



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: 02198 HK

2011 Annual Results





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Business Highlights



Business Summary



During the year under review,

- The Group's revenue broke through RMB2 billion for the first time reaching approximately RMB2,078.2 million for the year ended 31 December 2011, representing an increase of approximately 31.3%.
- Gross profit was approximately RMB433 million, representing an increase of 20.3% as compared to 2010.
- Net profit attributable to shareholders was approximately RMB404.8 million, up 52.1% as compared to last year.
- Earnings per share was RMB39.75 cents, up 14.2% as compared to last year.
- The Board has recommended a final dividend of HK\$9.5 cents per share, together with an interim dividend of HK\$5.5 cents per share, representing a total payout of approximately RMB123.9 million and a dividend payout ratio of approximately 30.4% for the year ended 31 December 2011.

Business Summary



- The 3rd phase EO production facilities with designed annual production capacity of 60,000MT for EO was commenced commercial operation on May 2011. Thereafter, our Group's aggregate annual designed production capacity of EO increased by 50% from 120,000 MT to 180,000MT.
- Entered into a MOU with Haiyan Economic Development Zone of Zhejiang Province on 31 May 2011, pursuant to which the Group will construct a EO production facility with designed annual production capacity of 200,000MT of EO.
- Signed a framework agreement with Zhejiang Institute of Applied Technology Research of Chinese Academy of Sciences (浙江中科院应用技术研究院), which is part of the Group's strategy is to strengthen its research and development capabilities and would facilitate our future production capacity expansion plan to a large extent.
- The construction of the 1st phase EO production facilities of Sanjiang Honam is finished and expect the production line will be in a position for commercial operation on a full-capacity basis by July 2012. The 1st phase EO production facilities of Sanjiang Honam has a designed annual production capacity of approximately 100,000 MT.



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Financial Highlights



Financial Summary



RESULTS HIGHLIGHTS

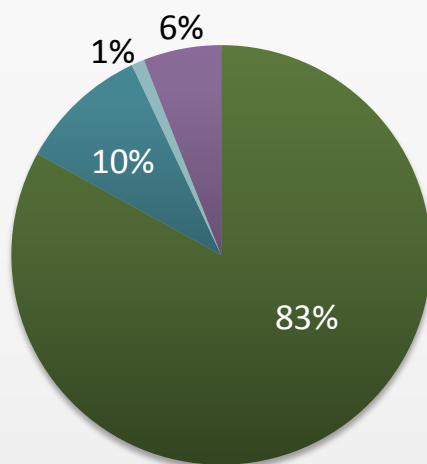
For year ended 31 Dec

(RMB '000)	2011	2010	Change
Revenue	2,078,188	1,582,526	+31.3%
Gross Profit	433,344	360,164	+20.3%
Net Profit	404,769	266,126	+52.1%
EPS (cents)	39.75	34.82	+14.2%
Gross Margin (%)	20.9	22.8	-1.9
Net Margin (%)	19.5	16.8	+2.7
Dividend per share (HK\$)	15.0	9.50	+57.9%

