure 5: DCF Valuation

DCF VALUATION <i>All Amounts Stated in 000' CNY unless stated otherwise</i> <i>Year Ended 31' Dec</i>	<i>Projected</i>				
	FY26	FY27	FY28	FY29	FY30
EBIT	499,577	466,608	481,272	492,910	513,712
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%
EBIT (1-T)	404,657	377,953	389,830	399,257	416,106
(+) D&A	158,972	160,504	162,820	165,640	168,723
(-) Change in NWC	(65,558)	(47,393)	(38,101)	(30,238)	(21,313)
(-) Capex	(168,913)	(176,052)	(181,965)	(186,657)	(189,965)
Free Cash Flow	329,158	315,012	332,585	348,002	373,551
Terminal Value					3,810,224
Total FCF to be Discounted	329,158	315,012	332,585	348,002	4,183,776
PV of Free Cash Flow	293,891	251,126	236,728	221,162	2,373,987
Enterprise Value	3,376,893				
(-) Debt	-				
(+) Cash	2,517,873				
Equity Value	5,894,766				
Diluted Shares Outstanding ('000)	953,383				
SGD/CNH	5.4				
Fair Value / Share (S\$)	1.145				
Current Share Price (S\$)	0.675				
Upside / (Downside)	69.6%				

Source: KGI Research

Peer comparison

The peer comparison supports the DCF-derived target rather than contradicting it. SunSine trades at 8.4x forward P/E and 1.4x forward EV/EBITDA versus peer averages of 27.4x and 8.9x. We would not capitalise SunSine at the peer-average multiple because the average is distorted by high-multiple India peers, different product mixes and larger or more liquid global comparables. However, even applying a substantial discount to the peer group would imply material upside from the current level. The DCF target therefore represents a moderated re-rating case, not a full convergence-to-peer-average case.

On the DCF target price of S\$1.145, the market is being asked to capitalise SunSine closer to its through-cycle cash generation rather than its trough-cycle headline multiple. The target valuation is justified by the company's net cash balance sheet, stronger margin profile versus most peers, leading rubber-chemical position and ability to fund capacity and environmental compliance without balance-sheet strain. The discount should persist because of liquidity, China industrial cyclicality and narrower product diversification, but it should narrow from the current level as earnings stabilise and free cash flow remains positive.

Figure 6: Peer Comparison

Ticker	Company	Last Price	Mkt Cap (\$Sm)	Div Yield (%)	Net Gearing (%)	P/E Current	P/E Fwd	EV/EBITDA Fwd 1Y	Rev Growth (%)	Gross Margin (%)	Net Margin (%)
CSSC SP	CHINA SUNSINE CHEMICAL HLDGS	SGD 0.675	648.3	4.7	-52.5	8.4	8.5	1.5	-6.8	23.5	12.4
300121 CH	SHANDONG YANGGU HUATAI CHE-A	CNY 13.54	1147.0	1.2	-2.6	31.0	22.2	N/A	0.4	17.4	5.7
NOCIL IN	NOCIL LTD	INR 182.82	413.3	1.1	-18.8	54.9	33.8	13.2	-5.0	N/A	4.3
OCCL IN	OCTAL CREDIT CAPITAL LTD	INR 18.74	1.3	-	-0.5	N/A	N/A	N/A	11.9	N/A	-417.0
CBT US	CABOT CORP	USD 86.35	5752.4	2.1	56.9	17.1	13.7	7.3	-7.0	25.3	8.9
OEC US	ORION SA	USD 5.74	417.7	1.4	273.3	N/A	38.3	6.1	-3.8	19.9	-3.9
PCBL IN	PCBL CHEMICAL LTD	INR 323.8	1724.3	1.9	117.0	64.4	27.5	10.7	-2.6	N/A	2.4
5301 JP	TOKAI CARBON CO LTD	JPY 1758.5	3170.1	2.0	34.0	20.2	24.5	6.9	-7.8	24.7	6.2
	Peer Average		1803.7	1.6	65.6	37.5	26.6	8.8	-2.0	21.8	-56.2

Source: Bloomberg consensus, KGI Research

KGI's view

Our base-case target price is S\$1.145, derived from a DCF using 12.0% WACC and 2.0% terminal growth. The valuation is supported by a peer cross-check: SunSine's current multiples are far below the peer average despite stronger net margins and a superior balance sheet. A discount to peers is warranted because of liquidity, China cyclical exposure and product concentration, but the current discount is excessive relative to the company's free cash flow and net cash position. The valuation framework therefore supports a constructive view, with the stock trading below intrinsic value and below a reasonable relative-valuation range.

Macroeconomic Outlook

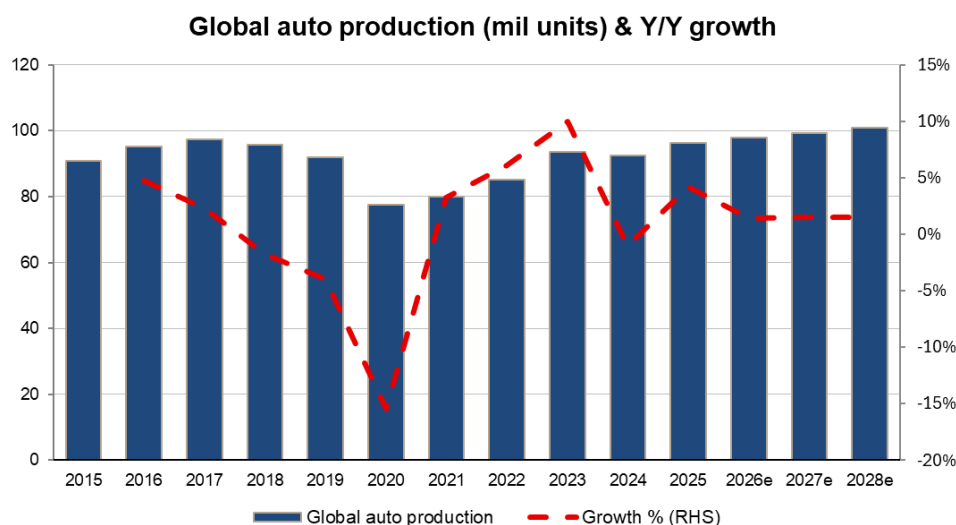
The most relevant demand anchor for Sunsine’s topline is the installed vehicle parc and replacement tyre cycle, which collectively create a larger, steadier pull for rubber accelerators, insoluble sulphur and anti-oxidants. We expect moderate global auto production growth, continued developing-market parc expansion and a replacement share of roughly three-quarters of tyre demand to support mid-single-digit industry volume growth. Against this backdrop, Sunsine should prioritise volume, utilisation and customer stickiness rather than near-term ASP expansion, particularly while the rubber chemicals market remains oversupplied.

Global auto production: recovery is intact, but growth is no longer the main swing factor

Global auto production remains an important cyclical lead indicator for the tyre value chain, but its role should be framed correctly. New vehicle production drives original equipment tyre demand and provides a short-cycle read-through to sentiment, channel inventory and OEM procurement. The post-COVID recovery has largely played out, with production rebounding from the 2020 trough before normalising into a lower-growth trajectory. In our base case, global auto production rises from c.96m units in 2025 to c.101m units by 2028, implying a modest c.1-3% annual growth cadence rather than a sharp cyclical upcycle.

For Sunsine, this matters because rubber chemical volumes do not need a strong new vehicle cycle to grow. New vehicle tyres represent the smaller component of total tyre demand. The larger and more stable opportunity comes from tyres consumed by the existing vehicle parc, which expands every year and creates repeat replacement demand. This distinction is central to our macro framework: auto production growth supports industry demand at the margin, but the installed base drives the more durable volume floor.

