



三江化工

SANJIANG CHEMICAL

中國三江精細化工有限公司

CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

(stock code: 2198)

2014年度業績
Annual Results

Business Highlights For 2014



1. Our Current Core Production Capacities

Upstream Capacity –

- Our MTO, Ethylene & Propylene production capacity

Designed Annual Production Capacity (MT)	Commercial Operation Time
Ethylene : 300,000 MT	H1 2015
Propylene : 390,000 MT	
C4 : 15,000 MT	
C5: 34,000 MT	

- The strategic advantage of MTO
 - Change the ultimate feedstock of our Group from ethylene to methanol
 - In a long run, methanol (come from coal or natural gas) vs. ethylene (come from naphtha)
- Ethylene output of 300,000 MT can serve 55% directly of our need for EO production purpose



1. Our Current Core Production Capacities (con't)

- Propylene output can serve the remaining 45% indirectly of our need for EO production purpose as ethylene price and propylene price are highly correlated and having our own-produced propylene can offset any price fluctuation in respect of those 45% ethylene.
- ROE at around 9% based on the pricings of all inputs & outputs as at 2 March 2015 (our latest assessment date)
 - As at 2 March 2015:
 - Methanol price at around RMB2,400/MT
 - Ethylene price at around USD1,000/MT
 - Propylene price at around RMB7,400/MT
 - C4 & C5 price at around RMB4,500/MT



1. Our Current Core Production Capacities (con't)

- Our Ethylene Oxide (“EO”) production capacity

Projects of EO production facilities	Designed Annual Production Capacity (MT)	Commercial Operation Time
1st phase	EO: 60,000	January 2006
2nd phase	EO: 60,000	December 2008
3rd phase	EO: 60,000	May 2011
1st phase of JV	EO: 50,000	September 2012
4th phase	EO: 100,000	February 2013
Current - Total	EO:330,000	
5th phase EO/EG	EO: 240,000 EG: 130,000	H1 2015
Total	EO: 570,000 EG: 130,000	

- After the expected ramp-up of the 5th Phase EO/EG by H1 2015
 - **Expected EO growth:** ↑ 72.7% in terms of annual designed production capacity in 2015, comparing to 2014.
 - **Expected EG growth :** ↑ 100% in terms of polyester-grade annual designed production capacity in 2015 (2014: Nil polyester-grade EG production capacity).



2. 2014 Overview

- 2014 vs. 2013, minor volume change in terms of actual production volume of EO (2014: 365,481MT; 2013: 376,003MT)
- No new ramp-up of EO production facility during 2014
- A common phenomenon for chemical sector
 - No volume growth during construction period of production facilities
 - Strong volume growth after commercial operation of production facilities
- Our way to respond:
 - MTO production capacity



2. 2014 Overview (con't)

- In terms of EO GP margin, 2014 vs. 2013 ↓ 10.0%
(2014: 4.6% or RMB 403 GP/MT; 2013: 14.6% or RMB 1,331 GP/MT)
- BOTH Ethylene market and EO market:
 - Cyclical – this is another common phenomenon in chemical sector profitability of a market shifts vertically among the chemical production chain, usually every five to ten years
 - Now, experiencing a change alternating periods of high-profitability market and low-profitability market



2. 2014 Overview (con't)

- Ethylene market :

- Ethylene price remained relatively strong throughout 2014
- During 2014 1H (vs. 2013 1H), average market price ↑ 16.8% or USD200/MT, while crude oil market price is stable (with less than 5% movement)
- During 2014 2H (vs. 2013 2H), crude oil market price ↓ 50% while ethylene market price only ↓ 36.7%
- used to be a low-profitability market before 2014, now, becomes a high-profitability market.
- Reason for the shift:
 1. no meaningful new supply before 2014: low-profitability → low level of investment in capacity expansion → no meaningful addition of ethylene production capacity in recent years;
 2. demand from downstream market (including EO market) accumulated for years → downstream market (including EO market) used to be to high-profitability markets
 3. as such, to certain point, the situation reversed.



Q&A session



Appendix



Overview of Our Main Products

Raw Materials

Crude oil → Naphtha
Corn, sugarcane → Ethanol
Coal → Methanol
Natural gas → Ethylene

Company Products

EO

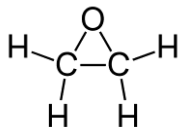
Downstream Products

Non-ionic Surfactants



Ethylene Oxide

- An ethylene derivative product
- Further process into other fine chemical products
- Highly reactive and potentially explosive
- Chemical composition



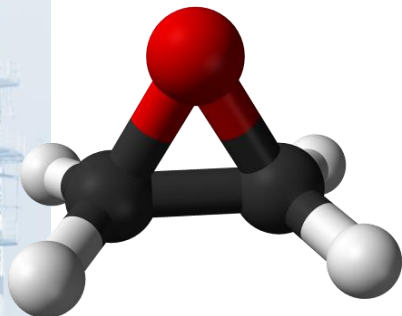
Non-ionic Surfactant

- A major type of surfactants, fine chemical product capable of removing dirt
- AEO, largest in the non-ionic family, used in the production of liquid detergents, cosmetics and ointment products



Ethylene Oxide Business Overview

Technology and Specification of Ethylene Oxide



- Operates under the **perpetual licenses** from Scientific Design Company, Inc., a US leading process technology company, for the know-how and technical information related to:
 - ▶ production of purified ethylene oxide
 - ▶ engineering design of the three ethylene oxide production lines
- Constantly seeks technological improvement to our production facilities to improve production capacity and efficiency

Product category

ethylene derivative product

Raw materials

ethylene, oxygen

Formula

C_2H_4O

Synonyms

oxirane, epoxyethane

CAS number

75-21-8

Characteristics

Highly reactive, colorless, transparent, low-boiling point liquid or gas at room temperature with an ether-like odor; and inflammable and explosive, not suitable for long distance transportation

Applications

Mainly used for production of surfactants, ethylene glycol, ethanolamine and glycol ethers in China



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