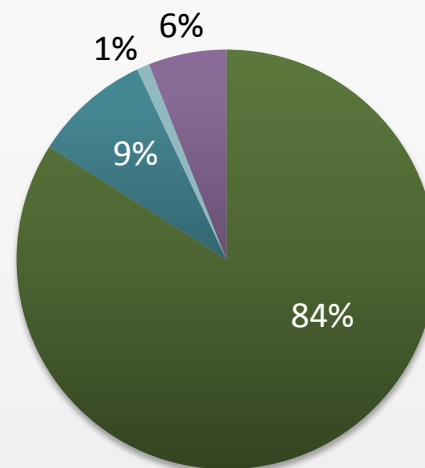
Financial Overview



Breakdown of Revenue



2010



2011



Sale of ethylene oxide



Sale of surfactants



Surfactants processing services



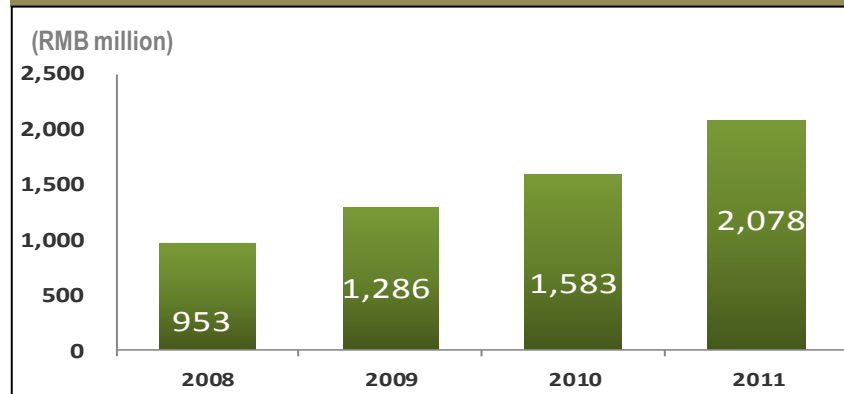
Others

Financial Overview

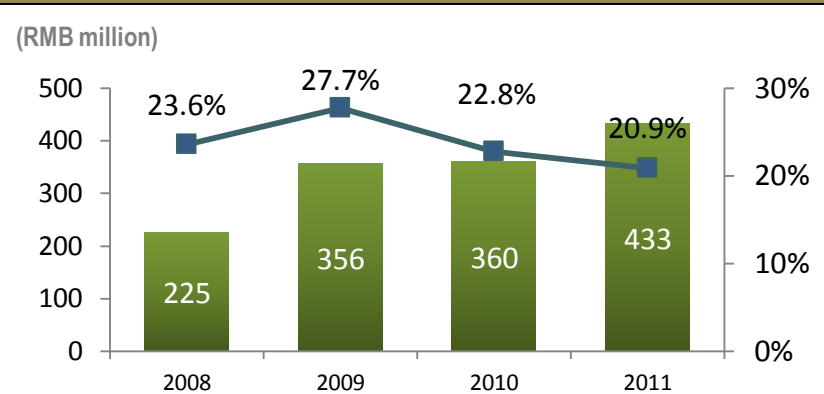


Sales Volume (including both direct sales & provision of processing service)	2007 (MT)	2008 (MT)	2009 (MT)	2010 (MT)	2011 (MT)
Ethylene oxide (approximately 85% of Revenue)	65,078	65,588	124,473	127,658	166,814
AEO surfactants (approximately 10% of Revenue)	10,616	18,263	53,675	52,346	62,291