Figure 7: Global Auto Production



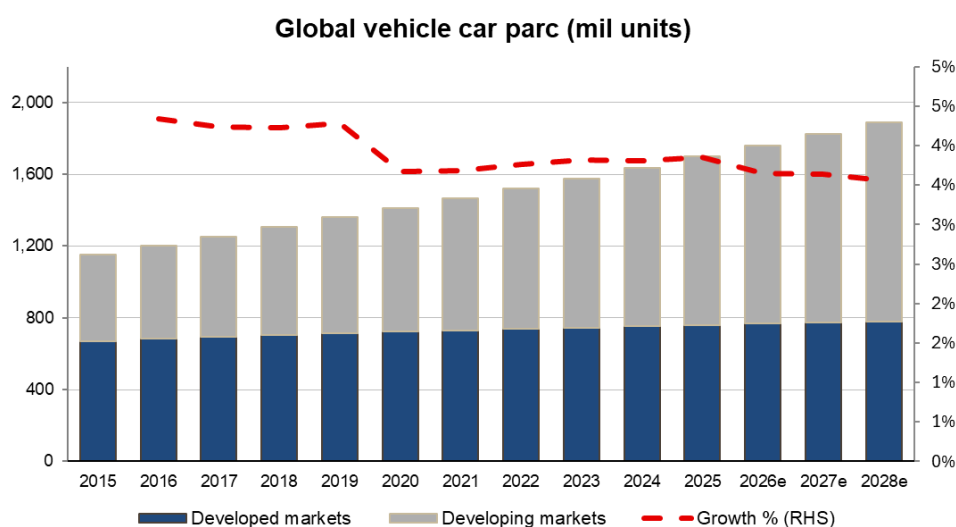
Source: OICA, ACEA, KGI Research

Vehicle parc: developing markets remain the structural volume engine

The global vehicle parc has expanded consistently over the past decade, with developing markets contributing most of the incremental units. Developed markets still represent a sizeable installed base, but growth is structurally slower given higher vehicle penetration, mature road infrastructure and lower incremental ownership growth. Developing markets remain under-penetrated relative to income growth, urbanisation and logistics demand, creating a longer runway for vehicle ownership and commercial fleet expansion.

This is a favourable demand mix for rubber chemical suppliers. The larger the installed vehicle base, the larger the stock of tyres that eventually require replacement. Even if new auto production growth slows, a rising vehicle parc creates a compounding demand base for replacement tyres. For SunSine, whose customers include global and Chinese tyre manufacturers, this supports a more resilient volume outlook than a narrow reading of annual auto sales would imply. It also reinforces the strategic value of being embedded with leading tyre producers as Chinese manufacturers expand overseas and participate in developing-market tyre supply chains.

Figure 8: Global vehicle car parc (mil units)



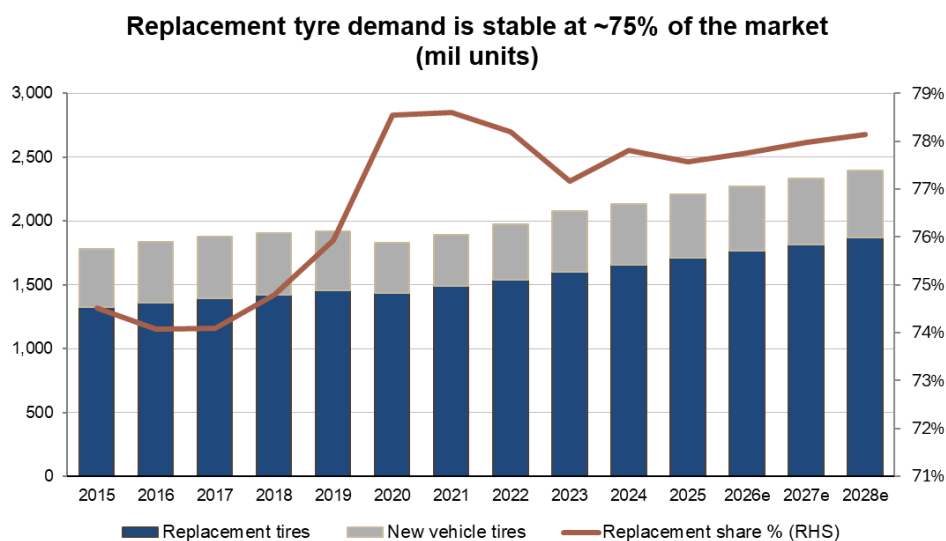
Source: OICA, ACEA, KGI Research

Tyre economics: replacement demand is the more defensible anchor

The tyre market is structurally more defensive than new vehicle sales because replacement demand is recurring. Tyres wear out based on distance travelled, road conditions, vehicle load, driving behaviour and regulatory safety requirements. These drivers are less discretionary than the decision to purchase a new vehicle. In the model, replacement tyres remain broadly stable at c.75% of the total market through 2015-2028, with total tyre demand rising from c.1.8bn units in 2015 to c.2.4bn units by 2028.

This creates a useful buffer for SunSine's volume outlook. A tyre producer may defer capacity additions or OEM shipments when auto production weakens, but it still needs to produce replacement tyres for the installed fleet. Rubber accelerators, insoluble sulphur and anti-oxidants are not optional additives; they are core performance inputs that affect vulcanisation speed, durability, ageing resistance and tyre reliability. Hence, qualification, product consistency and supply assurance often matter as much as price, particularly for large tyre manufacturers managing global production networks.

The implication is that SunSine's addressable demand pool should be benchmarked against total tyre production rather than auto production alone. Replacement tyres provide the base-load demand, while new vehicle tyres add incremental cyclicality. This supports our view that SunSine can continue to defend volume share even when ASPs remain under pressure from industry oversupply and lower raw material prices.

Figure 9: Replacement tyre demand (mil units)


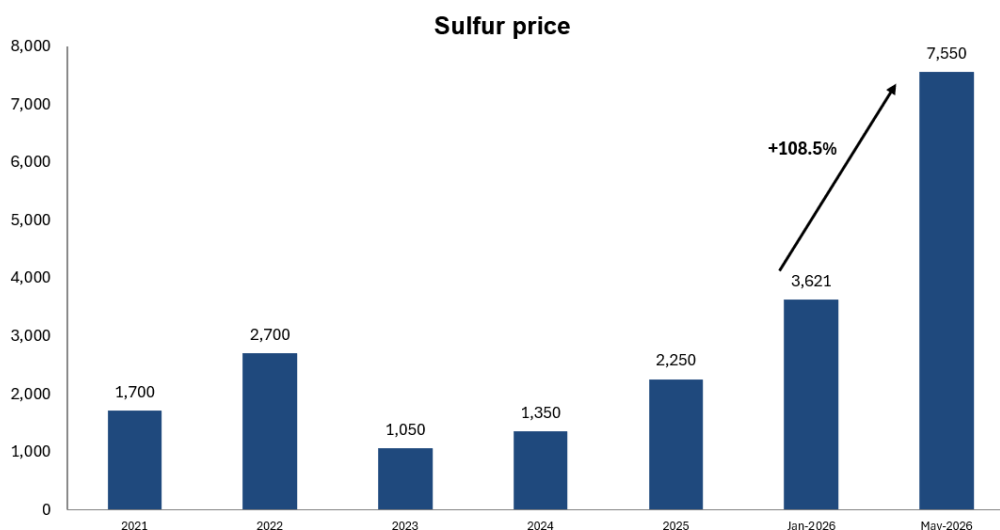
Source: Continental Factbook, OICA, ACEA, KGI Research

Sulphur tightness: small share of tyre cost, but a larger supply-chain signal

Sulphur has moved from a background raw material to a more visible cost variable for the tyre supply chain. The direct tonnage exposure for tyre manufacturers is modest relative to natural rubber, synthetic rubber, carbon black, steel cord and energy. However, sulphur is not discretionary in rubber compounding. It is used in vulcanisation, while insoluble sulphur is preferred in tyre applications because it improves dispersion, reduces blooming and supports compound stability during processing. This makes sulphur a small but critical input rather than a simple commodity filler.

The recent squeeze is supply-led. Disruptions to Middle East flows, stronger fertiliser and metals demand, and export restrictions in parts of the sulphuric acid chain have tightened global availability. Commodity sulphur prices have consequently repriced sharply, with spot levels moving from the low hundreds of dollars per tonne in early 2024 to several hundred dollars per tonne by early 2026. Tyre-grade insoluble sulphur has also seen price increases and regional price adjustment announcements, suggesting that the pressure has filtered into rubber chemical inputs rather than staying confined to fertiliser-grade sulphur.

Figure 10: Historical Sulphur Prices (2021 – May 2026)



Source: S&P Global Energy, SunSirs, USGS MCS 2026, IMARC

For tyre producers, the impact is therefore incremental rather than thesis-changing. Sulphur is unlikely to be the main reason tyre prices rise. The larger raw-material swings remain natural rubber, synthetic rubber, carbon black, steel and energy. The more relevant point is that sulphur tightness raises the value of reliable procurement, formulation consistency and qualified rubber chemical suppliers. In a tight input market, tyre manufacturers are less likely to prioritise marginal price savings over assured supply and production stability.

