

OVERVIEW OF CHINESE MARKET 2016

Kong Associates Shanghai

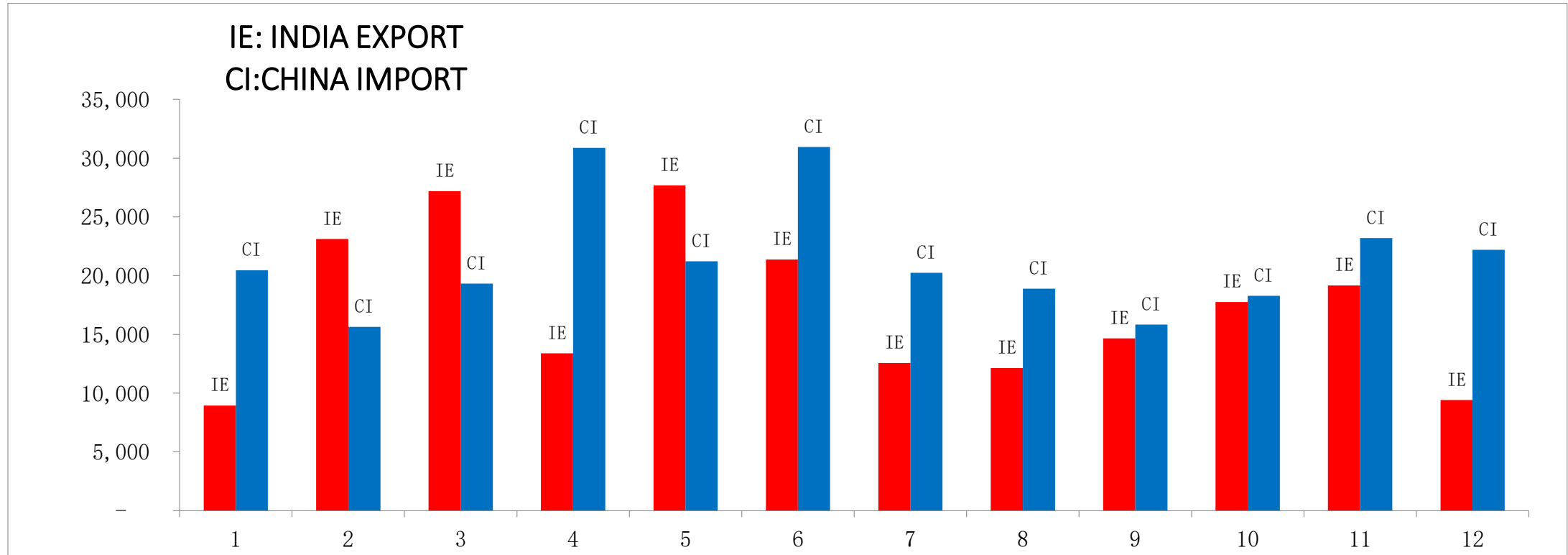
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CHINESE CASTOR OIL SUPPLY

- Import of castor oil from India(main supplier)
235,000MT from India directly and 20,000 via Malaysia
- Import of castor oil(including HCO) from Thailand(about 2000MT)
- Import of castor seed from Africa and Burma(Myanmar) (20000MT seed).
- Domestic castor crop(4000-5000MT seed).
- Remark: There are some time difference between Indian export and Chinese Import(about 20-30days)

CHINESE IMPORT OF CASTOR OIL



- Total Chinese import in 2016: 257122MT
- Total export of India to China in 2016: 207427MT+20000MT
- Increased about 10%

Chinese Domestic Castor Crop

- Northeast Area: nil in 2016, but some carryover
- Shanxi: nil in 2016, but some carryover
- Xinjiang: 3000-4000mt in 2016
- Some people are discussing the plantation of castor in 2017 because of: A: sharp down of the **CORN** price. B: depreciation of CNY
- The resurgence of Chinese castor crop may come if exchange is more than 7.5
- Some Chinese companies are prompting the castor plantation in Burma and Africa

CHINESE CASTOR OIL DEMAND

- Sebacic Acid

- Total:72,000mt, Increased 5.9% **Oil consumption: 150,000MT**

It should increase more if the production was not stopped by Chinese government in Nov/Dec because of enviromental issues.