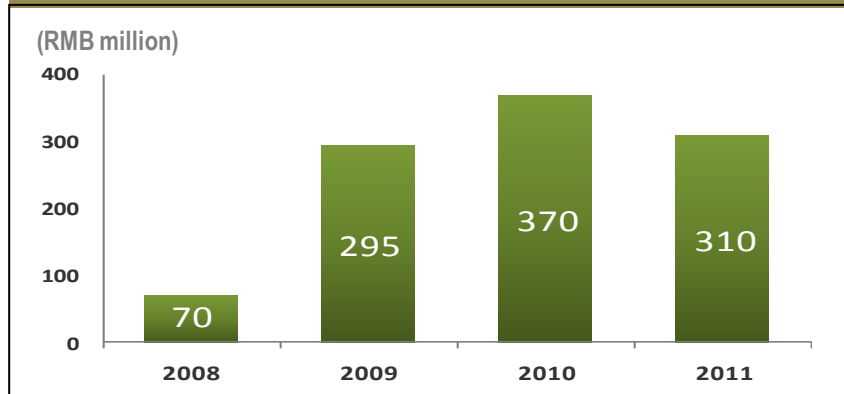
Revenue



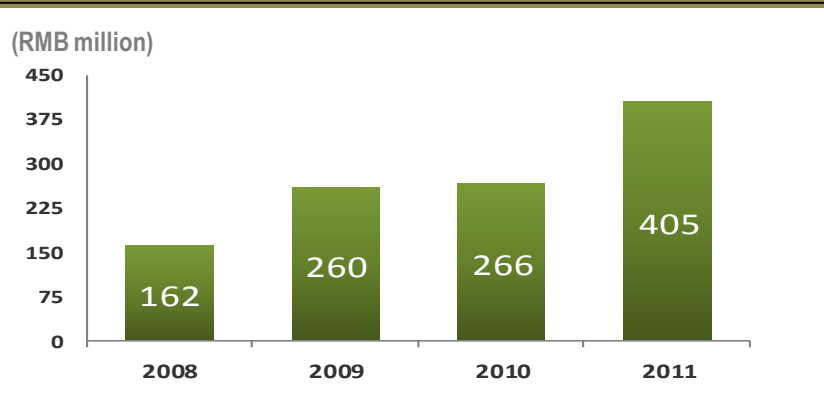
Gross Profit & GP%



Cash from Operating Activities



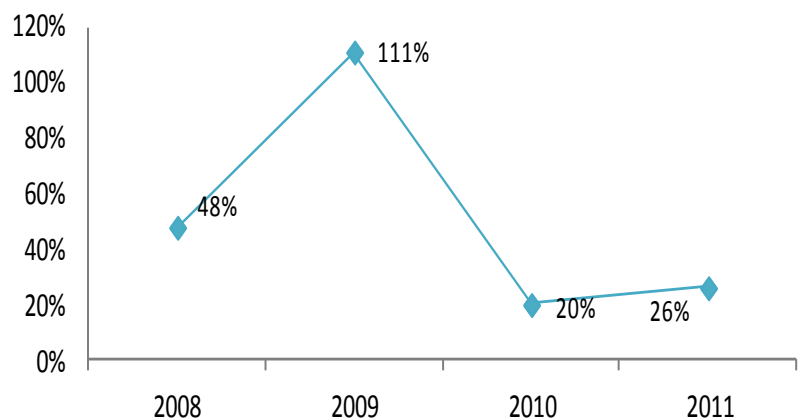
Net Income



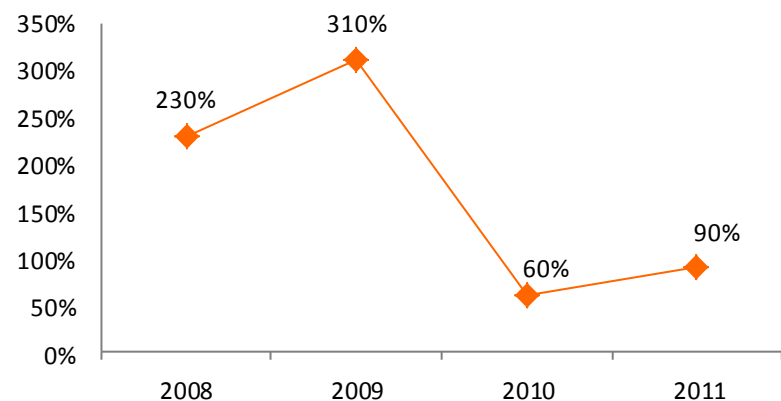
Ratio and Turnover Analysis



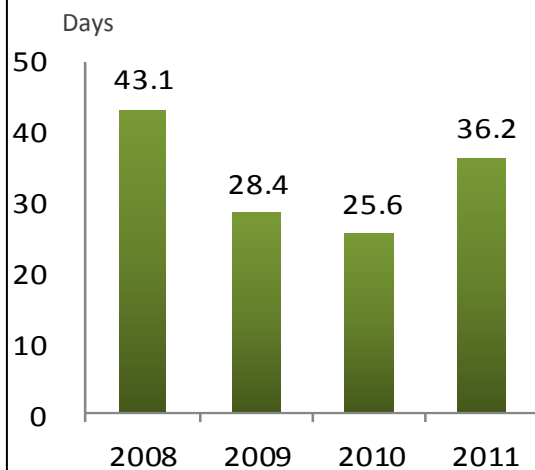
ROE



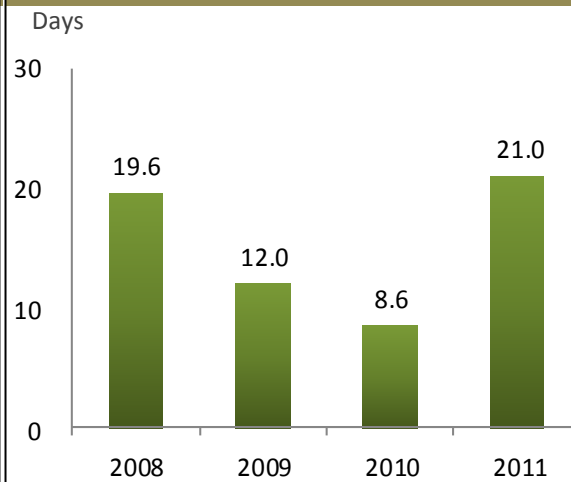
Gearing Ratio



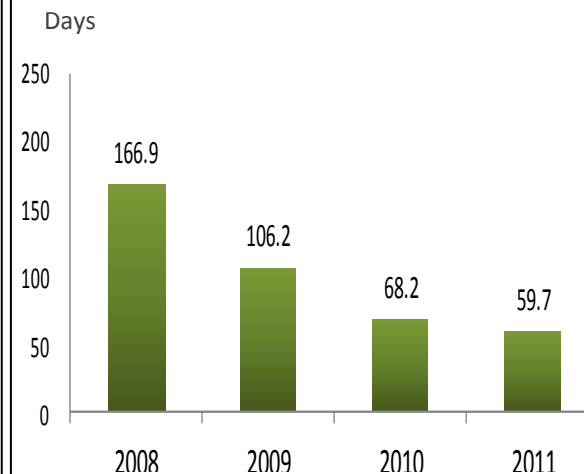
Inventories Turnover Days



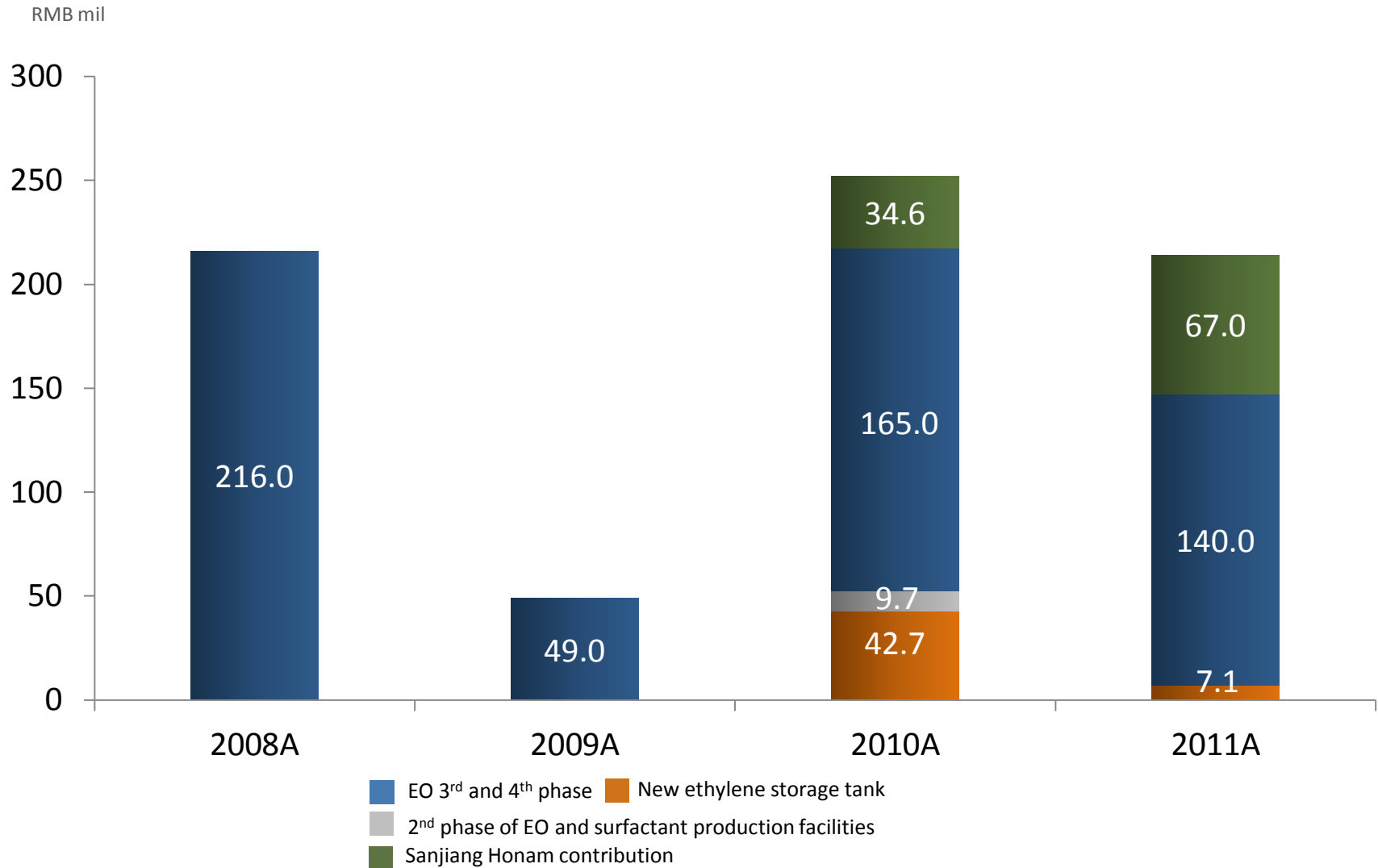
Receivables Turnover Days



Payables Turnover Days



Capital Expenditure





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Operations & Outlook



Ethylene Oxide Business Overview



■ Production Capacity and Output

Production Capacity of Ethylene Oxide

Weighted average during the financial year	Designed Annual Production Capacity (MT)	Production Volume (MT)	Utilisation Rate (Approximate %)
2007	60,000	65,906	110%
2008	65,000	67,780	104%
2009	120,000	140,515	117%
2010	120,000	132,188	110%
2011	180,000	176,000	113%
