



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



2012 Interim Results



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Business Highlights



Business Summary



For 1H2012,

- Revenue of the Group was approximately RMB1,085.5 million, representing an increase of RMB191.1 million or 21.4% over RMB894.4 million as compared to the same period of 2011.
- Gross profit uplifted to a larger extent by approximately 21.6% reaching approximately RMB226.4 million as compared to the same period of 2011.
- Net profit attributable to equity holders of the parent increased 28.0% to approximately RMB202.5 million.
- Earnings per share was RMB20.19cents, up 30.4% as compared to last corresponding period.
- The Board does not recommend payment of any interim dividend for the six months ended 30 Jun 2012 in light of the time lag of approximately 7 months between the expected capital expenditure of approximately RMB221.4 million to be paid in 2H 2012 for the construction of the 4th phase EO production facilities and the expected operating cash inflow of approximately RMB250.0 million in three months' time from the first day of its commercial operation under the existing business model, primarily because EO customers are on cash on delivery term and required to pay in advance before delivery of goods while the feedstock suppliers are on 90-day letter of credit term.

Business Summary



- Finalising the construction of the 1st phase EO production facilities of Sanjiang Honam Chemical Co., Ltd.* (三江湖石化工有限公司) --> expected ramp-up in the end of September 2012.
- Finalisingng the construction of the 4th phase EO production.
- Plans to construct the 5th phase EO/EG production facilities, which is located at Haiyan Economic Development Zone, another economic development zone located right next to our existing production plant located at Zhapu Economic Development Zone of Zhejiang Province, PRC.
- Acquired 75% stake of Zhejiang Xingxing New Energy Technology Co., Ltd. with a consideration of RMB108,500,000. The Group will be able to obtain the Methanol-to-Olefin-based (“MTO”) Technology and related ancillary technologies.



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Financial Highlights



Financial Summary



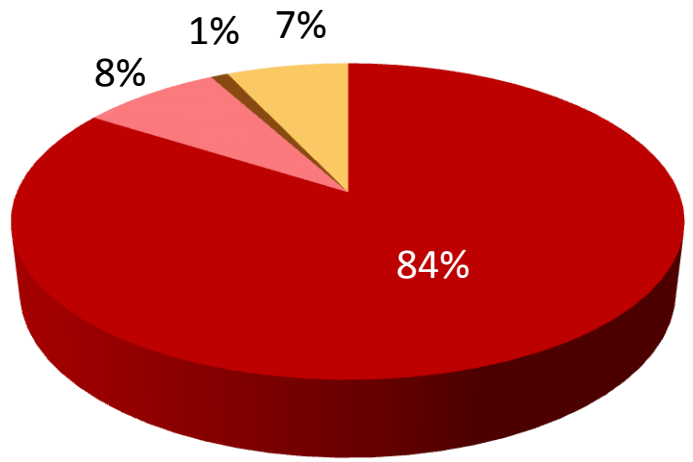
Results Highlights

For 6 months ended 30 June

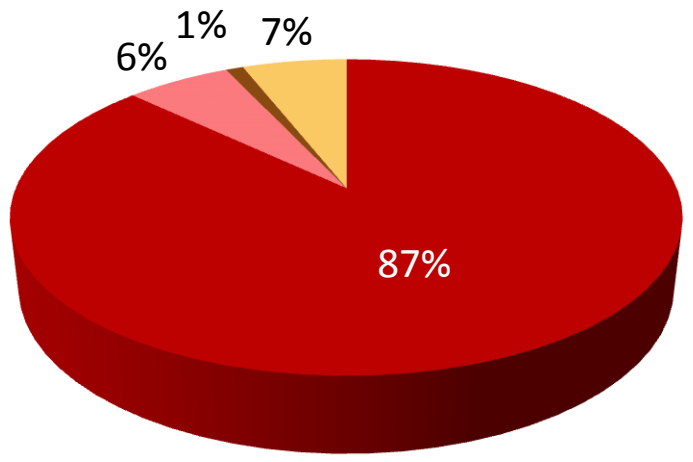
(RMB '000)	1H 2012	1H 2011	Change
Revenue	1,085,522	894,440	+21.4%
Gross Profit	226,401	186,174	+21.6%
Net Profit	202,544	158,220	+28.0%
EPS (cents)	20.19	15.48	+30.4%
Gross Profit Margin (%)	20.9	20.8	+0.1
Net Profit Margin (%)	18.7	17.7	+1.0