- 12HSA & HCO

- 12HSA:27600MT, HCO:4000MT

- As same as 2015 **Oil consumption: 32,500**

- Other consumption(Paint, Resin and Adhesive)

- **41000MT**, Increased 7.9%

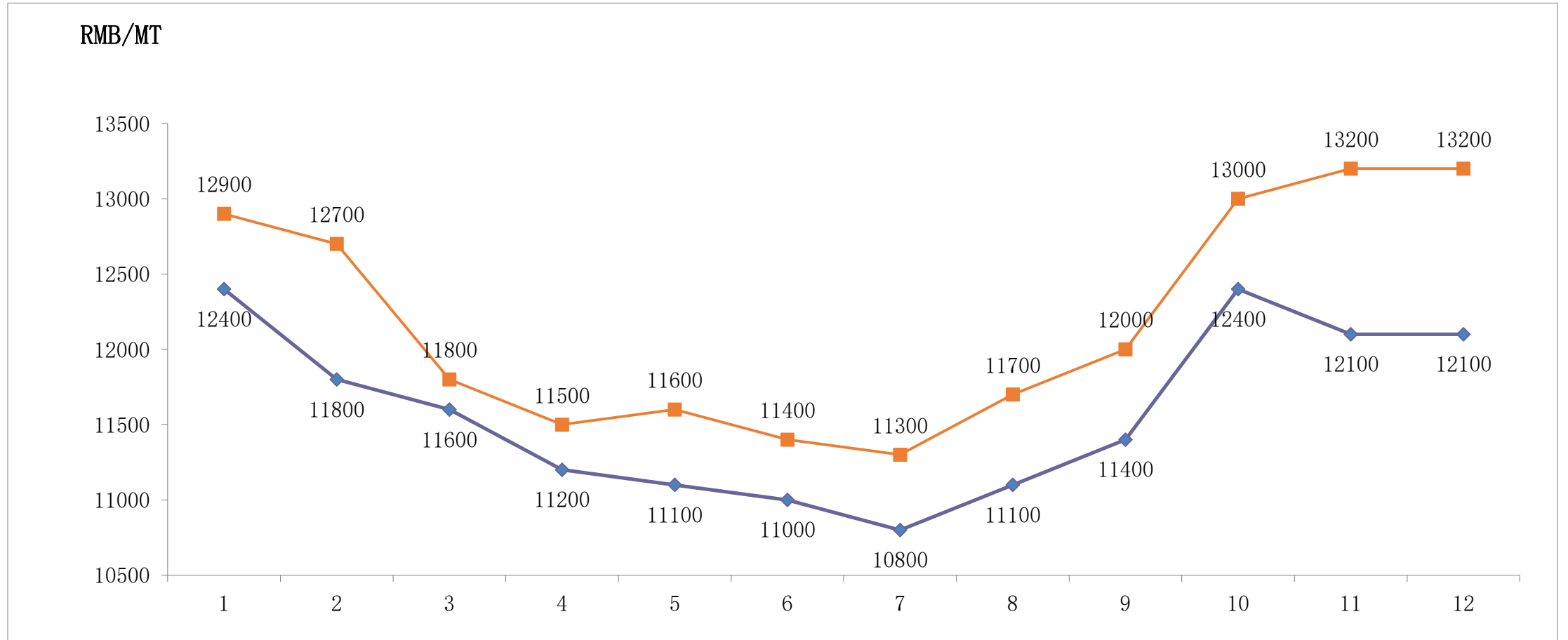
SEBACIC ACID

- Export: 47,100MT,
- Domestic: 24,900MT
- Total Year 2016: 72,000MT
- Year 2015: 68,000MT
- Year 2014: 61,900MT
- Year 2013: 68,000MT
- About 5.9% increase

12HSA & HCO

- 12HSA: 27,600MT
- HCO: 4,000MT
- Total: 31,600MT
- Total oil consumption: 32,500MT
- It is as same as 2014 and 2015.