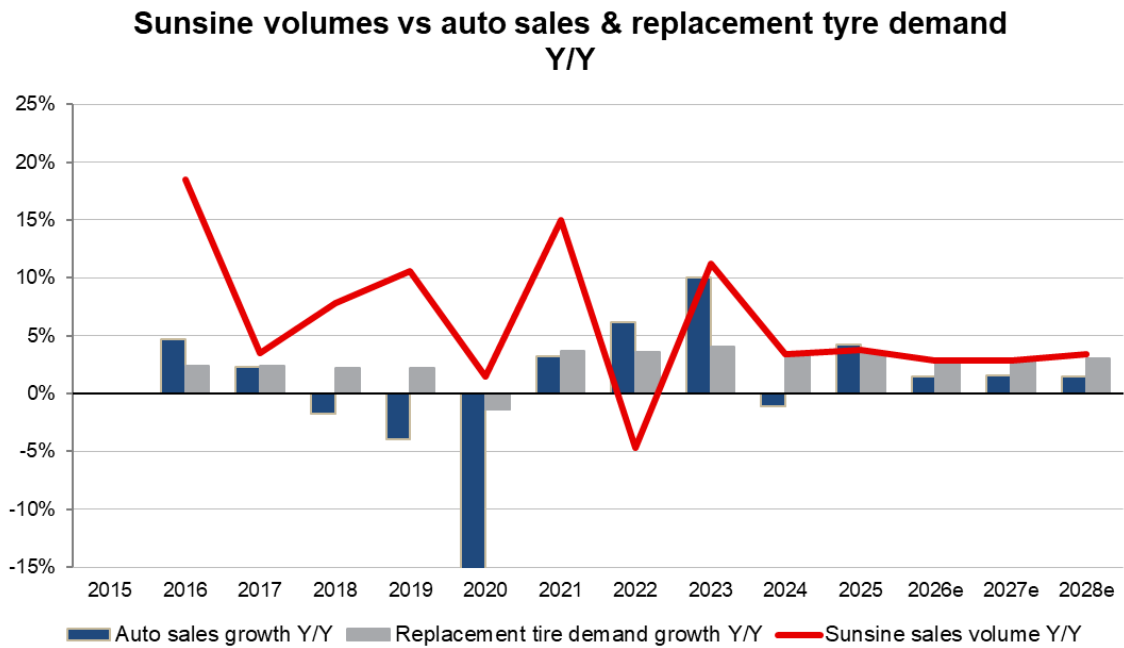
For SunSine, the read-through is two-sided but skewed constructive over the medium term. Near-term margin risk exists if sulphur-linked input costs rise faster than product repricing. However, as a scaled supplier of rubber accelerators and insoluble sulphur, SunSine should also benefit from customers placing a higher premium on qualified supply, product consistency and delivery assurance. This supports the broader initiation thesis that SunSine's competitive edge is not only cost scale, but also reliability within a safety-critical tyre supply chain.

Volume resilience despite ASP pressure

SunSine's historical sales volume growth has not moved one-for-one with new auto sales. The company's volumes have generally tracked the broader tyre demand pool more closely, reflecting its exposure to replacement demand and its position in qualified rubber chemical supply chains. FY2025 was consistent with this framework: despite a difficult pricing environment, SunSine delivered record-high sales volume of 222,243 tonnes, up 4% YoY, supported by expanded capacity and sustained customer demand. ASP fell 10% YoY to RMB14,545 per tonne, indicating that the near-term earnings debate is more about price competition and mix than end-market volume collapse.

The company's capacity base also supports this volume-led strategy. At end-FY2025, SunSine had 254,000 tonnes of finished annual capacity, comprising 117,000 tonnes of accelerators, 60,000 tonnes of insoluble sulphur and 77,000 tonnes of anti-oxidants. Management expects total finished capacity to rise to 272,000 tonnes by FY2026e, mainly through higher accelerator capacity. In addition, MBT intermediate capacity expansion improves captive supply security and cost control, although this is excluded from finished product capacity. In an oversupplied market, this matters because the lowest-cost, best-qualified producers should be better positioned to protect utilisation while weaker producers face margin compression.

We therefore frame SunSine's medium-term outlook as a volume and share defence story. The macro environment is not uniformly supportive: global economic uncertainty, raw material volatility and rubber chemical overcapacity can still pressure pricing. However, the installed vehicle parc and replacement tyre cycle provide a more stable demand foundation. SunSine's scale, customer breadth and qualification history position it to convert that foundation into sustained sales volume growth, even if margin recovery remains gradual.

Figure 11: Sunsine volumes vs auto sales & replacement tyre demand YoY


Source: Company Data, OICA, ACEA, KGI Research

Industry Outlook

Our forecast points to a rubber chemical industry that remains oversupplied at the aggregate level, but with demand stabilising into 2026 to 2027 and with supply additions still concentrated in China and selected Asian capacity. In this environment, we see China SunSine as better positioned than the industry average: volume growth continues to outpace global consumption, PRC market share is estimated to rise to 38.0% in 2026e and 38.5% in 2027e, while global share increases to 25.5% and 26.0%. The key debate is therefore less about whether spot rubber chemical prices can rebound sharply, and more about whether SunSine can defend utilisation, capture incremental tyre customer volumes, and sustain through-cycle margin resilience while weaker producers operate below efficient scale.

Tyre demand is softer near term, but the replacement cycle should limit downside

Global rubber chemical demand softened in 2025, with the supplied Accelerator estimate revealing world consumption declining 6.2% y/y to 426k tons. This was not a China-only issue. North America and Europe fell 13.5% and 12.9% respectively, while Asia declined 4.4%. The regional pattern is consistent with a tyre value chain that faced softer export orders, inventory normalisation and slower discretionary replacement activity after the 2023 to 2024 restocking cycle.

The more important point for 2026 to 2027 is that we do not view this as a deep volume recession. World consumption is estimated to recover 3.1% in 2026e and 1.6% in 2027e, with Asia remaining the swing demand pool. China demand is forecast to rise from 287.8k tons in 2025 to 294.7k tons in 2026e and 301.3k tons in 2027e, while all other Asia grows from 48.4k tons to 52.0k tons and 53.6k tons. This matters for SunSine because the company's end-market exposure is tied more to large tyre producers' operating rates and procurement qualification than to short-cycle spot trading alone.

Figure 12: World Rubber Accelerator Demand Estimates

World Rubber Accelerator Demand by Country / Region (000' tons)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Unit 000 tons												
World Consumption	377.8	375.0	400.0	420.0	386.4	379.2	413.6	426.1	454.3	426.0	439.2	446.2
% growth		-0.7%	6.7%	5.0%	-8.0%	-1.9%	9.1%	3.0%	6.6%	-6.2%	3.1%	1.6%
World excl. China	158.4	147.7	157.6	165.5	136.4	126.4	137.8	146.1	155.7	138.2	144.5	144.9
North America	38.0	35.4	37.0	38.1	30.0	27.8	29.6	30.7	31.9	27.6	28.2	27.5
growth rate		-6.8%	4.5%	3.0%	-21.3%	-7.3%	6.5%	3.7%	3.9%	-13.5%	2.2%	-2.5%
Europe	49.1	45.0	47.3	48.8	39.6	36.0	38.6	40.2	42.0	36.6	37.6	36.9
growth rate		-8.4%	5.1%	3.2%	-18.9%	-9.1%	7.2%	4.2%	4.5%	-12.9%	2.7%	-1.9%
Asia Total	262.2	267.9	287.3	303.3	291.6	292.0	319.9	328.2	351.5	336.2	346.7	354.9
growth rate		2.2%	7.2%	5.6%	-3.9%	0.1%	9.6%	2.6%	7.1%	-4.4%	3.1%	2.4%
China	219.4	227.3	242.4	254.5	250.0	252.8	275.8	280.0	298.6	287.8	294.7	301.3
growth rate		3.6%	6.6%	5.0%	-1.8%	1.1%	9.1%	1.5%	6.6%	-3.6%	2.4%	2.2%
All Other Asia	42.8	40.6	44.9	48.8	41.6	39.2	44.1	48.2	52.9	48.4	52.0	53.6
growth rate		-5.1%	10.6%	8.7%	-14.8%	-5.8%	12.5%	9.3%	9.8%	-8.5%	7.4%	3.1%
Rest of World	28.5	26.7	28.4	29.8	25.2	23.4	25.5	27.0	28.9	25.6	26.7	26.9
growth rate		-6.3%	6.4%	4.9%	-15.4%	-7.1%	9.0%	5.9%	7.0%	-11.4%	4.3%	0.8%
Sunsine Accelerator sales / production	68.0	75.0	80.0	84.0	85.0	91.0	91.0	98.0	104.5	106.5	112.0	116.0
Sunsine PRC market share	31.0%	33.0%	33.0%	33.0%	34.0%	36.0%	33.0%	35.0%	35.0%	37.0%	38.0%	38.5%
Sunsine global market share	18.0%	20.0%	20.0%	20.0%	22.0%	24.0%	22.0%	23.0%	23.0%	25.0%	25.5%	26.0%

Source: Company data, China Rubber Association, CAAM, Michelin, Tyres Europe, ICRA, KGI Research

The U.S. tyre import table reinforces the near-term caution. Total U.S. tyre imports declined 11.8% y/y in the first three months of 2026, with Thailand down 21.2% and China down 44.6%. Cambodia was the outlier at +28.4%, suggesting trade-route shifts rather than uniform demand destruction. For rubber chemicals, this is relevant because Southeast Asian tyre plants are still absorbing global trade flows, but country-level production mix is moving. SunSine's customer base should therefore benefit more from being embedded with qualified tyre manufacturers across regions than from exposure to any single export origin.