Breakdown of Revenue



1H2011



1H2012

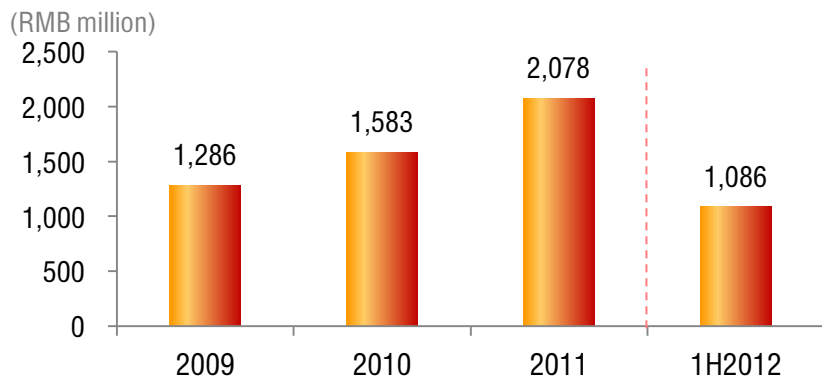
- Sale of ethylene oxide
- Sale of surfactants
- Surfactants processing services
- Others

Financial Overview

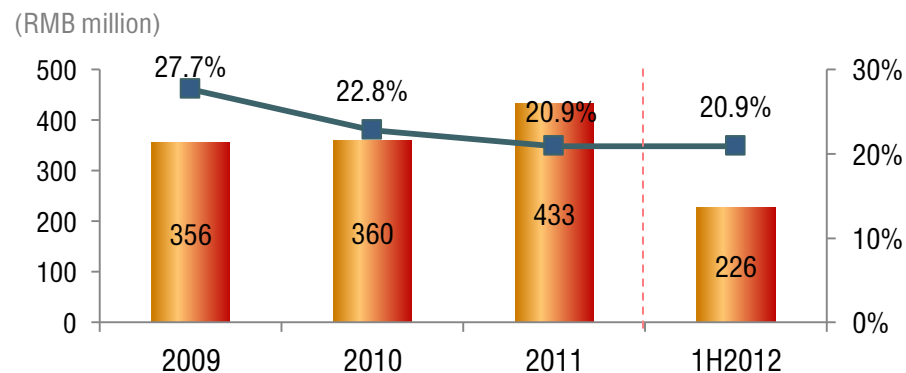


Sales Volume (including both direct sales & provision of processing service)	2008 (MT)	2009 (MT)	2010 (MT)	2011 (MT)	1H2012 (MT)
Ethylene oxide (approximately 85% of Revenue)	65,588	124,473	127,658	166,814	97,562
AEO surfactants (approximately 10% of Revenue)	18,263	53,675	52,346	62,291	34,144

