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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)

CONNECTED TRANSACTION — SUPPLY OF OXYGEN GAS

CONNECTED TRANSACTION

The Board is pleased to announce that on 31 March 2018, after trading hours, Sanjiang Chemical (an indirect wholly-owned subsidiary of the Company) and Jiahua Energy Chemical Co. entered into the Supply Agreement pursuant to which, Sanjiang Chemical has agreed to supply oxygen gas to Jiahua Energy Chemical Co. for a term of approximately 9 months commencing from 31 March 2018 ending on 31 December 2018 at a consideration of not exceeding RMB13 million.

LISTING RULES IMPLICATION

Jiahua Energy Chemical Co. is owned as to approximately 40.44% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han. As both Mr. Guan and Ms. Han are executive Directors of the Company, Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under the Supply Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable ratios in respect of the annual cap are less than 5%, the Supply Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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SUPPLY AGREEMENT

Date

31 March 2018

Parties

- (1) Sanjiang Chemical, an indirect wholly-owned subsidiary of the Company, as supplier; and
- (2) Jiahua Energy Chemical Co., a connected person of the Company, as customer.

Subject matter

Sanjiang Chemical has agreed to supply oxygen gas to Jiahua Energy Chemical Co. at a rate of 1000 Nm³ per hour with a maximum rate of 1600 Nm³ per hour throughout the term of the Supply Agreement.

Term

The term of the Supply Agreement shall be a period of approximately 9 months commencing from 31 March 2018 ending on 31 December 2018. The parties may commence negotiations at least three months prior to the expiry of the Supply Agreement for renewal. The Company will comply with the relevant Listing Rules requirements if the Supply Agreement is renewed.

Consideration

Pursuant to the Supply Agreement, the purchase price of the oxygen gas shall be the weighted average prices offered by Sanjiang Chemical to its independent customers of comparable quality during the same month of supply. The total consideration payable by Jiahua Energy Chemical Co. shall not exceed RMB13 million.

The purchase prices payable by Jiahua Energy Chemical Co. in respect of the purchase of oxygen gas contemplated under the Supply Agreement shall be tallied on the 25th day of each calendar month and would be payable by Jiahua Energy Chemical Co. before the 10th calendar day of the following month.

The basis of the consideration was set after arm's length negotiations between Sanjiang Chemical and Jiahua Energy Chemical Co, taking into account the production costs of the oxygen gas.

Construction and maintenance

Jiahua Energy Chemical Co. shall be responsible for constructing the necessary additional pipelines to the premises of Sanjiang Chemical for the delivery of the oxygen gas and shall be responsible for the maintenance costs of the same.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the manufacturing and supplying of ethylene oxide, ethylene glycol, polypropylene and surfactants and the provision of processing services. The entering into of the Supply Agreement will enable the Group to extend its business relationships between the Group and Jiahua Energy Chemical Co. and further bring synergies to the parties. In addition, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the delivery costs and storage costs of oxygen gas to be borne by the Group can be reduced.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Supply Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Supply Agreement is in the interests of the Company and its Shareholders as a whole.

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Each of Mr. Guan and Ms. Han was interested in the Supply Agreement and they therefore abstained from voting on the board resolutions of the Company approving the Supply Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Supply Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect of the Supply Agreement.

INFORMATION OF JIAHUA ENERGY CHEMICAL CO.

Jiahua Energy Chemical Co. is a limited company established in the PRC and is principally engaged in the business of production and trading of desalinated water, steam, chlorine gas and sulfuric acid.

Jiahua Energy Chemical Co. is owned as to approximately 40.44% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han, both being executive Directors of the Company. Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company.

DEFINITIONS

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

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Board” | board of Directors 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; |
| “Group” | the Company and its subsidiaries, from time to time; |
| “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 and a company which is ultimately controlled by Mr. Guan and Ms. Han; |
| “Jiahua Energy Chemical 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 and a non-wholly owned subsidiary of Jiahua; |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Macau” | the Macau Special Administrative Region of the PRC; |
| “Mr. Guan” | Mr. Guan Jianzhong, an executive Director; |
| “Ms. Han” | Ms. Han Jianhong, an executive Director; |
| “Nm ³ ” | normal cubic metre; |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau 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.*), a company established in the PRC with limited liability on 9 December 2003, which is an indirect wholly-owned subsidiary of the Company; |
| “Shareholder(s)” | shareholders of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Supply Agreement” | the oxygen gas supply agreement entered into between Sanjiang Chemical as supplier and Jiahua Energy Chemical Co. as customer dated 31 March 2018; and |
| “%” | per cent. |

By order of the Board
China Sanjiang Fine Chemicals Company Limited
GUAN Jianzhong

The PRC, 31 March 2018

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 discrepancy 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.*