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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**

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The Board is pleased to announce that on 5 December 2018, after trading hours, Sanjiang Chemical (an indirect wholly-owned subsidiary of the Company) and Jiahua Energy Chemical Co. entered into the Transfer Agreement pursuant to which, Jiahua Energy Chemical Co. has agreed to transfer the Emission Permission Quota to Sanjiang Chemical. The validity of the Emission Permission Quota is expiring at 31 December 2020, approximately two years' time from the date of this announcement. The consideration payable by Sanjiang Chemical Co. to Jiahua Energy Chemical Co. is not more than RMB4 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 Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios in respect of the annual cap is less than 5%, the Transfer 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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## **TRANSFER AGREEMENT**

### **Date**

5 December 2018

### **Parties**

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

### **Subject matter**

Jiahua Energy Chemical Co. has agreed to transfer the Emission Permission Quota to Sanjiang Chemical in which the emission permission of nitrogen oxides is at 776.08 tonnes per annum throughout the validity period of the Emission Permission Quota (which is expiring at 31 December 2020, approximately two years' time from the date of this announcement).

### **Term**

The term of the Transfer Agreement shall commence upon the execution of the Transfer Agreement and shall terminate upon the end of the validity period of the Emission Permission Quota (which is 31 December 2020).

### **Consideration**

Pursuant to the Transfer Agreement, the transfer price for the Emission Permission Quota payable by Sanjiang Chemical to Jihua Energy Chemical Co. is not more than RMB4 million.

Sanjiang Chemical shall pay the consideration to Jihua Energy Chemical Co. within 5 days upon the execution of the Transfer Agreement.

The basis of the consideration was set after arm's length negotiations between Sanjiang Chemical and Jiahua Energy Chemical Co, taking into account the latest local market price of Emission Permission Quota in respect of nitrogen oxides emission of comparable volume. Sanjiang Chemical shall pay the consideration by using its internal financial resources.

## **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 Transfer Agreement will enable the Group to comply with the relevant environmental protection and emission regulations as the Group keeps on adjusting its products mix with reference to the profitability of each product for the purpose of maximising the overall profitability of the Group and difference products involve difference emission requirements.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Transfer Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Transfer 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 Transfer Agreement and they therefore abstained from voting on the board resolutions of the Company approving the Transfer Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Transfer Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect of the Transfer 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. 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:

“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;
“Emission Permission Quota”	the emission Permission Quota certificate issued by the relevant competent environmental protection administration department;
“Group”	the Company and its subsidiaries, from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Jiahua”	浙江喜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;
“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;
“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;
“Transfer Agreement”	the transfer agreement entered into between Jiahua Energy Chemical Co. as transferor and Sanjiang Chemical as transferee in relation to the transfer of the Emission Permission Quota dated 5 December 2018; and
“%”	per cent.

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

The PRC, 5 December 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.*