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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 TRANSACTIONS —  
OXYGEN GAS AND MISCELLANEOUS MATERIALS SALES AGREEMENT  
AND STORAGE SERVICE AGREEMENT**

**CONNECTED TRANSACTION**

The Board is pleased to announce that on 15 May 2020, after trading hours, Sanjiang Chemical (an indirect wholly-owned subsidiary of the Company) and Jiahua Energy Chemical Co. entered into the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement pursuant to which, Sanjiang Chemical has agreed to supply oxygen gas and miscellaneous materials and provide storage service to Jiahua Energy Chemical Co. for a term of approximately 8 months commencing from the date of signing of Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement up to 31 December 2020 with a consideration not exceeding RMB13 million.

**LISTING RULES IMPLICATION**

Jiahua Energy Chemical Co. is owned as to approximately 42.04% 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 Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable ratios in respect of the consideration under the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement are less than 5%, Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 15 May 2020, after trading hours, Sanjiang Chemical (an indirect wholly-owned subsidiary of the Company) and Jiahua Energy Chemical Co. entered into the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement pursuant to which, Sanjiang Chemical has agreed to supply oxygen gas and miscellaneous materials and provide storage service to Jiahua Energy Chemical Co. for a term of approximately 8 months commencing from the date of signing of Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement up to 31 December 2020 with a consideration not exceeding RMB13 million. The details of the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement are set out below.

## **OXYGEN GAS AND MISCELLANEOUS MATERIALS SALES AGREEMENT**

### **Date**

15 May 2020

### **Parties**

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

### **Subject matter**

Sanjiang Chemical has agreed to supply oxygen gas and miscellaneous materials to Jiahua Energy Chemical Co. at a price at the weighted average of those offered by Sanjiang Chemical to its independent purchasers for oxygen gas and miscellaneous materials of comparable quality during the same month of supply throughout the term of the transactions.

**Term**

The term of the Oxygen Gas and Miscellaneous Materials Sales Agreement shall be a period of approximately 8 months commencing from the date of signing of Oxygen Gas and Miscellaneous Materials Sales Agreement up to 31 December 2020. The parties may commence negotiations at least three months prior to the expiry of the Oxygen Gas and Miscellaneous Materials Sales Agreement for renewal. The Company will comply with the relevant Listing Rules requirements if the Oxygen Gas and Miscellaneous Materials Sales Agreement is renewed.

**Consideration**

Pursuant to the Oxygen Gas and Miscellaneous Materials Sales Agreement, the purchase price of the oxygen gas and miscellaneous materials 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 RMB10 million (i.e. annual cap amount).

The purchase prices payable by Jiahua Energy Chemical Co. in respect of the purchase of oxygen gas and miscellaneous materials contemplated under the Oxygen Gas and Miscellaneous Materials Sales 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 actual transaction amount during the year from 1 January 2019 to 31 December 2019 of RMB1.56 million and production costs of the oxygen gas and miscellaneous materials.

**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 miscellaneous materials and shall be responsible for the maintenance costs of the same.

**STORAGE SERVICE AGREEMENT****Date**

15 May 2020

**Parties**

- (1) Sanjiang Chemical, an indirect wholly-owned subsidiary of the Company, as supplier; and

- (2) Jiahua Energy Chemical Co. (including and covering its subsidiaries), a connected person of the Company, as customer.

### **Subject matter**

Sanjiang Chemical has agreed to provide storage service to Jiahua Energy Chemical Co. at a price at the weighted average of those offered by Sanjiang Chemical to its independent purchasers for storage service of comparable quality during the same month of provision throughout the term of the transactions.

### **Term**

The term of the Storage Service Agreement shall be a period of approximately 8 months commencing from the date of signing of Storage Service Agreement up to 31 December 2020. The parties may commence negotiations at least three months prior to the expiry of the Storage Service Agreement for renewal. The Company will comply with the relevant Listing Rules requirements if the Storage Service Agreement is renewed.

### **Consideration**

Pursuant to the Storage Service Agreement, the fee charged for storage services shall be the weighted average fees offered by Sanjiang Chemical to its independent customers of comparable quality and terms during the same month of provision of storage services. The total consideration payable by Jiahua Energy Chemical Co. shall not exceed RMB3 million (i.e. annual cap amount).

The fees payable by Jiahua Energy Chemical Co. in respect of the use of storage service contemplated under the Storage Service 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 expected requirement of storage services by Jiahua Energy Chemical Co. to meet its upcoming business needs. Sanjiang Chemical did not provide any storage services to Jiahua Energy Chemical Co. in 2019.

### **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 Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service 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 and

miscellaneous materials to be borne by the Group can be reduced and the Group can well utilize its storage capacity to maximize the return for the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement are in the interests of the Company and its Shareholders as a whole.

The Group would employ several measures to ensure the prices/fees of oxygen gas and miscellaneous materials and storage service offered to Jiahua Energy Chemical Co are no less favourable than the prices of supplying oxygen gas and miscellaneous materials and providing storage service of comparable quality to other independent third party(ies) by Sanjiang Chemical. The measures, which would be employed by the Group and Jiahua Energy Chemical Co, are determined after arm's length negotiation between the Group and Jiahua Energy Chemical Co, pursuant to which, the finance department of the Group will obtain (i) all monthly invoices issued by its production and operation departments to its independent purchaser(s) that require oxygen gas and miscellaneous materials and storage service of comparable quality; and (ii) all supply contracts for oxygen gas and miscellaneous materials and storage service of comparable quality entered into between Sanjiang Chemical and its independent purchaser(s) to ascertain the completeness of the calculation (to be provided to Jiahua Energy Chemical Co) for the weighted average purchase price/fee of oxygen gas and miscellaneous materials and storage service since the purchase prices/fees of oxygen gas and miscellaneous materials and storage service are agreed to be the weighted average price/fee of the relevant product and service of comparable quality offered by Sanjiang Chemical to its independent purchaser(s) during the same month of supply/use.

## **LISTING RULES IMPLICATION**

Jiahua Energy Chemical Co. is owned as to approximately 42.04% 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 Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable ratios in respect of the total consideration under the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement are less than 5%, the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Guan and Ms. Han was interested in the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement and they therefore abstained from voting on the board resolutions of the Company approving the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect of the Oxygen Gas and Miscellaneous Materials Sales Agreement and Storage Service 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 42.04% 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;
“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.*) (including and covering its subsidiaries) (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;
“Oxygen Gas and Miscellaneous Materials Sales Agreement”	the oxygen gas and miscellaneous materials sales agreement entered into between Sanjiang Chemical as supplier and Jiahua Energy Chemical Co. (including and covering its subsidiaries) as customer dated 15 May 2020;
“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;
“Storage Service Agreement”	the storage service agreement entered into between Sanjiang Chemical as provider and Jiahua Energy Chemical Co. as customer dated 15 May 2020; and

“%”

per cent.

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

The PRC, 15 May 2020

*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.*