Figure 13: U.S. Tyre Imports by Country (2026)

U.S. Imports (in US\$000)	Thailand	Vietnam	Cambodia	Indonesia	Mexico	Canada	China	Global Total
Jan-26	290,466	123,283	94,651	61,085	155,490	139,816	37,490	1,441,163
Feb-26	222,607	97,900	95,925	41,463	175,890	153,579	31,602	1,256,880
Mar-26	244,473	112,818	118,784	62,624	190,745	175,208	38,918	1,548,174
Apr-26								
May-26								
Jun-26								
Jul-26								
Aug-26								
Sep-26								
Oct-26								
Nov-26								
Dec-26								
Total	757,546	334,001	309,360	165,172	522,125	468,603	108,011	4,246,218
% of Total YTD	17.8%	7.9%	7.3%	3.9%	12.3%	11.0%	2.5%	
growth y/y	(21.2%)	(3.3%)	28.4%	(13.1%)	(1.8%)	(4.6%)	(44.6%)	(11.8%)

Source: U.S. International Trade Commission DataWeb, KGI Research

Figure 14: U.S. Tyre Imports by Country (2025)

U.S. Imports (in US\$000)	Thailand	Vietnam	Cambodia	Indonesia	Mexico	Canada	China	Total
Jan-25	331,194	117,489	75,662	70,662	180,883	154,855	68,428	1,554,978
Feb-25	282,300	100,885	73,959	49,342	172,196	155,921	61,568	1,481,829
Mar-25	347,679	127,195	91,350	70,054	178,368	180,193	65,051	1,778,374
Apr-25	355,206	131,524	112,949	71,577	171,559	170,839	66,986	1,785,022
May-25	302,288	128,666	95,977	54,332	165,134	174,655	37,750	1,670,234
Jun-25	304,741	126,131	91,339	56,022	167,867	172,191	22,461	1,575,225
Jul-25	336,729	130,066	100,592	70,594	171,317	129,724	52,707	1,684,432
Aug-25	303,154	115,300	95,822	74,640	184,101	157,976	39,147	1,637,980
Sep-25	298,798	114,721	93,013	65,730	167,476	144,187	35,530	1,482,056
Oct-25	248,868	102,871	84,440	69,846	185,424	156,300	34,553	1,470,738
Nov-25	278,891	114,277	91,304	60,402	162,342	161,973	31,149	1,490,879
Dec-25	271,909	115,461	93,170	47,927	153,164	146,774	32,251	1,494,459
Total	3,661,754	1,424,585	1,099,576	761,127	2,059,832	1,905,590	547,582	19,106,207
% of Total YTD	19.2%	7.5%	5.8%	4.0%	10.8%	10.0%	2.9%	

Source: U.S. International Trade Commission DataWeb, KGI Research

Aggregate capacity is still rising, but the quality of capacity matters more than headline tons

World rubber accelerator capacity is estimated to rise from 690k tons in 2025 to 715k tons in 2026e and 735k tons in 2027e. The industry is therefore not supply constrained. However, almost all net additions remain Asia-led. China capacity is estimated to increase by 20k tons in 2026e and 15k tons in 2027e, while all other Asia adds 9k tons and 8k tons. In contrast, North America is flat at 42k tons and Europe continues to contract from 57k tons in 2025 to 55k tons by 2027e.

This matters because headline capacity is not the same as qualified, reliable, large-scale supply. Tyre manufacturers typically qualify rubber chemical suppliers through product testing, process stability, consistency across batches, environmental compliance and delivery reliability. Once a supplier is qualified into a tyre formulation, switching purely for a small spot-price discount can introduce production risk that is disproportionate to the chemical cost saving. This procurement dynamic should support higher retention for leading producers, particularly those with full-product coverage across accelerators, insoluble sulphur and anti-oxidants.

The resulting industry structure is likely to remain bifurcated. Marginal producers may continue to pressure spot prices during periods of weak utilisation, but scaled qualified suppliers should defend volumes better. For SunSine, the favourable read-through is that the company can use its scale, customer qualification history and product breadth to hold utilisation above the industry average, even without a material improvement in industry pricing.

Figure 15: World Rubber Accelerator Capacity Estimates

World Rubber Accelerator capacity (000' tons per year)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Unit 000 tons per year												
World Capacity	520.0	535.0	560.0	570.0	590.0	610.0	625.0	640.0	665.0	690.0	715.0	735.0
Amt of New Capacity		15.0	25.0	10.0	20.0	20.0	15.0	15.0	25.0	25.0	25.0	20.0
% growth		2.9%	4.7%	1.8%	3.5%	3.4%	2.5%	2.4%	3.9%	3.8%	3.6%	2.8%
World excluding China	190.0	195.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	205.0	210.0	215.0
North America	45.0	45.0	45.0	44.0	44.0	44.0	43.0	43.0	42.0	42.0	42.0	42.0
% growth		0.0%	0.0%	-2.2%	0.0%	0.0%	-2.3%	0.0%	-2.3%	0.0%	0.0%	0.0%
Europe	60.0	62.0	63.0	62.0	61.0	61.0	60.0	59.0	58.0	57.0	56.0	55.0
% growth		3.3%	1.6%	-1.6%	-1.6%	0.0%	-1.6%	-1.7%	-1.7%	-1.7%	-1.8%	-1.8%
Asia	385.0	398.0	422.0	436.0	460.0	484.0	503.0	523.0	553.0	580.0	609.0	632.0
% growth		3.4%	6.0%	3.3%	5.5%	5.2%	3.9%	4.0%	5.7%	4.9%	5.0%	3.8%
China	330.0	340.0	360.0	370.0	390.0	410.0	425.0	440.0	465.0	485.0	505.0	520.0
% growth		3.0%	5.9%	2.8%	5.4%	5.1%	3.7%	3.5%	5.7%	4.3%	4.1%	3.0%
All Other Asia	55.0	58.0	62.0	66.0	70.0	74.0	78.0	83.0	88.0	95.0	104.0	112.0
% growth		5.5%	6.9%	6.5%	6.1%	5.7%	5.4%	6.4%	6.0%	8.0%	9.5%	7.7%
Rest of World	30.0	30.0	30.0	28.0	25.0	21.0	19.0	15.0	12.0	11.0	8.0	6.0
% growth		0.0%	0.0%	-6.7%	-10.7%	-16.0%	-9.5%	-21.1%	-20.0%	-8.3%	-27.3%	-25.0%

Source: Company data, China Rubber Association, CAAM, Michelin, Tyres Europe, ICRA, KGI Research

Utilisation is the key margin variable

The production table shows the clearest margin signal. World production falls 5.5% y/y in 2025 to 418k tons, broadly matching the decline in consumption, while the global utilisation rate falls to 60.6% from 66.5% in 2024. This is a negative spread environment for the industry. When utilisation falls into the low-60% range, producers have weaker pricing discipline and customers have more bargaining power on spot procurement.

The recovery assumed in 2026e is modest rather than aggressive. World production rises 3.9% to 434k tons, but utilisation only recovers to 60.7% because capacity continues to expand. In 2027E, production grows 0.7% while utilisation slips to 59.5%. This supports a cautious pricing assumption: volume can recover before margins do, and margin improvement should be driven more by company-specific utilisation and mix than by a broad industry price reset.

This framework helps explain why SunSine's outlook can still be constructive even if the industry remains oversupplied. SunSine production is estimated to rise from 108.8k tons in 2025 to 114.8k tons in 2026E and 121.5k tons in 2027e. That translates into 5.5% growth in 2026E and 5.9% growth in 2027e, ahead of global demand growth of 3.1% and 1.6%. The volume delta implies continued share gain, which should partly offset weaker ASP and margin sensitivity.

Competitive landscape and global expansion projects

The competitive set is fragmented, with SunSine, Yanggu Huatai, Kemai Chemical, NOCIL, Lanxess, Flexsys and several regional producers competing across accelerators, anti-oxidants, insoluble sulphur and related additives. SunSine is strongest in accelerators. Yanggu Huatai has broader rubber additive exposure and owns ~300,000 tonnes of annual capacity. Kemai Chemical is another important Chinese rubber accelerator participant and is the closest peer to SunSine.