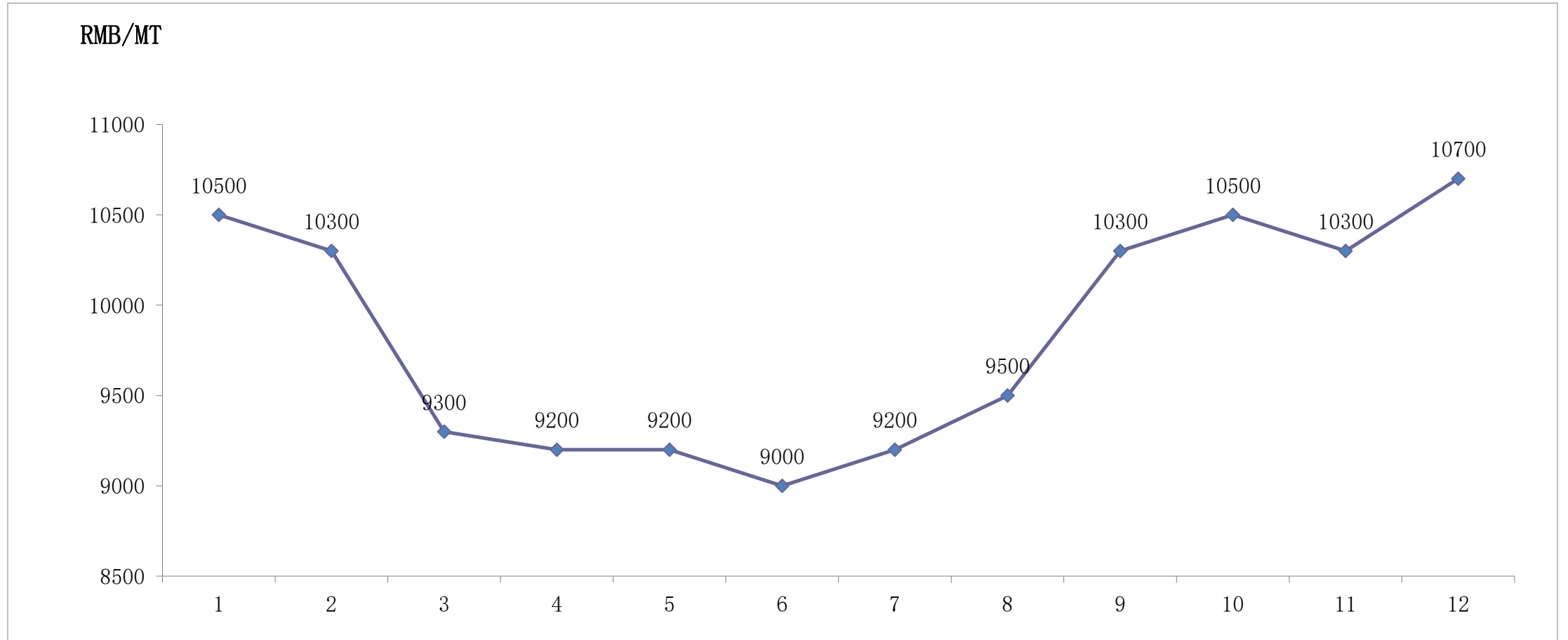
12HSA & HCO MONTHLY PRICE 2016.1-12



OTHER CONSUMPTION

- The main usages are Paint, Resin and Adhesive
- Total consumption is about 41000MT, About 8% increase compared with year 2015.
- Consumers are coming back because quality issues.
- The final consumers begin to pay high price for good quality.

CASTOR OIL CHINESE MARKET PRICE 2016.1-12



BALANCE OF SUPPLY AND CONSUMPTION

- Total supply: 270,000MT
- Import: 257,122MT, Domestic production: 13,000MT (import seed: 25,000MT, domestic seed: 5,000MT)
- Carryover: 10,000MT

- Total consumption: 223,500MT
- Sebacic: 150,000MT, HCO & 12HSA: 32,500MT, Others: 41,000MT
- Stock at the end of 2016: 56,500mt

- Remark: Chinese government stopped a lot of factories in order to control the air pollution in Nov/Dec 2016. That is why sebacic manufacturers and other consumers had a big castor oil stock at the end of 2016.

EXCHANGE RATE 1 YEAR



EXCHANGE RATE 5 YEARS



EXCHANGE 10 YEARS



INFLUENCE OF EXCHANGE RATE

- CHINESE IMPORT VOLUME INCREASES A LOT IN PAST TEN YEAR WHILE CNY APPRECIATED A LOT AGAINST USD
- CNY IS IN DEPRECIATION CHANNEL. TARGET IS 7.5-8
- THE IMPORT WAS INFLUENCED BY CNY DEPRECIATION AND PRICE INCREASING IN THE SECOND HALF OF 2016.
- THE IMPORT WILL BE INFLUENCED FUNDAMENTALLY IF EXCHANGE IS MORE THAN 7.5.

SEBACIC OMAN SOAC

- PROJECT FOUNDATION ON 25TH OCTOBER 2016
- INVESTED BY INDIAN AND OMANIS
- CAPACITY:30000MT PER YEAR
- AUTOMATIC, COMPUTERIZED PRODUCTION
- ENVIROMENTALLY FRIENDLY
- KONG ASSOCIATES IS THE TECHNOLOGY PROVIDER
- PRODUCTION FROM THE END OF 2017 OR EARLY 2018

Thanks!

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