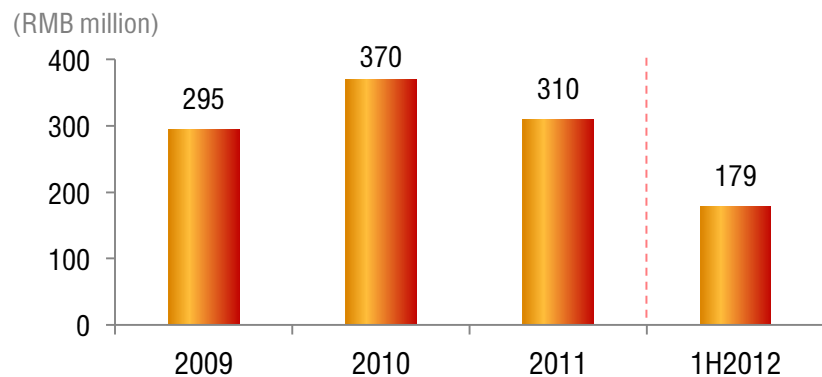
Revenue



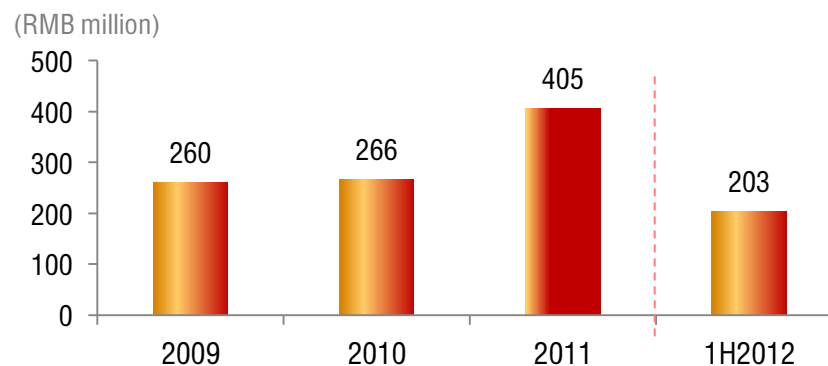
Gross Profit & GP%



Cash from Operating Activities



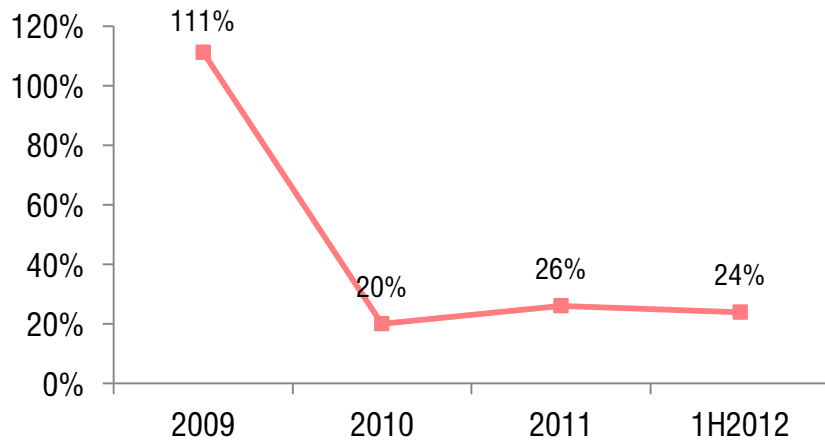
Net Income



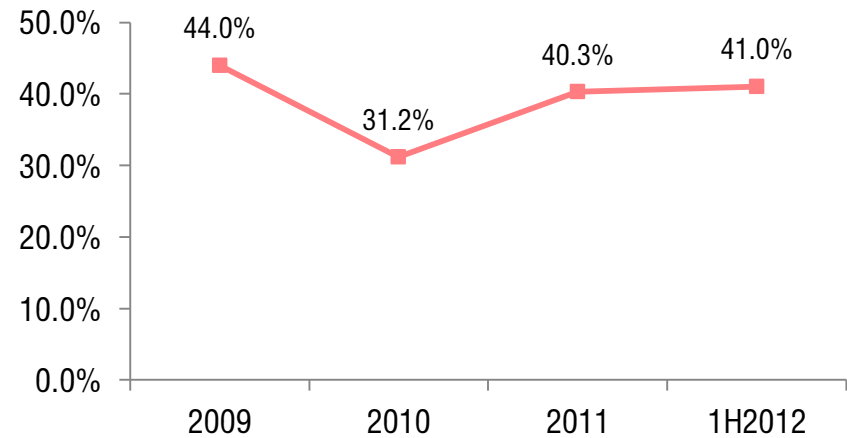
Ratio and Turnover Analysis



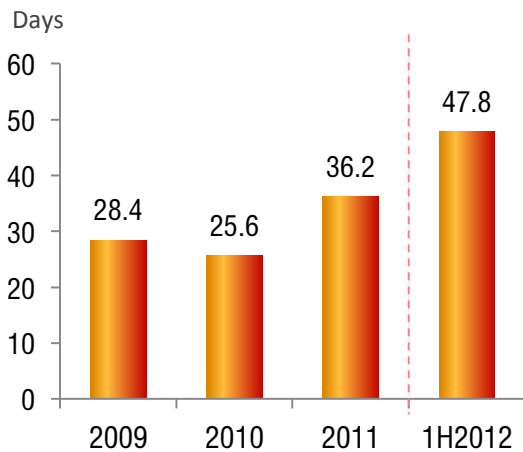
ROE



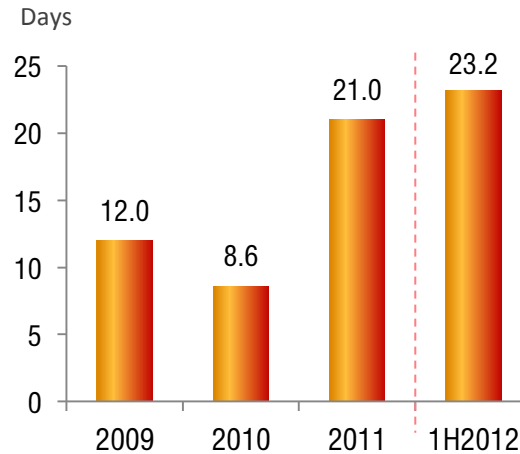