Competitive intensity in China remains the key earnings risk. SunSine explicitly disclosed persistent oversupply and intensified competition in FY2025. Notable global expansion projects and capacity indicators include Yanggu Huatai's 90,000 tonnes rubber chemicals project, whose first phase includes 40,000 tonnes of insoluble sulphur; NOCIL's stated plan to expand rubber chemical capacities; Lanxess's rubber additive capacity expansion; and Sailun's Cambodia industrial cluster that targets rubber materials, chemicals and tyre ingredients. These projects matter because they either add direct rubber chemical supply or create downstream tyre production clusters that can pull chemical demand into new regions.

Figure 16: Rubber Chemical Peers

Company	Base	Products
China Sun sine	China	Accelerators, insoluble sulphur, anti-oxidants
Yanggu Huatai	China	Rubber additives, CTP, accelerators, IS, waxes, resins
Kemai Chemical	China	Rubber accelerators and additives
NOCIL	India	Rubber chemicals
Flexsys	Global	Insoluble sulphur, anti-degradants, specialty rubber chemicals
Lanxess	Global	Rubber additives and specialty chemicals

Source: Company data, KGI Research

Figure 17: Project pipeline, 2026 and beyond

Company	Location	Product / Project	Disclosed detail	Comments
Yanggu Huatai	China and Thailand planning angle	Rubber chemicals, insoluble sulphur, resins, HMMM	90k tpa project, first phase 40k tpa IS disclosed by CRIA source	Direct competitor; could add IS supply and pressure regional pricing if ramped aggressively.
NOCIL	India	Rubber chemicals	Management has discussed further capacity investments	Adds non-China supply option; relevant as tyre makers diversify procurement.
Lanxess	US	Rubber additives	Rubber additives capacity expansion announced in 2025 according to industry source	Potentially more specialty-focused, but adds competitive alternatives in Western markets.
Flexsys	Global	Insoluble sulphur and specialty rubber chemicals	Price increase announced for IS grades from May 2026	Indicates cost recovery efforts and possible tighter economics in high-spec IS.
Sailun	Cambodia	Tyre industry cluster, rubber materials and chemicals	US\$152mn Phase II expansion reported in late 2025	Not a direct listed rubber chemical pure play, but expands downstream demand pull in Southeast Asia.
Sailun	Mexico, Indonesia, Egypt, Cambodia	Tyre production	Mexico and Indonesia production underway; Egypt and Cambodia progressing	Supports global relocation of Chinese tyre supply chains.

Source: Company data, KGI Research.

Company Outlook

We take a constructive view on Sun sine’s FY26E earnings path after incorporating two developments that change the near-term spread backdrop: (i) supply disruption in China’s insoluble sulphur market after the Yanggu Huatai fire, and (ii) renewed raw-material inflation from the Middle East/Iran shock, particularly sulphur. The revision is not built on an aggressive spot-price extrapolation. It is a utilisation-first forecast: Sun sine should be able to push more volume through qualified capacity, preserve customer allocation at tier-one tyre makers, and selectively lift realised ASP where product availability, safety inventory and qualification barriers matter more than headline feedstock cost.

Accelerators remain the earnings engine and are entering FY26 with new nameplate capacity, deeper captive MBT support and a customer base that still needs reliable supply as Chinese tyre makers expand overseas. Anti-oxidants are not a major pricing swing factor in our model, but the segment should stabilise after the FY24-25 ASP reset, with utilisation moving towards 90% as Sun sine prioritises scale, product breadth and customer retention over a sharp price rebound.

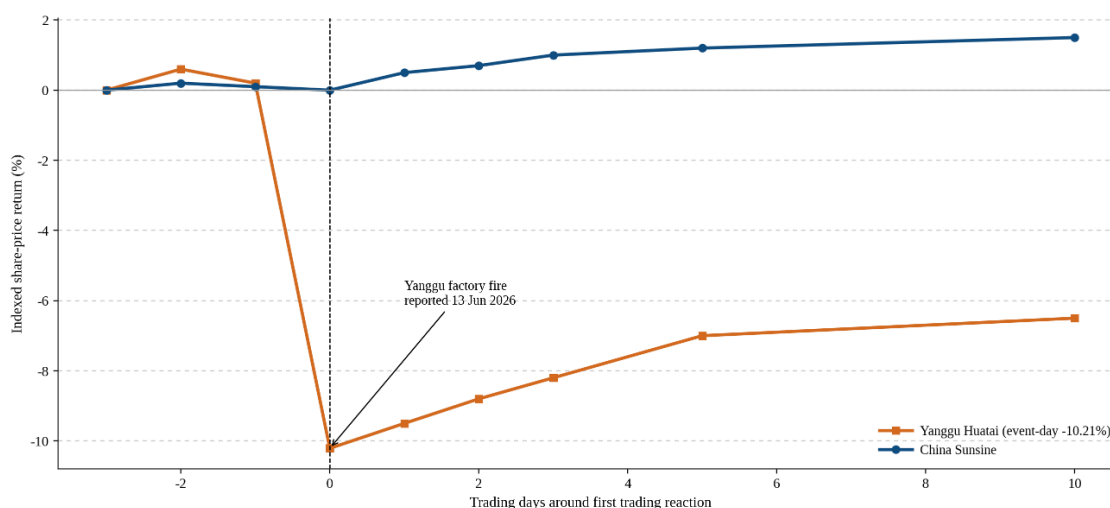
Yanggu outage tightens an already sensitive insoluble sulphur balance

The Yanggu Huatai fire occurred at around 5:30pm on 13 June 2026 at its Yanggu factory. The market reaction was immediate. Yanggu Huatai’s A-share price fell 10.21% on 15 June, the first trading day after the incident. We use 13 June as the operational event date and 15 June as the observable equity-market reaction date.

The supply read-through is more important than the share-price reaction. Yanggu’s factory is described as its main production base, contributing approximately two-thirds of group revenue and around 70% of net profit in 2025. The same plant houses Yanggu’s 70kt insoluble sulphur line. A temporary halt therefore removes qualified supply from a product where downstream tyre customers have limited willingness to switch suppliers quickly because insoluble sulphur affects vulcanisation consistency, product quality and production reliability.

For Sun sine, the implication is a stronger bargaining position in FY26. We are not assuming a structural shortage or a collapse in downstream demand. The more reasonable base case is a period of allocation, higher enquiries, firmer contract renegotiation and higher realised utilisation at Sun sine’s 60kt insoluble sulphur capacity. This is enough to support a better FY26 gross-margin path even if reported spot prices ultimately normalise as Yanggu recovers.

Figure 18: Sun sine beneficiary trade still under-recognised



Source: KGI Research

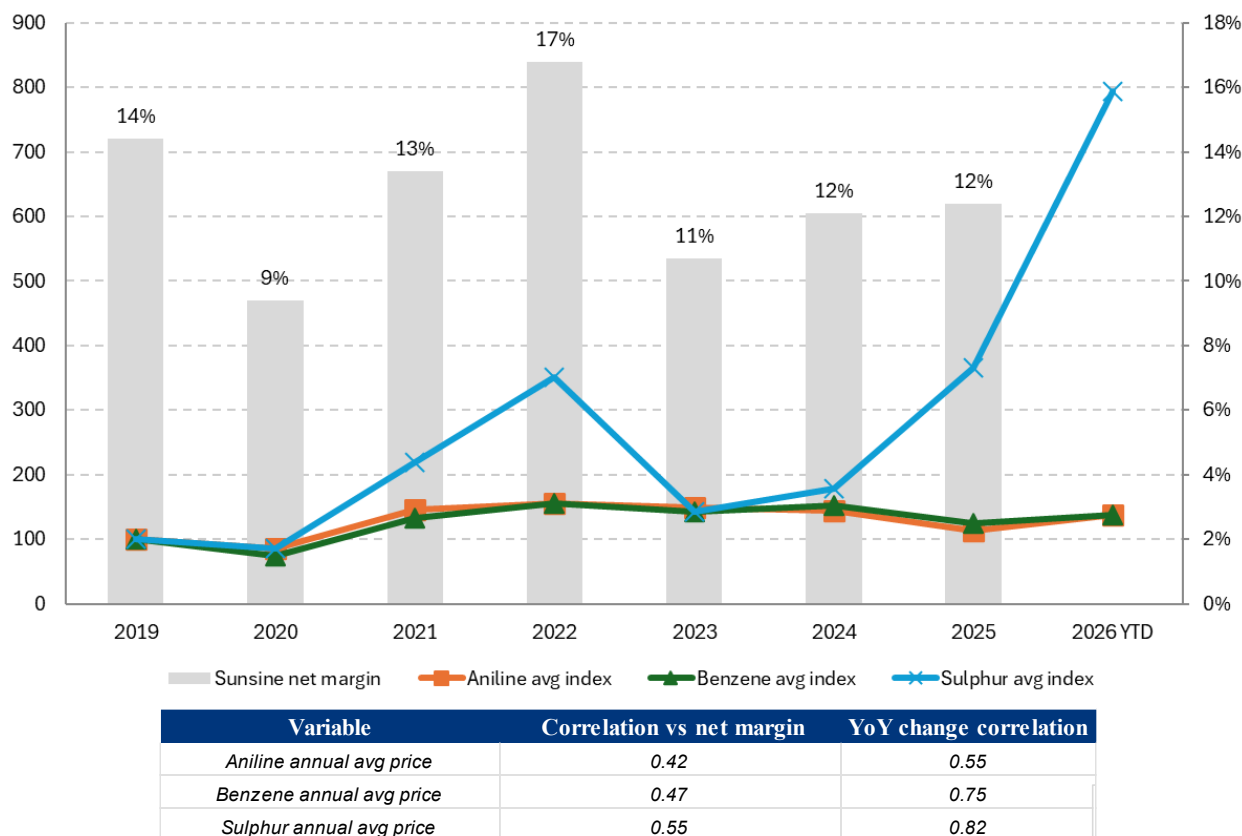
Raw-material inflation can be margin-accretive for SunSine

