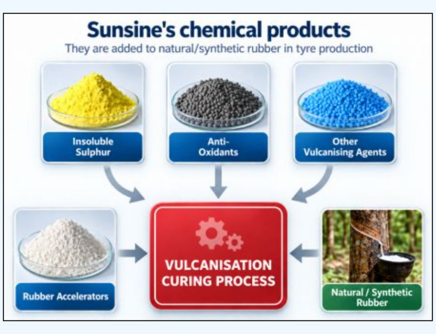
CHINA SUNSINE: Higher Selling Prices, Record Volumes. Here's Why KGI Sees Over 70% Upside

Leong Chan Teik 07 September 2026

China Sunsine Chemical's latest half-year results may not look spectacular at first glance. Net profit for 1H2026 rose just **5%** to RMB254.3 million.

But KGI Securities argues that behind this headline number is a much stronger story — one built around higher selling prices, record volumes, growing overseas sales and a surprisingly strong contribution from the sale of insoluble sulphur. This is used by tyre manufacturers to help cure rubber and improve the bonding of tyre components.



KGI reiterated its **Outperform** call and **S$1.145** target price, which is ~70% upside from a recent share price of **S$0.66**.

Why the bullishness?

- China Sunsine's 1H26 revenue jumped **19%** to RMB2.01 billion.

- Sales volume increased **9%**, while its blended average selling price also rose about 9%.

  (Part of the price increase reflected higher raw-material costs being passed on to customers, although Sunsine still managed to improve its gross margin).

- Gross profit climbed an even stronger **22%,** with gross margin improving from 24.6% to **25.2%**.

All that means the modest 5% increase in net profit does not tell the whole story.

A RMB48.6 million foreign-exchange loss due to the reminmbi strengthening against the USD, together with higher administrative and R&D expenses, absorbed part of the improvement.

Excluding the reported FX item in both periods, profit before tax rose about **21%.** In other words, the core business performed considerably better than the headline profit growth suggests.

Insoluble sulphur steals the show

The surprise star was **insoluble sulphur**, whose sales volume rose 16.8% to 26,007 tonnes, but revenue surged 87.4% to RMB268.5 million because realised selling prices jumped around 60%.

Even more striking: KGI estimates that insoluble sulphur accounted for roughly **39%** of China Sunsine's total year-on-year revenue increase in 1H26. Its contribution to group revenue also rose from 8.5% to 13.4%.

That is why KGI now describes insoluble sulphur as a "second earnings engine", alongside the company's core rubber accelerator business which also supplies to tyre producers.

The industry dynamics help here. Global insoluble-sulphur leader Flexsys has announced two Asian price increases and is under considerable financial pressure due to its debts.

KGI isn't assuming today's high prices last forever.

It forecasts insoluble-sulphur ASP falling from RMB10,500 a tonne in FY26 to RMB7,500 in FY27 and RMB6,800 in FY28.

KGI forecasts net profit easing by about 15% in FY27.

Sunsine's 1H2026 product mix:

Product	Revenue, RMB million	Revenue growth YoY	Share of group revenue
Rubber accelerators	**1,233.6**	**+22.0%**	**61.4%**
Anti-oxidants	448.1	−9.5%	22.3%
Insoluble sulphur	268.5	+87.4%	13.4%
Other rubber chemicals	39.4	+133.1%	2.0%

Source: Company Data, KGI Research

Overseas growth may be the bigger long-term story

Another encouraging development is where the extra volumes are coming from.

Domestic sales volume rose only 4%, but international volume increased 17%, reaching 43.6% of total shipments.

European revenue increased 32%, while Rest-of-Asia sales rose 17%.

Management says Chinese tyre manufacturers expanding overseas are buying from Sunsine, while global customers such as Bridgestone and Pirelli have also increased orders.

> ***Only 2.4x PE ex-cash***
>
> 
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> *"At current price levels, the revised FY26E earnings imply about 6.8x P/E, while reported net cash covers roughly two-thirds of the equity value. The discount still prices in Chinese industrial cyclicality, low trading liquidity, cash-location risk and a reversal in current IS economics."*
>
> *-- Chong Ting Shuo, KGI analyst*

Meanwhile, production capacity continues to expand.

Year-end annual capacities:

Tonnes	FY24	FY25	end-FY26F
Accelerators	117,000	117,000	135,000
Insoluble Sulphur	60,000	60,000	60,000
Anti-oxidant	77,000	77,000	77,000
Total	**254,000**	**254,000**	**272,000**

Watch cashflow in 2H

If there is one number investors should watch closely, it is cash flow.

Operating cash flow plunged from RMB431.5 million in 1H25 to just RMB78.3 million in 1H26 as receivables and inventories absorbed RMB267 million.

Management attributes the build-up mainly to higher raw-material costs and stronger sales near the period-end.

CHINA SUNSINE	
Share price: **$0.66**	Target: **$1.145**

KGI's FY26 forecast assumes operating cash flow eventually reaches RMB482 million — implying a very strong recovery in 2H.

Still, China Sunsine has a formidable financial cushion: around RMB2.22 billion of cash, no debt and roughly **S$0.44 of net cash** per share.

KGI forecasts FY26 net profit of RMB511 million, equivalent to EPS of 9.93 Singapore cents, putting the stock at roughly **6.7 times** P/E. It also expects dividends of **3.97 cents a share,** which is a 6% yield.

The more interesting question is whether 1H26 marks the start of something bigger: Will China Sunsine be able to turn its scale into stronger pricing and earnings? Can 2H cashflow catch up with the stronger sales?

→ *See the full KGI report here.*

- CHINA SUNSINE: KGI's "Outperform" Call and Bull Case With 70% Upside
- CHINA SUNSINE: Why 2026 Is Start of Long "Cash Harvest" Season for This Company
- CHINA SUNSINE: 4–5x Earnings Ex-Cash: Cheap Today and Potentially Even Cheaper In The Near Future
- CHINA SUNSINE: This Company Raises Minimum Dividend Payout Ratio to 40% Amid Strong Cash Accumulation. How Did It Get Here?
- Charity, Rewards, and Tyres: The Story Behind China Sunsine Chairman's Stake Sale
- CHINA SUNSINE: Long-Awaited Re-Rating Is Happening, +69% year to date