Gearing Ratio – asset basis



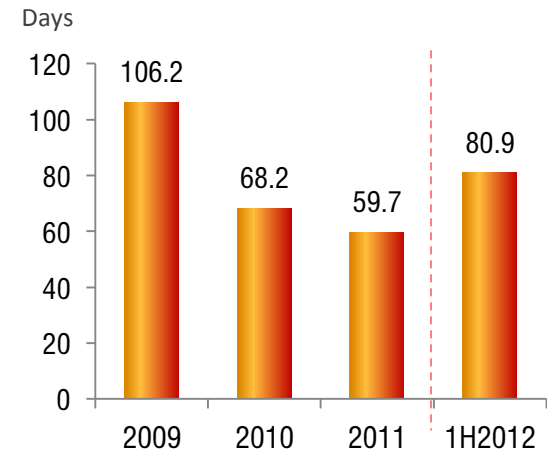
Inventories Turnover Days



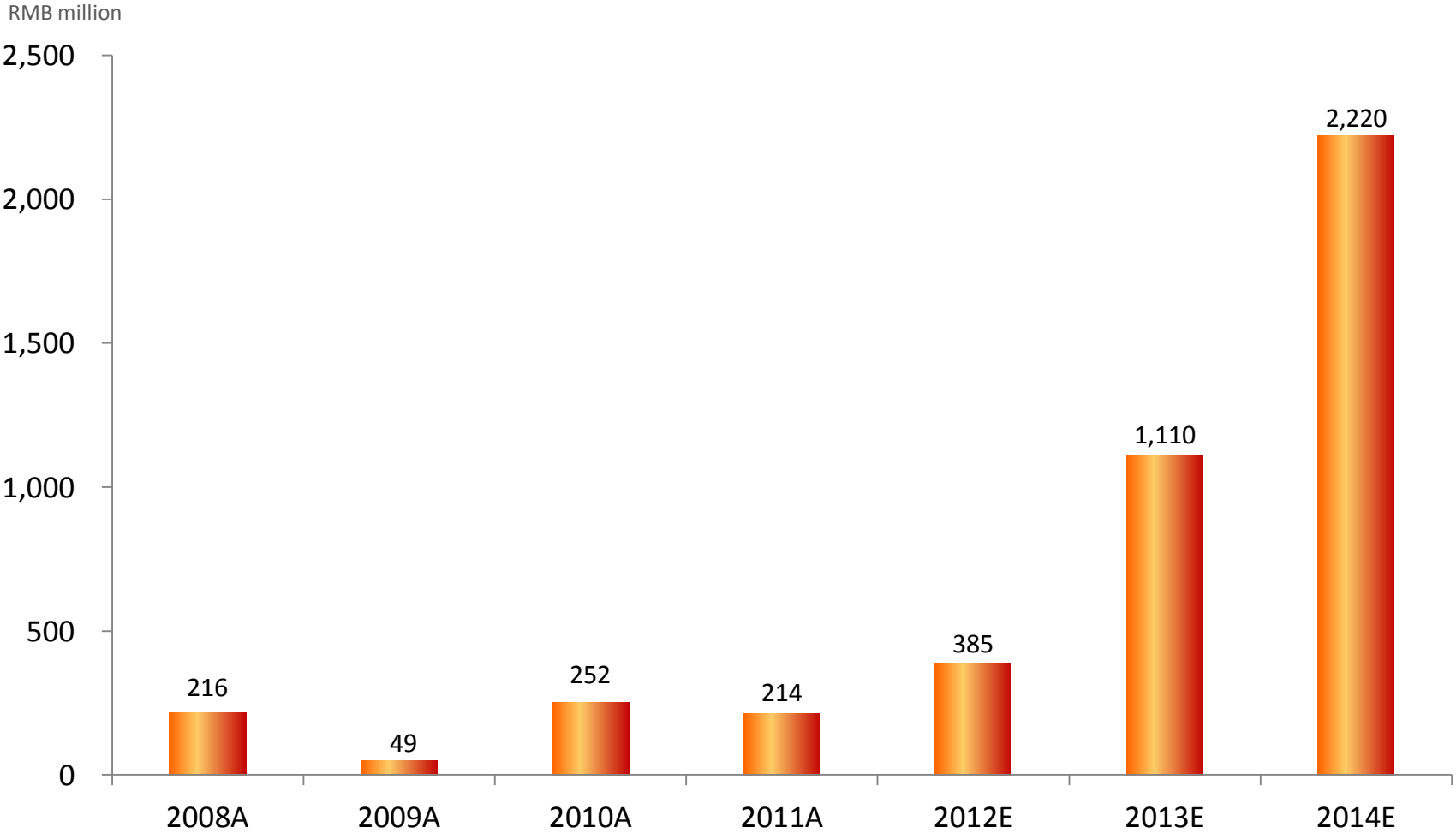
Receivables Turnover Days



Payables Turnover Days



Capital Expenditure





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Operations & Outlook

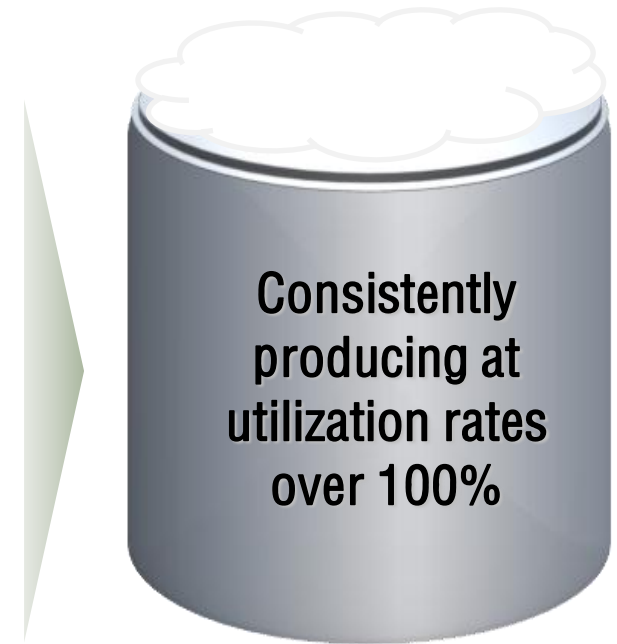


Ethylene Oxide Business Overview



Production Capacity and Output – Ethylene Oxide

Weighted average during the financial year	Designed Annual Production Capacity (MT)	Actual 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	217,500	114%
2013 (forecasted)	330,000	360,000	105%
2014 (forecasted)	530,000**	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%