The intuitive concern is that higher aniline, benzene and sulphur prices should compress margins. SunSine’s history suggests the opposite when cost inflation coincides with tighter product availability. Our correlation work shows positive relationships between SunSine net margin and the annual average prices of aniline, benzene and sulphur, with the strongest YoY change correlation in sulphur. In other words, the company has historically earned better spreads in inflationary feedstock windows because rising input costs lift replacement cost, discipline marginal producers and improve pass-through urgency.

This distinction matters for FY26. The Iran/Middle East shock raises sulphur replacement cost at the same time as Yanggu’s outage removes some qualified insoluble sulphur supply. SunSine is therefore not merely absorbing higher sulphur. It is selling into a market where tyre customers face a higher risk of non-delivery, where import/export arbitrage is less useful, and where technical qualification protects incumbent suppliers. Under those conditions, raw-material inflation becomes a clearing-price catalyst rather than a simple cost headwind.

The same logic is directionally relevant for accelerators and anti-oxidants, although with different intensity. For accelerators, aniline and benzene inflation supports ASP stability, but SunSine’s new capacity means we model volume-led growth rather than a sharp price rebound. For anti-oxidants, the pass-through mechanism is weaker because the market remains competitive after the FY24-25 ASP reset, so our forecast assumes modest ASP repair and a largely utilisation-driven recovery.

Figure 19: China SunSine margin and feedstock proxy index (2019 – 2026 YTD)



Source: Company, KGI Research

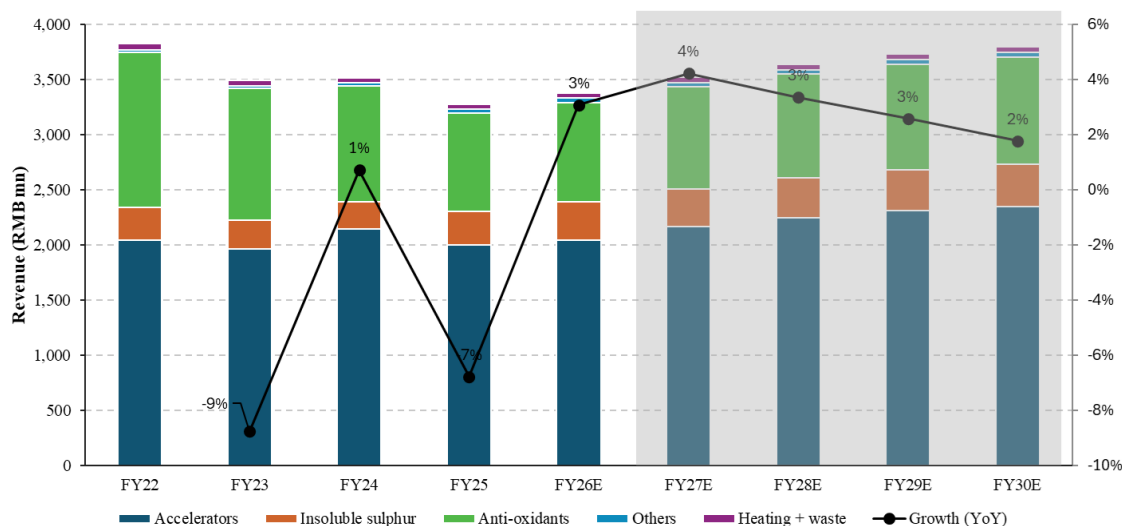
Revenue forecast

We forecast core rubber chemical sales volume rising from 222.2kt in FY25 to 233.4kt in FY26E and 256.5kt by FY30E. The model is intentionally conservative on ASP. Despite the step-change in market quotations for insoluble sulphur, our realised ASP assumption rises only 6% in FY26E and then normalises. For accelerators and anti-oxidants, we embed stable-to-slightly-rising ASPs after the FY25 trough rather than a full price-cycle recovery.

The main driver is utilisation. FY26E core utilisation falls optically from 87.5% to 85.8%, but this is denominator-driven because accelerator capacity increases from 117kt to 135kt. By FY30E, group core utilisation reaches 94.3%, supported by a gradual ramp of accelerator volumes and steady utilisation gains in insoluble sulphur and anti-oxidants. This fits Sun sine’s stated Sales-Production Equilibrium strategy: defend share and customer allocation first, then allow margins to recover as industry operating rates tighten.

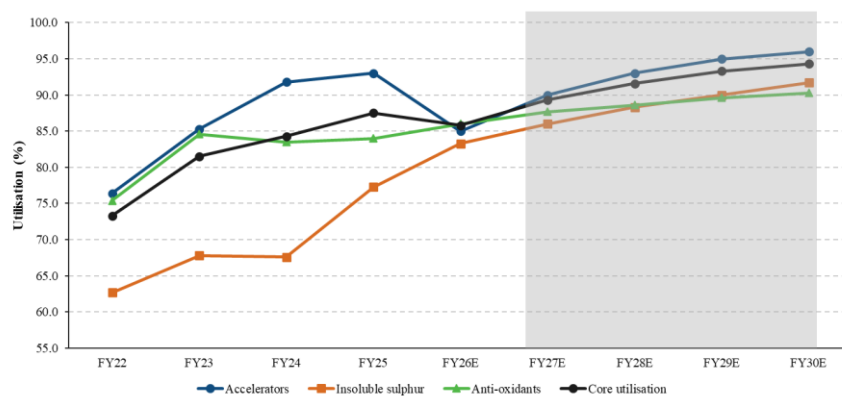
Revenue therefore grows more modestly than volume. Core rubber chemical revenue rises from RMB3.23bn in FY25 to RMB3.33bn in FY26E and RMB3.74bn by FY30E. The forecast assumes FY26E is the best spread year in the projection period because it captures the combination of supply disruption, higher sulphur replacement cost and Sun sine’s operational ability to lift dispatch. FY27E-FY30E then normalises towards a 24.0% gross margin and c.12.0% net margin, which is more consistent with a still-competitive China rubber-chemical market.

Figure 20: Revenue forecast by segment



Source: Company, KGI Research

Figure 21: China Sun sine’s core utilisation rate



Source: Company, KGI Research

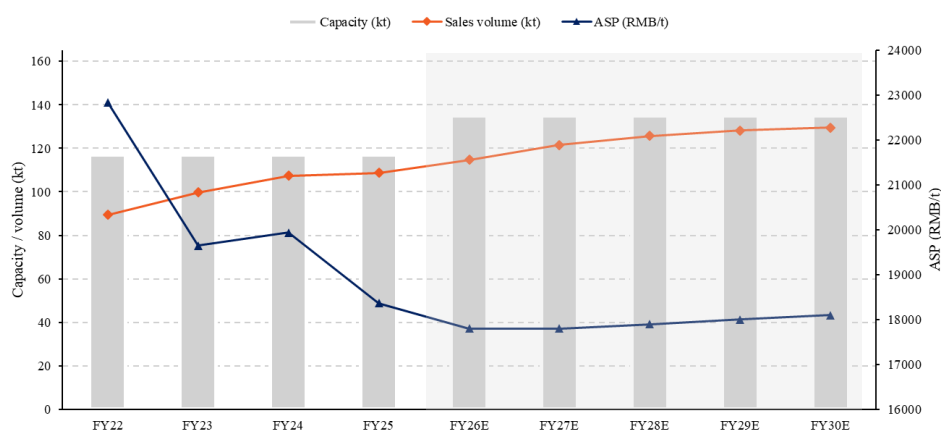
Accelerators' new 135kt capacity gives Sunshin the main FY26-FY30 volume lever

Accelerators remain Sunshin's largest revenue and profit pool. The model raises accelerator nameplate capacity from 117kt in FY25 to 135kt in FY26E, consistent with the company's FY2026e capacity disclosure. We forecast accelerator volume rising from 108.8kt in FY25 to 114.8kt in FY26E and 129.6kt by FY30E. Utilisation falls to 85.0% in FY26E because of the capacity addition, but then recovers to 96.0% by FY30E as the new capacity is absorbed.

