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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)

**CONTINUING CONNECTED TRANSACTIONS —
PORT SERVICES AGREEMENT**

CONTINUING CONNECTED TRANSACTIONS

On 8 May 2019, Mei Fu Port entered into the Port Services Agreement with Sanjiang Ho Jia (the “Company”) pursuant to which Mei Fu Port agrees to provide the Services to Sanjiang Ho Jia (the “Company”) for a period of approximately two years from 8 May 2019 to 31 December 2020. The aggregate annual caps for the two years ending 31 December 2020 is RMB4,000,000 and RMB4,000,000 respectively.

The transactions contemplated under the Port Services Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the aggregate amount of the transactions contemplated under the Port Services Agreements are more than 0.1% and less than 5%, these transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

THE PORT SERVICES AGREEMENTS

On 8 May 2019, Sanjiang Ho Jia entered into the following Port Service Agreement with Mei Fu Port for a period of approximately 2 years ending 31 December 2020.

Parties	Term	Services (Loading/ Unloading/ Storage)	Annual Caps
(1) Mei Fu Port, a connected person (as defined under the Listing Rules)	From 8 May 2019 to 31 December 2020	Unloading of propylene	RMB4,000,000
(2) Sanjiang Ho Jia, a wholly-owned subsidiary of the Group, engaging in the manufacture and sale of polypropylene			and RMB4,000,000

Pricing:

The consideration for the Services shall be calculated by multiplying the tonnage of goods to be loaded or unloaded at a range between RMB30 per ton and RMB49 per ton, depending on the level of usage, which is in turn determined taking into account the cost of the provision of such Services, including port unloading/loading fees, storage fees, customs reporting and inspection fees, port construction charges, and land transport fees, on the basis of the prevailing market rate and after arm's length negotiation among the parties concerned. The Company will settlement the payment for the Services through its internal resources.

Currently, the Group has also used other port services provided by other third parties in the same region at a charge of RMB49 per ton for unloading the goods and in most of the time, the Group needs to queue up (after the arrival of the vessel) for more than 3 days to have its goods unloaded. Should the other independent port services providers are able to provide the Services at price lower than the rates offered by the Mei Fu Port on similar terms and conditions offered by Mei Fu Port, the Company will then appoint the other port service providers for the provision of the Services. The non-exclusive arrangement under the Port Services Agreements allows the Company to use other port services providers for the provision of the Services if the terms offered by the Mei Fu Port are not the most favourable to the Company.

In order to ensure that the unit rate per ton offered by Mei Fu Port is no less favourable than the prevailing market rate, the Company would compare quotations from the other independent service providers for the Services in the relevant area, analyse such market information, and the unit rate for the Services is agreed after arm's length negotiation with Mei Fu Port. Accordingly, the Board considers that the methods and procedures can ensure that the engagement of the Services will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Annual Caps

The Company proposes the Annual Caps as follows:

	For the year ending 31 December	
	2019	2020
	<i>RMB (million)</i>	<i>RMB (million)</i>
Fees payable under the Port Services Agreements	4	4

The Annual Caps set out above are determined based on the following:

- (a) the historical figures of the relevant transactions of the Group;
- (b) the expected continuous increase in prices for the receipt of similar services from third party port services providers over the next two years, in particular, the increase of services fees as a result of higher labour costs; and
- (c) the expected market conditions and increase in demand for the Services from Mei Fu Port.

Such projection is assumed solely for determining the Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group.

The Independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) Port Services Agreements; (ii) agreements entered into between the Company and independent third parties for the provision of the Services; and (iii) fee quotations provided by independent third parties for the provision of the Services for review and comparison purpose. The Independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Port Services Agreements are conducted on normal commercial terms. The auditor of the Group will review and confirm the transactions contemplated under the Port Services Agreements are conducted in accordance with the terms of the Port Services Agreements.

REASONS FOR AND BENEFITS OF THE PORT SERVICES AGREEMENTS

The Company is principally engaged in the Manufacturing and supplying of polypropylene.

Mei Fu Port is a wholly-owned subsidiary of Jiahua Energy Chemical Co, which is a limited company established in the PRC principally engaged in the businesses of supply and trading of desalinated water and steam and the production and trading of chlorine gas and sulfuric acid.

As mentioned above, the Port Services Agreements will enable the Company to have more options in terms of port services accesses and these are internal controls in place to ensure that the terms and rates offered by Mei Fu Port are no less favorable than those offered by other independent port services providers.

The Board (including the independent non-executive Directors) considers that the continuing connected transactions to be conducted pursuant to the Port Services Agreements (including the Annual Caps) will be carried out in the ordinary and usual course of business of the Company and on normal commercial terms or better from the perspective of Company, and the terms of the transactions will be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Each of Mr. Guan and Ms. Han was interested in the Port Services Agreements and they therefore abstained from voting on board resolutions of the Group approving such transactions. Save as disclosed, none of the Directors had a material interest in the Port Services Agreements and none of them were therefore required to abstain from voting on board resolutions of the Group in respect of such transactions.

LISTING RULES IMPLICATIONS

Mei Fu Port is a wholly-owned subsidiary of Jiahua Energy Chemical Co, which is owned by Jiahua as to approximately 42.04%, which is ultimately controlled by Mr. Guan and Ms. Han, being executive Director. Thus, Mei Fu Post is an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company. Accordingly, the transactions contemplated under the Port Services Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the relevant applicable percentage ratios in respect of the aggregate amount of the transactions contemplated under the Port Services Agreements are more than 0.1% and less than 5%, these transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the proposed annual caps for the continuing connected transactions under the Port Services Agreements for each of the approximately two years ending 31 December 2020, as set out under the section “Annual Caps” in this announcement
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than a Saturday or Sunday or public holiday in either Hong Kong or the PRC
“Capitol International”	Capitol International Limited (佳都國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	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, together with all its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Party(ies) independent of the Group and its connected persons
“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

“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
“Mei Fu Port”	浙江乍浦美福碼頭倉儲有限公司 (Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd.*), a limited liability company incorporated in the PRC
“Mr. Guan”	Mr. Guan Jianzhong, an executive Director
“Ms. Han”	Ms. Han Jianzhong, an executive Director
“Port Services Agreement(s)”	collectively, the port services agreement dated 8 May 2019 entered into between Mei Fu Port with Sanjiang Ho Jia
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sanjiang Ho Jia” or “the Company”	嘉興市三江浩嘉高分子材料科技有限公司 (Jiaxing City Sanjiang Ho Jia High Polymer Material Technology Co., Ltd.*), a company established in the PRC with limited liability on 30 December 2018, which is an indirect wholly-owned subsidiary of the Company
“Services”	Unloading of propylene as contemplated under the Port Services Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

The PRC, 8 May 2019

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 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.*