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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers for independent advice.

**If you have sold or transferred** all your shares in China Sanjiang Fine Chemicals Company Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION  
FINANCIAL ASSISTANCE TO MEI FU PETROCHEMICAL  
AND  
NOTICE OF EGM**

**Independent Financial Advisor to the  
Independent Board Committee and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Circular. A letter from the Board is set out on pages 5 to 12 of this Circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 13 to 14 of this Circular. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this Circular.

A notice convening the EGM to be held at 20/F., OfficePlus@Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong at 10:00 a.m. on 18 November 2019 is set out on pages EGM-1 to EGM-3 of this Circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2nd Supplemental LG Agreement”	a second supplemental agreement dated 12 September 2019 entered into between the Company and Mei Fu Petrochemical in relation to the provision of Financial Assistance
“Announcement”	announcement of the Company dated 12 September 2019 in relation to, among other matters, the entering into of the 2nd Supplemental Agreement and the provision of Financial Assistance
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors of the Company
“Capitol International”	Capitol International Limited (佳都國際有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary 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
“Completion Date”	the date on which the completion under the LG Agreement and Supplemental LG Agreement occurred, being 29 November 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder by the Independent Shareholders
“Financial Assistance”	the provision of the Renewed Loan by the Group to Mei Fu Petrochemical in accordance with the terms of the 2nd Supplemental Agreement

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## DEFINITIONS

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“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder
“Group”	the Company and its subsidiaries, from time to time
“Hangzhou Haoming”	杭州浩明投資有限公司 (Hangzhou Haoming Investment Co., Ltd.*) (formerly known as 杭州蕭山三江精細化工有限公司 (Hangzhou Xiaoshan Sanjiang Fine Chemicals Co., Ltd.*)), and 蕭山市三江精細化工有限公司 (Xiaoshan City Sanjiang Fine Chemicals Co., Ltd.*), a company established in the PRC with limited liability on 26 March 1998, and owned as to 75% by Mr. Guan, 20% by Ms. Han and 5% by Mr. Han
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder
“Independent Shareholders”	Shareholders who are not involved or interested in the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder (i.e. Shareholders other than Mr. Guan and Ms. Han and their respective associates)
“Jianghao Investment”	嘉興港區江浩投資發展有限公司 (Jiaxing Gangqu Jianghao Investment Development Company Limited*), a company established in PRC with limited liability and a company which was owned by Mr. Guan and Ms. Han as to 80.00% and 20.00% as at the date of this circular, a connected person of the Company
“Jiaxing Guan hao”	嘉興管浩怡投資合夥企業(有限合夥) (Jiaxing Guanhaoyi Investment Partnership Limited (Limited Partnership)*), a limited partnership established in the PRC in which both Mr. Guan and Ms. Han are the partners
“Latest Practicable Date”	24 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“LG Agreement”	the loan and guarantee agreement dated 17 June 2016 (as amended by the Supplemental LG Agreement) and entered into between the Company and Mei Fu Petrochemical in relation to the provision of the Original Financial Assistance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mei Fu Petrochemical”	浙江美福石油化工有限公司 (Zhejiang Mei Fu Petrochemical Co., Ltd*), a company established in the PRC with limited liability and a connected person of the Company as controlled by Mr. Guan and Ms. Han
“Mr. Guan”	Mr. Guan Jianzhong, an executive Director
“Mr. Han”	Mr. Han Jianping, an executive Director
“Ms. Han”	Ms. Han Jianhong, an executive Director
“Original End Date”	the original end date of the term under the LG Agreement and Supplemental LG Agreement, being 29 November 2019
“Original Financial Assistance”	the loan and guarantee as provided by the Company to Mei Fu Petrochemical under the LG Agreement
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Renewed Loan”	a maximum loan amount of RMB770,000,000 (inclusive of the related interest of amount RMB70,000,000) to be provided by the Group to Mei Fu Petrochemical under the 2nd Supplemental LG Agreement
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supplemental LG Agreement”	the supplemental agreement to the LG Agreement dated 11 August 2016 and entered into between the Company and Mei Fu Petrochemical
“Sure Capital”	Sure Capital Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a company wholly-owned by Yihao Development Limited which is held under the Yihao Trust, the trustee of which is Vistra Trust (Singapore) Pte. Ltd whereas the Yihao Trust was established by Mr. Guan and Ms. Han as settlors, therefore a connected person of the Company as at the date of this circular
“%”	per cent

\* *In this Circular, the English names of the PRC entities are translation of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*