The volume forecast is underpinned by three assumptions. First, tyre demand remains more resilient than new-vehicle production alone because replacement tyres are linked to vehicle parc and mileage rather than only OEM builds. Second, Chinese tyre makers continue to expand overseas, which should increase the need for qualified Chinese rubber-chemical suppliers that can follow customers across regions. Third, Sunshin's captive MBT strategy lowers procurement risk and strengthens cost control in the accelerator chain, supporting share gains when smaller competitors face tighter working-capital and safety-compliance constraints.

We do not model a sharp accelerator ASP rebound. ASP falls from RMB18,366/t in FY25 to RMB17,800/t in FY26E, then edges up to RMB18,100/t by FY30E. This reflects a deliberate trade-off: Sunshin uses the new capacity to protect volume and customer allocation, while raw-material pass-through and industry discipline prevent a further ASP collapse. In short, accelerators contribute through tonnes and operating leverage rather than headline pricing.

Figure 22: Accelerators utilisation-led forecast



Source: Company, KGI Research

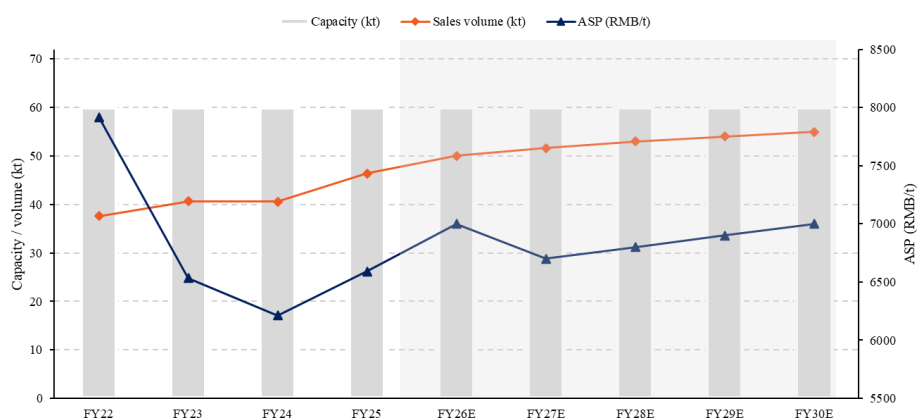
Insoluble sulphur supply shock supports utilisation

Insoluble sulphur is the most important FY26 forecast change. Sunshin's capacity remains unchanged at 60kt, but FY26E volume increases to 50.0kt from 46.4kt in FY25, lifting utilisation to 83.3% from 77.3%. By FY30E, we forecast volume of 55.0kt and utilisation of 91.7%. This still leaves some headroom and avoids assuming that Sunshin runs the line at full theoretical capacity after Yanggu's incident.

Pricing is equally conservative. FY26E realised ASP rises to RMB7,000/t from RMB6,592/t in FY25, far below the RMB19,000/t North China spot. The reason is contractual lag, product mix, customer concentration and the difference between spot replacement quotations and blended annual realised ASP. We therefore treat the Yanggu fire as a realised-spread enhancer, not a one-for-one spot pass-through event.

The earnings impact is still meaningful because insoluble sulphur carries higher strategic value than its revenue share suggests. It is essential to tyre vulcanisation and has weaker substitutability than lower-barrier additive products. Customer qualification, line stability and delivery certainty matter. This gives Sunshin room to prioritise higher-quality customers, allocate supply more tightly and improve blended margins even under a cautious ASP assumption.

Figure 23: Insoluble sulphur utilisation-led forecast



Source: Company, KGI Research

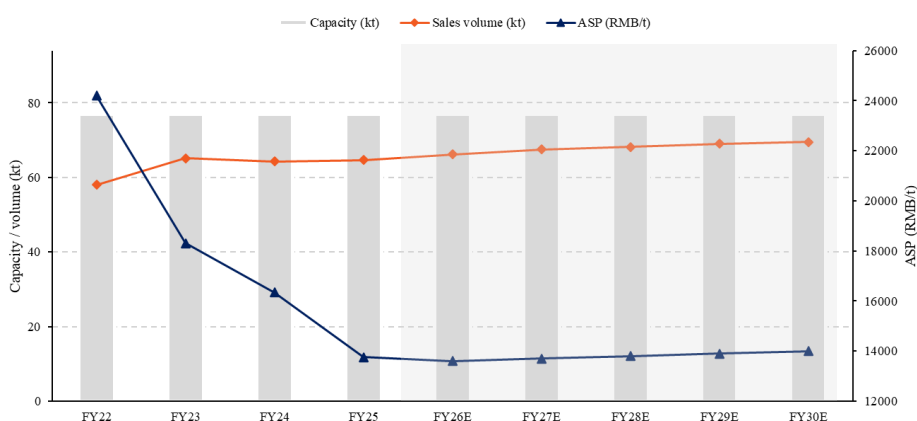
Anti-oxidants undergoing stabilisation

Anti-oxidants are the most conservative part of the forecast. Capacity remains at 77kt throughout FY26E-FY30E, with volume increasing from 64.7kt in FY25 to 66.2kt in FY26E and 69.5kt by FY30E. Utilisation rises gradually from 84.0% in FY25 to 90.3% in FY30E. This is not a capacity-led growth story; it is a stabilisation and operating-rate story after a steep ASP reset.

The ASP assumption reflects that caution. Anti-oxidant ASP fell from RMB24,203/t in FY22 to RMB13,767/t in FY25. We forecast RMB13,600/t in FY26E and RMB14,000/t by FY30E. This embeds limited pricing repair despite better raw-material support because the market remains competitive and because Sunshin’s commercial priority is likely to be customer stickiness and utilisation rather than price-maximisation.

The segment still matters for the investment case because it broadens the product basket sold to tyre customers and improves plant-level absorption. In a market where global tyre customers are managing geopolitical, freight and regulatory risks, Sunshin’s ability to offer accelerators, insoluble sulphur and anti-oxidants as a reliable basket supplier should support account share even when individual product pricing remains subdued.

Figure 24: Anti-oxidants utilisation-led forecast



Source: Company, KGI Research

Margin outlook: FY26 is the spread-recovery year; FY27E-FY30E normalise to mid-cycle

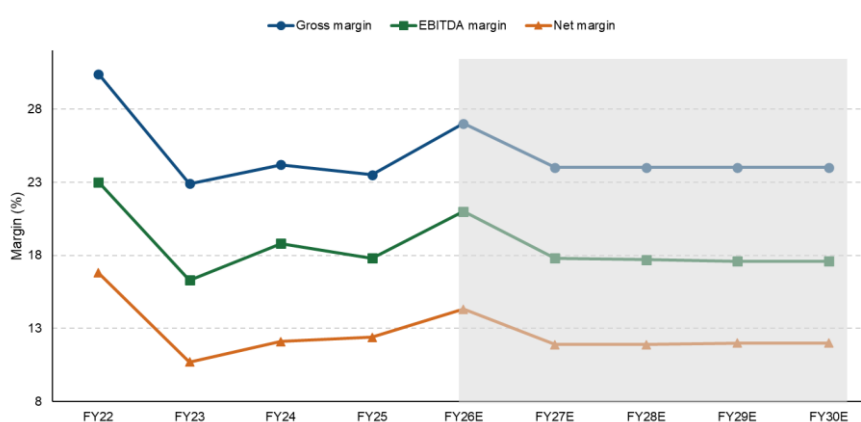
We forecast gross margin improving to 27.0% in FY26E from 23.5% in FY25. The uplift is driven by three factors: higher insoluble sulphur utilisation and ASP, better accelerator operating leverage as new capacity ramps, and raw-

material pass-through in a tighter supply environment. Operating margin improves to 16.3% and EBITDA margin to 21.0%, while net margin rises to 14.3%.

From FY27E onward, margins normalise. Gross margin falls back to 24.0% and net margin stabilises around 12.0%. This is deliberate: we do not assume that the Yanggu outage creates a permanent price umbrella, nor do we assume China’s rubber-chemical overcapacity disappears. Instead, the model recognises a one-year spread tailwind followed by a return to a more competitive equilibrium as disrupted supply returns and customers rebuild inventory.

This margin path is more defensible than a linear extrapolation of FY26E. It gives Sunshin credit for being a low-cost, qualified supplier during a disruption, while avoiding the common modelling error of capitalising temporary spot-price tightness into perpetuity. The valuation case should therefore rest on quality of earnings, cash generation and a structurally stronger competitive position, not on a permanent supernormal insoluble sulphur spread.

