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**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)**

**DISCLOSEABLE TRANSACTION  
DISCLOSURE PURSUANT TO CHAPTER 14 OF THE LISTING  
RULES**

**SUMMARY**

On 7 January 2011, Sanjiang Chemical, a wholly-owned subsidiary of the Company, entered into (i) the Trust Agreement with ICBC; and (ii) the Entrusted Loan Agreement with ICBC and Jiaxing Xinhua.

Pursuant to the Trust Agreement, Sanjiang Chemical will entrust the Fund of RMB150 million to ICBC and ICBC will arrange for the advancement of the Fund to entities as approved by Sanjiang Chemical. As arranged by ICBC, Sanjiang Chemical agreed to advance the Fund of RMB150 million to Jiaxing Xinhua as short term loan pursuant to the Entrusted Loan Agreement.

Since the relevant percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the advancement of the Fund by Sanjiang Chemical to Jiaxing Xinhua are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Board announces that on 7 January 2011, Sanjiang Chemical, a wholly-owned subsidiary of the Company, entered into (i) the Trust Agreement with ICBC; and (ii) the Entrusted Loan Agreement with ICBC and Jiaying Xinhui.

## **THE TRUST AGREEMENT**

### ***Date***

7 January 2011

### ***Parties***

- (1) Sanjiang Chemicals as principal; and
- (2) ICBC as agent

ICBC is a bank incorporated in the PRC and is engaged in the provision of corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services.

The Directors confirmed that, to their best knowledge and belief, ICBC and its ultimate beneficial owners are not Connected Person of the Company and are independent of and not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associate.

Pursuant to the Trust Agreement, Sanjiang Chemical will entrust the Fund of RMB150 million to ICBC and ICBC will arrange for the advancement of the Fund to entities as approved by Sanjiang Chemical. Other principal terms of the Trust Agreement are summarized below:

### ***Term of the Trust Agreement***

The Trust Agreement commences on 7 January 2011 and up to the end of the six-month period following the maturity of the term of the advancement of Fund as arranged by ICBC.

### ***Management of the Fund***

ICBC will be responsible for the management of the Fund, including, among other things, the advancement of the Fund to entities as approved by Sanjiang Chemical and the collection of the interest derived from the advancement of the Fund to the borrower(s) and the collection of the repayment of the Fund by the borrower(s) and receive management fee for the management of the Fund.

## **THE ENTRUSTED LOAN AGREEMENT**

### ***Date***

7 January 2011

### ***Parties***

- (1) Sanjiang Chemicals as lender;
- (2) Jiaxing Xinhua as borrow; and
- (3) ICBC as agent.

Pursuant to the Entrusted Loan Agreement, Sanjiang Chemical agreed to advance the Fund of RMB150 million to Jiaxing Xinhua as short term loan. Other principal terms of the Entrusted Loan Agreement are summarised below:

### ***Term of the Short Term Loan***

1 year (from 7 January 2011 to 6 January 2012)

### ***Annual Interest rate***

12.0% per annum

### ***Purpose of the Short Term Loan***

The short term loan is to be used by Jiaxing Xinhua as general working capital.

### ***Security***

The short term loan is secured by guarantees given by Zhejiang Zhongfang, one of the major shareholders of Jiaxing Xinhua, and Mr. Zhu Xing Fu, the legal representative and controlling shareholder of Zhejiang Zhongfang.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the petrochemical manufacturing and related businesses in Zhejiang Province, the PRC.

The advancement of the Fund to Jiaxing Xinhua will contribute an interest income of approximately RMB18 million to the Group for the financial year ending 31 December 2011. The Fund of RMB150 million represents 8.21% of the total assets as per the Company's audited consolidated interim financial statement as at 30 June 2010. The Fund was financed by internal resources of the Group.

## **INFORMATION OF JIAXING XINHU**

Jiaying Xihu is a company incorporated in the PRC with limited liability and its principal activity is property development in Zhejiang Province, the PRC.

The Directors confirmed that, to their best knowledge and belief, Jiaying Xihu and its ultimate beneficial owners are not Connected Person of the Company and are independent of and not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associate.

## **REASONS FOR THE TRANSACTION**

The Directors consider that the advancement of the Fund to Jiaying Xihu provides an opportunity for the Group to utilize a portion of its idle cash to generate a relatively high return to the shareholders of the Company. The terms of the Entrusted Loan Agreement were arrived at arm's length negotiations between Sanjiang Chemical and Jiaying Xihu. The Directors are of the view that the advancement of the Fund to Jiaying Xihu is in the interests of the Group and the term of the Entrusted Loan Agreement are on normal commercial terms, which are fair and reasonable as far as the shareholders of the Company are concerned.

## **IMPLICATION OF THE LISTING RULES**

Since the relevant percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the advancement of the Fund by Sanjiang Chemical to Jiaying Xihu are more than 5% but less than 25%, the transaction constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Sanjiang Fine Chemicals Company Limited 中國三江精細化工有限公司, a company incorporated in the Cayman Islands and the issued 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)”	director(s) of the Company
“Entrusted Loan Agreement”	the entrusted loan agreement dated 7 January 2011 entered into between Sanjiang Chemical, Jiaxing Xihua and ICBC pursuant to which Sanjiang Chemical agreed to advance the Fund to Jiaxing Xihu as short term loan
“Fund”	an amount of RMB150 million which was financed from internal resources of the Group and entrusted to ICBC pursuant to the Trust Agreement
“Group”	collectively, the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial and Commercial Bank of China Limited, a bank incorporated in PRC, which is engaged in the provision of corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services
“Jiaxing Xihu”	嘉兴新湖中房置业有限公司 (Jiaxing Xihu Zhongfang Zhiye Co., Ltd*), a company incorporated in the PRC with limited liability and its principal activity is property development in Zhejiang Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu Xing Fu”	朱兴福 (Mr. Zhu Xing Fu*), the legal representative and controlling shareholder of Zhejiang Zhongfang
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Sanjiang Chemical”	三江化工有限公司 (Sanjiang Chemical Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, which is principally engaged in the manufacture of ethylene oxide and surfactants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Agreement”	the trust agreement dated 7 January 2010 entered into by Sanjiang Chemical and ICBC pursuant to which Sanjiang Chemical entrusted the Fund to ICBC
“Zhejiang Zhongfang”	浙江中房置业股份有限公司 (Zhejiang Zhongfang Zhiye Co., Ltd*), one of the major shareholders of Jiaxing Xihu
“%”	per cent.

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

People’s Republic of China, 7 January 2011

As at the date of this announcement, the Board comprises the *Executive directors*: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. NIU Yingshan, Mr. HAN Jianping and *Independent non-executive directors*: Mr. WANG Wanxu, Mr. SHEN Kaijun and Mr. LI Zhihong.

*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.*