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)**

*Executive Directors:*

Mr. GUAN Jianzhong

Ms. HAN Jianhong

Mr. HAN Jianping

Mr. RAO Huotao

*Registered Office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. SHEN Kaijun

Ms. PEI Yu

Mr. KONG Liang

*Principal Place of Business*

*in Hong Kong:*

Room 1702, Infinitus Plaza

199 Des Voeux Road Central

Sheung Wan

Hong Kong

30 October 2019

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION  
FINANCIAL ASSISTANCE TO MEI FU PETROCHEMICAL  
AND  
NOTICE OF EGM**

**INTRODUCTION**

We refer to the Announcement. As disclosed in the Announcement, on 12 September 2019 (after trading hours), the Company entered into the 2nd Supplemental LG Agreement with Mei Fu Petrochemical, pursuant to which, the Company has conditionally agreed to continue to provide the Renewed Loan to Mei Fu Petrochemical for a further term of three years from 30 November 2019 (being the date immediately following the Original End Date), subject to the 2nd Supplemental LG Agreement taking effect upon Independent Shareholders' approval.

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## LETTER FROM THE BOARD

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The maximum amount of the Renewed Loan (being the Financial Assistance) to be provided by the Company to Mei Fu Petrochemical under the 2nd Supplemental LG Agreement is RMB700,000,000 and the maximum amount of annual interest payable by Mei Fu Petrochemical to the Company is RMB70,000,000. The Company has a right to call for repayment of the Renewed Loan in full by giving 10 business days' notice to Mei Fu Petrochemical.

The purpose of this circular is to provide you with (i) further details of the 2nd Supplemental LG Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM and the form of proxy; and (v) other information required under the Listing Rules.

### **2ND SUPPLEMENTAL LG AGREEMENT**

#### **Date**

12 September 2019 (after trading hours)

#### **Parties**

- (1) The Company (together with its subsidiaries), as lender; and
- (2) Mei Fu Petrochemical, as borrower.

As Mei Fu Petrochemical is owned as to 82.85% by entities controlled by Mr. Guan, Mei Fu Petrochemical is an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company.

#### **Subject matter**

Pursuant to the 2nd Supplemental LG Agreement, the Company has conditionally agreed to continue to provide the Renewed Loan to Mei Fu Petrochemical for a further term of three years from 30 November 2019 (being the date immediately following the Original End Date), subject to 2nd Supplemental LG Agreement taking effect upon Independent Shareholders' approval. Pursuant to the 2nd Supplemental LG Agreement, the guarantee payments under the LG Agreement will cease while the other terms and conditions of the LG Agreement and the Supplemental LG Agreement shall remain the same, including the undertakings by Mr. Guan and the pledge created pursuant to the Supplemental LG Agreement. The Renewal Loan will be revolving in nature.

#### **Financial Assistance**

The Company and its subsidiaries has been providing necessary funding and financial assistance to Mei Fu Petrochemical as its working capital by way of loans and guarantees since 2013. The loans have been used as general working capital of Mei Fu Petrochemical. As at 31 August 2019, the loan under the Original Financial Assistance remaining



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## LETTER FROM THE BOARD

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outstanding was approximately RMB130,000,000. In addition, it is expected that Mei Fu Petrochemical will also be able to discharge the guarantee payments under the LG Agreement on or before 30 October 2019.

Pursuant to the 2nd Supplemental LG Agreement, the Group will provide the Renewed Loan (being an amount of not more than RMB700,000,000) to Mei Fu Petrochemical for a further term of three years from 30 November 2019 (being the date immediately following the Original End Date), subject to the 2nd Supplemental LG Agreement taking effect upon Independent Shareholders' approval. Mei Fu Petrochemical shall repay the Renewed Loan on or before 29 November 2022. In addition, the whole amount of the Financial Assistance will only be used for general working capital purpose by Mei Fu Petrochemical and for no other use. Furthermore, the interest rate applicable to the Renewed Loan shall be 10% per annum and the Company has a right to call for repayment of the Renewed Loan in full by giving 10 business days' notice to Mei Fu Petrochemical. The Group will finance the Renewed Loan through its internal resources.

### Conditions precedent

The 2nd Supplemental LG Agreement shall be effective upon the Independent Shareholders having passed the ordinary resolutions to approve the 2nd Supplemental LG Agreement and the Financial Assistance contemplated thereunder at the EGM.

