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三江化工

SANJIANG CHEMICAL

CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

中國三江精細化工有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 2198)

**CONTINUING CONNECTED TRANSACTIONS
MANAGEMENT AGREEMENT**

CONTINUING CONNECTED TRANSACTION

The Directors announce that, on 6 November 2017, the Company and Capitol International, a wholly-owned subsidiary of the Company, entered into the Management Agreement with Grand Novel for the provision of management services by Grand Novel for a term of three years. The transactions set out in the Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS OF THE LISTING RULES

As the relevant applicable percentage ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Management Agreement and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT AGREEMENT

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Date: 6 November 2017

Parties:

- (1) the Company;
- (2) Capitol International, a wholly-owned subsidiary of the Company; and
- (3) Grand Novel, a Connected Person.

Subject matter

The Company has appointed Grand Novel as the manager of the Company (the “**Manager**”) to provide services in relation to, among others:

- assisting the Group generally and rendering advice to the Group from time to time in connection with developing and maintaining the relationships with overseas suppliers in order for the Group to secure the overseas procurement of methanol, sliver, ethylene and propylene;
- performing regular visits to overseas suppliers in order for the Group to assess the sustainability of supplies of methanol, sliver, ethylene and propylene;
- at all times keeping the Group promptly and fully informed of all matters relating to or in connection with the performance and exercise of its duties under the Management Agreement.

Term

The Management Agreement shall become effective on 6 November 2017, and subject to the right of the Company to terminate by giving not less than 60 days’ notice in writing to the Manager, shall continue until 30 October 2020, which may be renewable upon further agreement by the parties (subject to compliance with the Listing Rules).

The Company will comply with the relevant Listing Rules requirements when the term of the Management Agreement is renewed.

Consideration

- (i) a monthly remuneration of HKD100,000; and
- (ii) 8 per cent of purchase amounts in respect of overseas procurements of methanol, sliver, ethylene and propylene from overseas suppliers with a cap not exceeding 5 per cent of the audited net profit of the Group (after taxation and minority interests and payment of such sum but excluding extraordinary and exceptional items) in respect of each financial year.

Historical transaction figures

For the three years ended 31 December 2014, 2015 and 2016, the Group had the following amounts paid to Grand Novel in respect of services provided by Grand Novel:

	For the year ended 31 December		
	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total amount paid by the Group to Grand Novel	7,290	1,046	—

Annual Caps

The monthly remuneration is determined by the Board with reference to the duties, responsibilities and contributions to the Group of Grand Novel.

Based on:

- (1) a preliminary assessment of the remuneration and bonus amount payable based on the estimated business development and financial performance of the Group since 2010 after the listing of the Company on the Main Board of the Stock Exchange;
- (2) the financial performance of the Group and the amount of methanol, sliver, ethylene and propylene from overseas suppliers obtained by the Group since 2010 after the listing of the Company on the Main Board of the Stock Exchange;
- (3) the expected amount of methanol, sliver, ethylene and propylene from overseas suppliers required by the Group for each of the three years ending 31 October 2020; and
- (4) the estimated market price for methanol, sliver, ethylene and propylene from overseas suppliers for each of the three years ending 31 October 2020,

it is expected that the estimated Annual Caps for each of the three years ended 31 October 2020 will be as follows:

	For the year ending 31 October		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Annual caps	50,000	50,000	50,000

REASONS FOR AND BENEFITS OF THE TRANSACTION

Grand Novel is a company incorporated in the British Virgin Islands and is principally engaged in the provision of management services and advices as to sourcing of chemical goods from oversea suppliers.

The Company has previously appointed Grand Novel in April 2013 as the manager of the Company (“**Previous Appointment**”) to provide services in relation to, among others, the management and procurement of Mr. Guan to serve the Company with regard to the development and expansion of its business as the Board may reasonably direct.

