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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:  
ENTRUSTED LOAN AGREEMENTS**

**SUMMARY**

On 4 January 2012, Sanjiang Chemical, a wholly-owned subsidiary of the Company, entered into (i) the Trust Agreements with CZSB; and (ii) the Entrusted Loan Agreements with CZSB and Xinhua Zhongbao.

Pursuant to the Trust Agreements, Sanjiang Chemical will entrust the Fund of an aggregate of RMB150 million to CZSB, and CZSB will arrange for the advancements of the Fund to entities as approved by Sanjiang Chemical. As arranged by CZSB, Sanjiang Chemical agreed to advance the Fund of an aggregate of RMB150 million to Xinhua Zhongbao as short term loans pursuant to the Entrusted Loan Agreements.

Since the relevant percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the advancements of the Fund by Sanjiang Chemical to Xinhua Zhongbao 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 4 January 2012, Sanjiang Chemical, a wholly-owned subsidiary of the Company, entered into (i) the Trust Agreements with CZSB; and (ii) the Entrusted Loan Agreements with CZSB and Xinhua Zhongbao.

**THE FIRST TRUST AGREEMENT (executed together with THE FIRST ENTRUSTED LOAN AGREEMENT)**

***Date***

4 January 2012

***Parties***

- (1) Sanjiang Chemical as principal; and
- (2) CZSB as agent

CZSB is a bank incorporated in the PRC and is engaged in the provision of corporate and personal banking, treasury operations, trust, financial leasing and other financial services in Zhejiang Province, the PRC.

The Directors confirmed that, to their best knowledge and belief, CZSB 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 First Trust Agreement, Sanjiang Chemical will entrust an amount of RMB100 million to CZSB, and CZSB will arrange for the advancement of the amount to entities as approved by Sanjiang Chemical. Other principal terms of the First Trust Agreement are summarized below:

***Term of the First Trust Agreement***

The First Trust Agreement commences on 5 January 2012 and up to the maturity of the term of the advancement of the amount as arranged by CZSB.

***Management of the entrusted amount***

CZSB will be responsible for the management of the entrusted amount of RMB100 million, including, among other things, the advancement of the entrusted amount to entities as approved by Sanjiang Chemical and the collection of the interest derived from the advancement of the entrusted amount to the borrower(s) and the collection of the repayment of the entrusted amount by the borrower(s) and receive management fee for the management of the entrusted amount.

## **THE FIRST ENTRUSTED LOAN AGREEMENT (executed together with THE FIRST TRUST AGREEMENT)**

### ***Date***

4 January 2012

### ***Parties***

- (1) Sanjiang Chemical as lender;
- (2) Xihu Zhongbao as borrower; and
- (3) CZSB as agent.

Pursuant to the First Entrusted Loan Agreement, Sanjiang Chemical agreed to advance the entrusted amount of RMB100 million to Xihu Zhongbao as short term loan. Other principal terms of the First Entrusted Loan Agreement are summarised below:

### ***Term of the short term loan***

11 months and 10 days (from 5 January 2012 to 14 December 2012)

### ***Annual interest rate***

12.0% per annum

### ***Purpose of the short term loan***

The short term loan is to be used by Xihu Zhongbao as general working capital.

### ***Security***

The short term loan is secured by a land use right with a site area of approximately 42,646.60 square meters located in Tongxiang City, Zhejiang Province, the PRC, owned by one of the subsidiaries of Xihu Zhongbao.

## **VALUATION OF SECURITY IN RESPECT OF THE FIRST ENTRUSTED LOAN AGREEMENT**

Pursuant to the valuation report dated 29 December 2011 issued by an independent qualified property valuer, the market value of the security provided in respect of the First Entrusted Loan Agreement is approximately RMB264 million, representing a Security Coverage Ratio of approximately 264%.

## **THE SECOND TRUST AGREEMENT (executed together with THE SECOND ENTRUSTED LOAN AGREEMENT)**

### ***Date***

4 January 2012

### ***Parties***

- (1) Sanjiang Chemical as principal; and
- (2) CZSB as agent

Pursuant to the Second Trust Agreement, Sanjiang Chemical will entrust an amount of RMB50 million to CZSB, and CZSB will arrange for the advancement of the amount to entities as approved by Sanjiang Chemical. Other principal terms of the Second Trust Agreement are the same as that of the First Trust Agreement.

## **THE SECOND ENTRUSTED LOAN AGREEMENT (executed together with THE SECOND TRUST AGREEMENT)**

### ***Date***

4 January 2012

### ***Parties***

- (1) Sanjiang Chemical as lender;
- (2) Xihu Zhongbao as borrower; and
- (3) CZSB as agent.