2012 (forecasted) *	330,000 *	226,000	114%
2013 (forecasted)	330,000	347,000	105%
2014 (forecasted)	580,000	609,000	105%



- Our production volume is boosted by our continuous dedication in making technology advancements on our production facilities and effective operation beyond designed operating hours, which directly resulted in utilisation rate consistently over 100%

* The designed annual production capacity (MT) of EO as of 31 December 2012 is estimated to be 330,000MT while the weighted average designed annual production capacity of EO for the year ending 31 December 2012 is estimated to be 202,900MT.

Surfactant Business Overview



■ Production Capacity and Output

Production Capacity of Surfactant

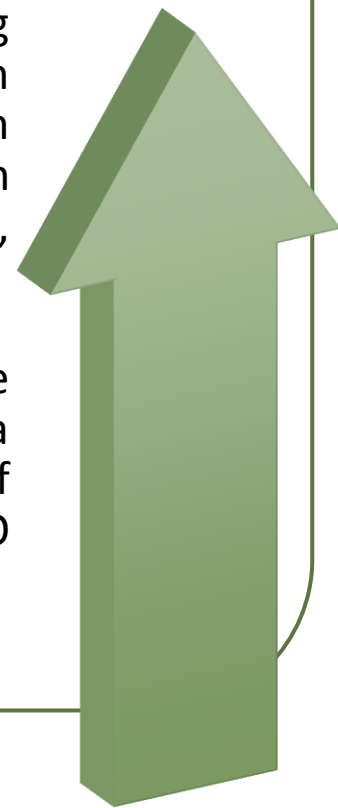
Weighted average during the financial year	Designed Annual Production Capacity (MT)	Production Volume (MT)	Utilisation Rate (Approximate %)
2007	18,000	10,921	61%
2008	109,667	19,838	18%
2009	118,000	54,222	46%
2010	143,000	52,345	37%
2011	218,000	62,291	29%
2012 (forecasted)	218,000	75,000	34%
2013 (forecasted)	218,000	107,000	49%
2014 (forecasted)	218,000	114,000	52%

**Designed annual
production capacity
by end of 2011:
218,000 MT**



EO Production Capacity Expansion

- The Group's aggregate annual designed production capacity of EO is expected to be substantially increased by 80% to 330,000 MT as of the end of 2012: 1) the 1st phase EO production facilities of Sanjiang Honam Chemical Co., Ltd.* (三江湖石化化工有限公司), a sino-foreign joint venture company we established in 2010 with Honam Petrochemical Corp, which contributes additional EO production capacity of 50,000 MT and 2) our 4th phase EO production facilities, which contributes additional EO production capacity of 100,000 MT.
- Pursuant to the MOU with Haiyan Economic Development Zone, we will construct our 5th phase EO production facilities which will have a designed annual production capacity of approximately 200,000 MT of EO. We expect the commercial operation of our 5th phase EO production facilities will take place in the first quarter of 2014.