Figure 25: KGI's margin analysis



Source: Company, KGI Research

Figure 26: KGI's forecast table

Metric	Segment	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Capacity (kt)	Accelerators	117	117	117	117	135	135	135	135	135
	Insoluble sulphur	60	60	60	60	60	60	60	60	60
	Anti-oxidants	77	77	77	77	77	77	77	77	77
Sales volume (kt)	Accelerators	89.4	99.8	107.4	108.8	114.8	121.5	125.7	128.2	129.6
	Insoluble sulphur	37.6	40.7	40.6	46.4	50	51.6	53	54	55
	Anti-oxidants	58.1	65.1	64.3	64.7	66.2	67.5	68.2	69	69.5
Utilisation (%)	Accelerators	76.4	85.3	91.8	93	85	90	93	95	96
	Insoluble sulphur	62.7	67.8	67.6	77.3	83.3	86	88.3	90	91.7
	Anti-oxidants	75.4	84.6	83.5	84	86	87.7	88.6	89.6	90.3
ASP (RMB/t)	Accelerators	22,847	19,649	19,937	18,366	17,800	17,800	17,900	18,000	18,100
	Insoluble sulphur	7,918	6,535	6,212	6,592	7,000	6,700	6,800	6,900	7,000
	Anti-oxidants	24,203	18,315	16,341	13,767	13,600	13,700	13,800	13,900	14,000

Source: Company, KGI Research

Key Risks

China Sunsine's investment case is most sensitive to the rubber chemical pricing cycle, upstream cost volatility and the pace at which industry capacity is absorbed by tyre production. While the Group has scale, product breadth and an established customer base, earnings can still be compressed when competitors chase volume, raw material prices reset selling prices lower, or tyre makers reduce utilisation during weaker macro conditions.

Rubber chemical ASP and industry capacity risk

Sunsine remains exposed to the cyclical nature of rubber chemical pricing. In FY2025, the Group's average selling price declined 10% YoY to RMB14,545 per tonne, reflecting lower raw material prices and more intense market competition. This is the most direct risk to our earnings forecasts because volume growth may not translate into proportionate gross profit expansion if accelerators, insoluble sulphur and anti-oxidants remain in oversupply. The downside scenario would be a period where Chinese producers keep utilisation high despite weak spreads, forcing pricing to clear at levels that compress industry margins and reduce Sunsine's operating leverage.

Raw material and energy price volatility

The Group's key inputs include aniline, sulphur, cyclohexylamine and other chemical feedstocks, while its production base is also exposed to coal, electricity and utilities costs. Cost movements can affect profitability in two opposing ways. A sudden increase in input prices can squeeze margins before selling prices are adjusted, particularly for orders negotiated on short pricing cycles. Conversely, a sharp decline in raw material prices can pull down product ASPs and reduce reported revenue even when physical shipment volumes are stable. This creates earnings volatility and can make short term margin performance difficult to extrapolate.

Tyre demand and customer utilisation risk

Demand for Sunsine's products is ultimately linked to tyre production, replacement tyre demand and the utilisation rates of tyre manufacturers. A slowdown in global auto production, weaker freight activity, lower replacement demand or customer destocking would reduce rubber chemical offtake and weaken order visibility. The risk is amplified during periods of trade uncertainty, as Chinese tyre makers may face tariff, anti-dumping or localisation pressures in export markets. Although the replacement tyre market is less volatile than new vehicle demand, a broad slowdown in consumer and industrial mobility would still be negative for shipment volume and pricing discipline.

Expansion, utilisation and return on capital risk

Sunsine continues to invest in capacity across core products and upstream intermediates. The key execution risk is that new capacity starts contributing into a soft pricing environment, resulting in lower-than-expected utilisation, weaker product spreads and a longer payback period. Commissioning delays, ramp up issues or a mismatch between capacity additions and customer demand would also reduce the return on invested capital. This matters for valuation because our positive view assumes that the Group can convert its scale position into resilient through cycle profitability, rather than simply adding tonnes into an already competitive market.

Foreign exchange and capital allocation risk

The Group sells to both domestic and overseas customers, reports in RMB and is listed in Singapore dollars, creating translation and investor return sensitivity to currency movements. Separately, Sunsine's net cash position lowers financial risk, but it also raises the threshold for capital allocation discipline. If surplus cash is deployed into low return projects, or if shareholder returns fail to improve despite sustained cash generation, the stock could trade at a persistent valuation discount.

Financial Summary

INCOME STATEMENT (CNY'mm)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	3,516	3,277	3,378	3,521	3,639
Cost of sales	(2,665)	(2,507)	(2,517)	(2,676)	(2,766)
Gross profit	850	770	861	845	873
Selling & distribution	(111)	(119)	(122)	(127)	(131)
Administrative expenses	(211)	(217)	(203)	(211)	(218)
Other operating gains/(expenses)	134	148	121	120	120
EBITDA	662	582	659	627	644
Depreciation & amortisation	(133)	(146)	(159)	(161)	(163)
Operating profit (EBIT)	529	436	500	467	481
Net finance income / (cost)	56	67	47	50	54
Other gains / (losses)	-	-	-	-	-
Profit before tax	585	504	546	517	535
Tax expense	(161)	(99)	(104)	(98)	(102)
Minority interests	-	0	0	0	0
Net profit (PATMI)	424	405	442	419	434
EPS (S\$ cents)	8.23	7.87	8.59	8.13	8.42
DPS (S\$ cents)	2.46	3.59	3.44	3.25	3.37

CASH FLOW STATEMENT (CNY'mm)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	585	504	546	517	535
Depreciation & amortisation	133	146	159	161	163
Working capital changes	27	169	(66)	(47)	(38)
Tax paid	(161)	(99)	(104)	(98)	(102)
Other operating items	(11)	(92)	(47)	(50)	(54)
Operating cash flow	573	628	489	481	504
Capex	(110)	(251)	(169)	(176)	(182)
Acquisitions / disposals	3	1	-	-	-
Other investing items	52	67	46	49	53
Investing cash flow	(55)	(183)	(123)	(127)	(129)
Net debt drawdown / (repayment)	-	0	0	0	0
Dividends paid	(126)	(185)	(177)	(167)	(173)
Equity issuance / (buyback)	(13)	-	-	-	-
Other financing items	2	-	-	-	-
Financing cash flow	(137)	(185)	(177)	(167)	(173)
Net change in cash	381	260	189	187	202
Beginning cash	1,686	2,074	2,329	2,518	2,705
Ending cash	2,067	2,334	2,518	2,705	2,907

BALANCE SHEET (CNY'mm)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	2,074	2,329	2,518	2,705	2,907
Trade and other receivables	1,137	996	1,018	1,061	1,097
Inventories	364	360	345	367	379
Current assets	3,574	3,685	3,881	4,133	4,383
Property, plant & equipment	835	941	951	966	985
Intangibles & goodwill	199	195	196	197	198
Other non-current assets	71	62	62	62	62
Non-current assets	1,105	1,197	1,208	1,225	1,245
Total assets	4,679	4,882	5,089	5,358	5,628
Trade payables	311	334	276	293	303
Short-term borrowings	-	0	0	0	0
Other current liabilities	159	110	110	110	110
Current liabilities	470	445	386	404	413
Long-term borrowings	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-
Non-current liabilities	-	-	-	-	-
Total liabilities	470	445	386	404	413
Shareholders' equity	4,209	4,438	4,703	4,954	5,214
Minority interests	-	-	-	-	-
Total equity	4,209	4,438	4,703	4,954	5,214

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	0.7%	(6.8%)	3.1%	4.2%	3.4%
Gross margin (%)	24.2%	23.5%	25.5%	24.0%	24.0%
EBITDA margin (%)	18.8%	17.8%	19.5%	17.8%	17.7%
Net profit margin (%)	12.1%	12.4%	13.1%	11.9%	11.9%
ROE (%)	10.1%	9.1%	9.4%	8.5%	8.3%
ROA (%)	9.1%	8.3%	8.7%	7.8%	7.7%
Net debt / equity (x)	(0.5x)	(0.5x)	(0.5x)	(0.5x)	(0.6x)
Net debt / EBITDA (x)	(3.1x)	(4.0x)	(3.8x)	(4.3x)	(4.5x)
Dividend payout (%)	29.8%	45.6%	40.0%	40.0%	40.0%
P/E (x)	7.9x	8.3x	7.6x	8.0x	7.7x
EV/EBITDA (x)	8.2x	9.7x	8.9x	9.6x	9.7x
P/NAV (x)	0.2x	0.1x	0.1x	0.1x	0.1x
Dividend yield (%)	3.8%	5.5%	5.3%	5.0%	5.2%

Source: Company, KGI Research estimates

KGI's Ratings

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Not Rated (NR)	The stock is not rated by KGI Securities.
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