Pursuant to the Second Entrusted Loan Agreement, Sanjiang Chemical agreed to advance the entrusted amount of RMB50 million to Xihu Zhongbao as short term loan. Other principal terms of the Second Entrusted Loan Agreement are summarised below:

### ***Term of the short term loan***

11 months and 24 days (from 5 January 2012 to 28 December 2012)

### ***Annual interest rate***

12.0% per annum

### ***Purpose of the short term loan***

The short term loan is to be used by Xihu Zhongbao as general working capital.

### ***Security***

The short term loan is secured by a land use right with a site area of approximately 20,199.00 square meters located in Wujiang City, Jiangsu Province, the PRC, owned by one of the subsidiaries of Xihu Zhongbao.

## **VALUATION OF SECURITY IN RESPECT OF THE SECOND ENTRUSTED LOAN AGREEMENT**

According to the valuation report dated 29 December 2011 issued by an independent qualified property valuer, the market value of the security provided in respect of the Second Entrusted Loan Agreement is approximately RMB152 million, representing a Security Coverage Ratio of approximately 304%.

## **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 Xinhua Zhongbao will contribute an interest income of approximately RMB17.2 million to the Group for the financial year ending 31 December 2012. The Fund of the aggregate of RMB150 million represents approximately 5.20% of the total assets as per the Company's unaudited consolidated interim financial statement as at 30 June 2011. The Fund was financed by internal resources of the Group.

## **INFORMATION OF XINHU ZHONGBAO**

Xinhua Zhongbao is a company incorporated in the PRC with limited liability and the issued shares of which are listed on the Shanghai Stock Exchange. The principal activities of Xinhua Zhongbao are the development of real estate and the provision of financing services.

The Directors confirmed that, to their best knowledge and belief, Xinhua Zhongbao 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 Xinhua Zhongbao provides an opportunity for the Group to utilize a portion of its idle cash to generate a relatively high return to the Company and its shareholders as a whole. The terms of the Entrusted Loan Agreements were arrived at arm's length negotiations between Sanjiang Chemical and Xinhua Zhongbao. The Directors are of the view that the advancement of the Fund to Xinhua Zhongbao is in the interests of the Group and the credit risks of the advancement of the Fund have been covered by the securities provided. The terms of the Entrusted Loan Agreements 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 advancements of the Fund by Sanjiang Chemical to Xinhua Zhongbao are more than 5% but less than 25%, the transaction constitutes 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
“CZSB”	China Zheshang Bank Company Limited, a bank incorporated in PRC, which is engaged in the provision of corporate and personal banking, treasury operations, trust, financial leasing and other financial services in Zhejiang Province, the PRC
“Director(s)”	director(s) of the Company
“Entrusted Loan Agreements”	collectively, the First Entrusted Loan Agreement and the Second Entrusted Loan Agreement
“First Entrusted Loan Agreement”	the entrusted loan agreement dated 4 January 2012 entered into between Sanjiang Chemical, Xinhua Zhongbao and CZSB pursuant to which Sanjiang Chemical agreed to advance an amount of RMB100 million to Xinhua Zhongbao as short term loans

“First Trust Agreement”	the trust agreement dated 4 January 2012 entered into by Sanjiang Chemical and CZSB pursuant to which Sanjiang Chemical entrusted the amount of RMB100 million to CZSB
“Fund”	collectively, the amount of RMB100 million and the amount of RMB50 million which were financed from internal resources of the Group and entrusted to CZSB pursuant to the Trust Agreements
“Group”	collectively, the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Second Entrusted Loan Agreement”	the entrusted loan agreement dated 4 January 2012 entered into between Sanjiang Chemical, Xinhua Zhongbao and CZSB pursuant to which Sanjiang Chemical agreed to advance an amount of RMB50 million to Xinhua Zhongbao as short term loans

“Second Trust Agreement”	the trust agreement dated 4 January 2012 entered into by Sanjiang Chemical and CZSB pursuant to which Sanjiang Chemical entrusted the amount of RMB50 million to CZSB
“Security Coverage Ratio”	a figure expressed in “%” calculated based on the market valuation of a security obtained for an entrusted loan divided by the principal amount of that entrusted loan
“Trust Agreements”	collectively, the First Trust Agreement and the Second Trust Agreement
“Xinhu Zhongbao”	Xinhu Zhongbao Co., Ltd. (新湖中宝股份有限公司), a company incorporated in the PRC with limited liability and the issued shares of which are listed on the Shanghai Stock Exchange
“%”	per cent

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

PRC, 11 January 2012

*As at the date of this announcement, the Board comprises four executive Directors: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. NIU Yingshan, Mr. HAN Jianping and three independent non-executive Directors: Mr. WANG Wanxu, Mr. SHEN Kaijun and Mr. MUI Ho Cheung, Gary.*

*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.*