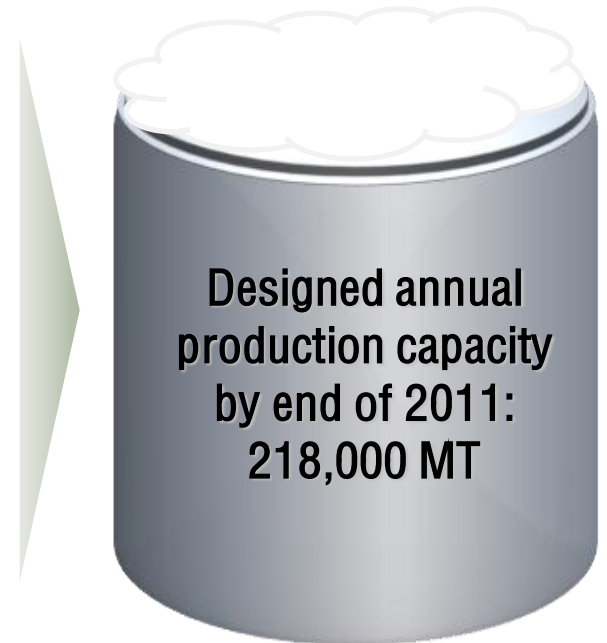
** The 5th phase EO/EG production facilities is expected to contribute 200,000 MT in terms on production capacity on a long term basis, although the 5th phase EO/EG production facilities allows shifting capacity inbetween:- 1) EO output at a maximum level of 240,000 MT and EG output at a minimum level of 130,000 MT; and 2) EO output at a minimum level of 100,000 MT and EG output at a maximum level of 250,000 MT.

Surfactant Business Overview



Production Capacity and Output – 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%





EO Production Capacity Expansion

Phase	Expected Commencement of Operation	Designed Annual Production Capacity (MT)	Capital Injection (RMB)	Remarks
1 st phase EO production facilities of JV	Sept 2012	EO 50,000	1H2012 – 25.2 mm	<ul style="list-style-type: none"> sino-foreign JV company the Group established in 2010 on a 50:50 basis with Honam Petrochemical Corp
4 th EO production facilities	Dec 2012	EO 100,000	1H2012 – 138.6 mm 2H2012 – 221.4 mm 2013 – 40.0 mm	<ul style="list-style-type: none"> expected to generate operating cash inflow of approximately RMB250.0 mm in three months time from the first day of its commercial operation
5 th EO/EG production facilities	End of 2014	Inbetween: – 1. EO max 240,000 & EG min 130,000; 2. EO min 100,000 & EG max 250,000	2013 – 390 mm 2014 – 780 mm 2015 – 130 mm	<ul style="list-style-type: none"> equipped with processing function to convert industrial-grade EG into polyester-grade EG benefit approximately RMB15.0 mm to the Group
MTO production facility	End of 2014	Ethylene 300,000 Propylene 390,000	2013 – 720 mm 2014 – 1,440 mm 2015 – 240 mm	<ul style="list-style-type: none"> production of ethylene and propylene by MTO Technology



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Thank You





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Appendix



Overview of Our Main Products



Raw Materials

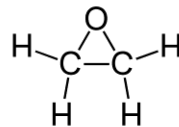
Company Products

Downstream Products



Ethylene Oxide

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



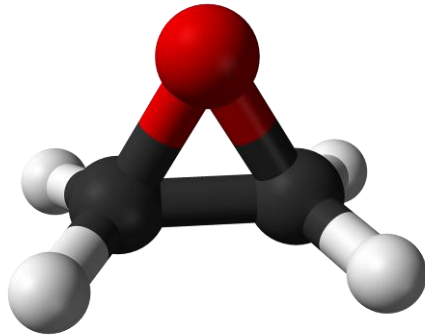
Non-ionic Surfactant

- 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

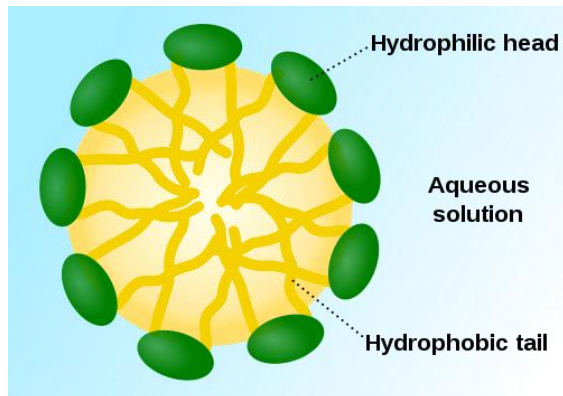
Applications

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