

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT PURSUANT TO LISTING RULES 13.09(1) -
MEMORANDUM OF UNDERSTANDING
IN RELATION TO AN INVESTMENT PROJECT**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

The Company is pleased to announce that Capitol International and Sanjiang Chemical (each of them being a wholly-owned subsidiary of the Company) have entered into the MOU on 31 May 2011 with the Management Committee of Haiyan Economic Development Zone of Zhejiang Province, pursuant to which the three parties have set forth their understandings on the Group's future investment project in Haiyan Economic Development Zone of Zhejiang Province.

INTRODUCTION

The Company is pleased to announce that Capitol International and Sanjiang Chemical (each of them being a wholly-owned subsidiary of the Company) have entered into the MOU on 31 May 2011 with the Management Committee of Haiyan Economic Development Zone of Zhejiang Province, pursuant to which the three parties have set forth their understandings on the Group's future investment project in Haiyan Economic Development Zone of Zhejiang Province. Set out below are the major terms of the MOU:

THE MOU

Date: 31 May 2011

Parties: (1) Capitol International
(2) Sanjiang Chemical
(3) Management Committee of Haiyan Economic Development Zone of Zhejiang Province

Investment project:

- (1) Capitol International and Sanjiang Chemical will construct an ethylene oxide production facility with designed annual production capacity of 200,000MT of ethylene oxide; and
- (2) The Management Committee of Haiyan Economic Development Zone of Zhejiang Province will provide general support and to facilitate the abovementioned investments project by providing access to resources, adequate transportation system, electricity and water supply, preferential tax treatment and support in procuring issuance of approval(s) and licence(s).

REASONS FOR ENTERING INTO THE MOU

The Group is principally engaged in the manufacture and supply of ethylene oxide and surfactants and the provision of surfactants processing service.

Due to the continued economic growth and the increasing living standard in China, the demand for ethylene oxide has been keen in the past years. The Directors are optimistic towards the ethylene oxide market in the PRC, and it has been the Group's strategy to continue expanding its production capacity in ethylene oxide. The Directors therefore believe the entering into of the MOU is in line the Group's growth strategy. Furthermore, pursuant to the MOU, the Management committee of Haiyan Economic Development Zone of Zhejiang Province would provide general support and to facilitate the Group's execution in the investment project, which in the Directors' opinion is favorable to the Group and therefore the Directors consider the entering into of the MOU to be in the Group's and the Shareholders' interest as a whole.

DISCLOSURE UNDER RULE 13.09(1) OF THE LISTING RULES

As the subject of the MOU is in relation to a sizable investment project of the Group, the Directors consider it appropriate to make public disclosure pursuant to Rule 13.09(1) of the Listing Rules to enable its Shareholders and the public to appraise the position of the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

- “Capitol International” Capitol International Limited (佳都國際有限公司), a wholly-owned subsidiary of the Company, which is principally engaged in the procurement of raw materials for the Group
- “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

“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 Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“MOU”	the memorandum of understanding dated 31 May 2011 entered into between Capitol International, Sanjiang Chemical and the Management Committee of Haiyan Economic Development Zone of Zhejiang Province in relation to the investment project in Haiyan Economic Development Zone of Zhejiang Province
“MT”	metric tonne(s)
“Haiyan Economic Development Zone of Zhejiang Province”	the economic development zone located at the north-east part of Haiyan county, Zhejiang Province, PRC
“Group”	collectively, the Company and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shareholders”	holder(s) of the shares of the Company

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

People’s Republic of China, 1 June 2011

As at the date of this announcement, the board of the Directors 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.*