The Company entered into the Management Agreement with the intention of the Company to retain Mr. Guan, who has extensive experience in the chemical industry, to secure his service to the Group. Mr. Guan has over 30 years of experience in the chemical industry. From November 1985 to November 1996, Mr. Guan was employed at Hangzhou Electrochemical Group Co., Ltd. (杭州電化集團有限公司), which was then a state-owned company, where he served as a workshop supervisor and was later transferred to the surfactant research and development department and marketing department. In 1998, Mr. Guan, together with Ms. Han and Mr. Han Jianping, established Hangzhou Haoming, in which he served as the chairman of the board of directors and the general manager. He had served as a director and the general manager of Sanjiang Chemical since 2003. In 2008, Mr. Guan was also appointed and has since served as the chairman of the board of directors of both Jiahua and Jiahua Industrial Park Co. Jiahua is principally engaged in the manufacturing of agrochemicals.

Since each of Mr. Guan and Ms. Han has a material interest in the Management Agreement, they therefore abstained from voting on board resolutions of the Company approving the Management Agreement.

The Directors (including the independent non-executive Directors, but excluding Mr. Guan and Ms. Han who are required to abstain from voting) are of the view that the terms of the Management Agreement, which were arrived at after arm's length negotiations between the Company, Capitol International and Grand Novel, are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and supplying of ethylene oxide, ethylene glycol, ethylene, propylene and surfactants. The Group is also engaged in the provision of processing service of surfactants for customers.

CONNECTED PERSON

As at the date of this announcement, Grand Novel is owned as to 100% by Mr. Guan. Each of Mr. Guan and Ms. Han is an executive Director and accordingly, Grand Novel is a Connected Person by virtue of its being an associate of Connected Persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Management Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Management Agreement and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Annual Caps”	the maximum aggregate annual value of services to be provided by Grand Novel under the Management Agreement, details of which are set out in the section headed “Annual Caps” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capitol International”	Capitol International Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
“Company”	China Sanjiang Fine Chemicals Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Grand Novel”	Grand Novel Developments Limited (浩新發展有限公司), a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Guan
“Hangzhou Haoming”	杭州浩明投資有限公司 (Hangzhou Haoming Investment Co., Ltd.*) (formerly known as 杭州蕭山三江精細化工有限公司 (Hangzhou Xiaoshan Sanjiang Fine Chemicals Co., Ltd.)) and 蕭山市三江精細化工有限公司 (Xiaoshan City Sanjiang Fine Chemicals Co., Ltd.*), a company established in the PRC with limited liability on 26 March 1998, and owned as to 60% by Mr. Guan and 20% by each of Ms. Han and Mr. Han
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiahua”	浙江嘉化集團股份有限公司 (Zhejiang Jiahua Group Co., Ltd.*), a joint stock company established in the PRC with limited liability on 15 March 2000
“Jiahua Industrial Park Co”	浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co., Ltd.*) (formerly known as 浙江嘉化工業園投資發展有限公司 (Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.*)), a company established in the PRC with limited liability on 20 January 2001
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guan”	Mr. Guan Jianzhong, an executive Director and Chairman of the Board
“Ms. Han”	Ms. Han Jianhong, an executive Director, and the spouse of Mr. Guan
“Management Agreement”	the management agreement entered into between the Company, Capitol International and Grand Novel dated 6 November 2017
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sanjiang Chemical”	三江化工有限公司 (Sanjiang Chemical Co., Ltd.*), formerly known as 嘉興三江化工有限公司 (Jiaxing Sanjiang Chemical Co., Ltd.*), a company established in the PRC with limited liability on 9 December 2003, and an indirect wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

By order of the Board
China Sanjiang Fine Chemicals Company Limited
GUAN Jianzhong
Chairman and executive Director

The PRC, 6 November 2017

As at the date of this announcement, the Board comprises four executive Directors: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. HAN Jianping and Mr. RAO Huotao and three independent non-executive Directors: Mr. SHEN Kaijun, Ms. PEI Yu and Mr. KONG Liang.

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with * is for identification purpose only.*