Outlook



Maintain growth momentum

- Our revenue growth will be expected to maintain in a similar level or even faster in the next 3 years in view of our various EO expansion plans and the actual production volumes of EO in 2012 and 2013 are expected to be growth by 28.4% and 46.0% respectively.

Potential upstream development

- Actively considering and assessing an opportunity to develop and construct an ethylene production facility using Methanol-to-Olefin(“MTO”)-based technology which was developed by Dalian Institute of Chemical Physics, Chinese Academy of Sciences (中国科学院大连化学物理研究所). MTO is primarily used to convert methanol into ethylene and propylene.



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Thank You





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Appendix



Overview of Our Main Products



Raw Materials

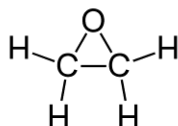
Company Products

Downstream Products



Ethylene Oxide

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



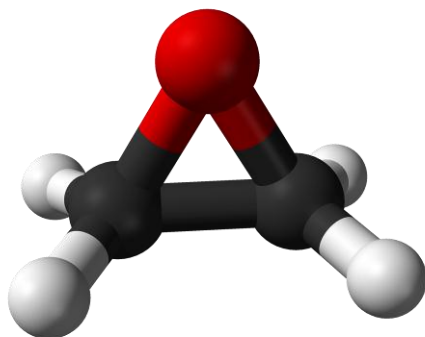
Non-ionic Surfactant

- 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



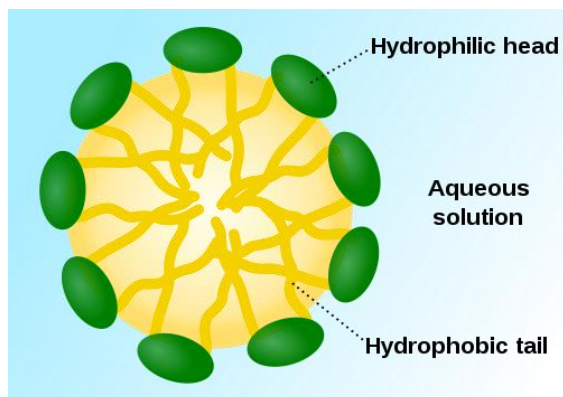
- Operates under the **perpetual licenses** from Scientific Design Company, Inc., a US leading process technology company, for the know-how and technical information related to:
 - ▶ production of purified ethylene oxide
 - ▶ engineering design of the three ethylene oxide production lines
- Constantly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

Surfactant Business Overview



■ Technology and Specification of AEO surfactants



- Contracted China BCEL International Engineering Co., Ltd., a large-scale engineering consulting corporation in the PRC, for the know-how and technical information related to:

- ▶ production of surfactants
- ▶ engineering design of the two surfactants production lines at Jiaying Production Plant

Raw materials

ethylene oxide and fatty alcohol

Formula

$C_{12-14}H_{25-29}O(CH_2CH_2O)_nH$

CAS number

9002-92-0

Characteristic

Wetting agents that lower the surface tension of a liquid and interfacial tension between two liquids

Our major AEO surfactant products

AEO-2.5, AEO-3, AEO-5, AEO-7, AEO-9

Applications

A diversified range, including wool detergents, solvents, emulsifying mineral oil, and emulsifiers used in cosmetics and ointments

Competition Analysis



We are well positioned to compete with our competitors in the EO and surfactants market

	Ethylene Oxide	Surfactants
Major Competitors in the Market	<ul style="list-style-type: none">■ CNPC■ Sinopec	<ul style="list-style-type: none">■ Fragmented market with 20 major domestic producers
Our Competitive Advantages	<ul style="list-style-type: none">■ More flexible in terms of product pricing■ Around the clock customer service■ Significant size advantage over other privately-owned competitors	<ul style="list-style-type: none">■ In-house supply of ethylene oxide■ Competes in terms of product quality, production efficiency and cost advantage
Overall	<ul style="list-style-type: none">■ We face limited competition as majority of ethylene oxide produced by CNPC and Sinopec are for captive use in producing other chemical products	<ul style="list-style-type: none">■ We are the largest privately-owned AEO producer in the market with 13% market share