### Historical maximum transaction amounts and annual caps

The historical maximum amounts for the Financial Assistance for the three years following the Completion Date are as follows:

	Annual cap amounts for the period		
	First year following Completion Date	Second year following Completion Date	Third year following Completion Date
Historical maximum amount of the financial assistance (inclusive of the related interest and guarantee fee)	RMB2,165,000,000	RMB1,792,310,000	RMB1,171,160,000
Actual amount of the financial assistance (inclusive of the related interest and guarantee)	RMB1,453,509,000	RMB713,078,000	Cap period not finished yet

The Directors propose the annual caps for the Financial Assistance for the three years from 30 November 2019 (being the date immediately following the Original End Date), subject to the 2nd Supplemental LG Agreement taking effect upon Independent Shareholders' approval, separating into four periods, to be as follows (the following

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## LETTER FROM THE BOARD

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annual caps are illustrated based on the assumption that the 2nd Supplemental Agreement would have been approved by the Independent Shareholders on or before 29 November 2019):

	Annual cap amounts for the period/year			
	From 30 November 2019 up to 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021	From 1 January 2022 up to 29 November 2022
Annual cap amount for the Financial Assistance (inclusive of the related interest)	RMB706,136,986 (i.e. RMB700,000,000 plus RMB70,000,000*32/365)	RMB770,000,000	RMB770,000,000	RMB763,863,014 (i.e. RMB700,000,000 plus RMB70,000,000*333/365)

The annual caps are determined based on the following factors:

- (i) the maximum historical loan for the three financial years ended 31 December 2016, 2017 and 2018;
- (ii) the amount of the Renewed Loan; and
- (iii) the maximum amount of interest income under the Financial Assistance to be received by the Group under the 2nd Supplemental LG Agreement.

The Directors (excluding the independent non-executive Directors, who will opine after taking into account the advice of Gram Capital) consider that the annual caps for the Financial Assistance under the 2nd Supplemental LG Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

### Internal Control Measures

Pursuant to the 2nd Supplemental LG Agreement, the guarantee payments under the LG Agreement will cease while the other terms and conditions of the LG Agreement and the Supplemental LG Agreement shall remain the same, including the undertakings by Mr. Guan and the pledge created pursuant to the Supplemental LG Agreement.

Although there is no financial ratio benchmark for Mei Fu Petrochemical to meet, in order to ensure that Mei Fu Petrochemical is capable of honouring its obligations under the 2nd Supplemental LG Agreement, the Company will request Mei Fu Petrochemical to provide its management accounts each month and have regular discussion with the management of Mei Fu Petrochemical in order to ensure that Mei Fu Petrochemical will be able to repay the Renewed Loan. In ascertaining whether Mei Fu Petrochemical will be able to repay the Renewed Loan, the Company will consider a list of factors, including but not limited to, (i) the sales order list; (ii) raw material order list; (iii) trade receivable balance; (iv) trade payable balance; and (v) cash and bank monthly balance of Mei Fu Petrochemical. In addition to the above measures, the Company will also continue to discuss with Mr. Guan the cash flow and liquidity status of Mei Fu Petrochemical on a quarterly basis and the Company will require Mr. Guan to provide fundings to Mei Fu Petrochemical (if necessary) to ensure that Mei Fu Petrochemical will be able to repay the Renewed Loan.

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## LETTER FROM THE BOARD

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### INFORMATION OF MEI FU PETROCHEMICAL

Mei Fu Petrochemical is principally engaged in the manufacture and sale of various aromatics and heat transfer fluids. According to the unaudited financial statements of Mei Fu Petrochemical, the net asset value of the Mei Fu Petrochemical was approximately RMB682,433,001 as at 31 December 2018 and the results (after tax) of Mei Fu Petrochemical for the three years ended 31 December 2016, 2017 and 2018 were approximately RMB172,116,500, RMB235,821,674 and RMB116,331,836 respectively.

As disclosed above, as at 31 August 2019, the loan under the Original Financial Assistance remaining outstanding was approximately RMB130,000,000. In addition, it is expected that Mei Fu Petrochemical will also be able to discharge the guarantee payments under the LG Agreement on or before 30 October 2019. Taking into account (i) the actual financial assistance granted to Mei Fu Petrochemical for the three years after the Completion Date; (ii) the repayment schedule of Mei Fu Petrochemical; (iii) the net profits of Mei Fu Petrochemical for the three years ended 31 December 2016, 2017 and 2018; and (iv) the financial performance of Mei Fu Petrochemical since 2013, the Board is of the view that Mei Fu Petrochemical will be able to repay the Renewed Loan on or before 29 November 2022.

### REASONS FOR THE TRANSACTION

The Group is principally engaged in the manufacturing and supplying of ethylene, propylene, ethylene oxide, ethylene glycol and surfactants and the provision of surfactants processing service.

The terms of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder were determined after arm's length negotiation between the Company and Mei Fu Petrochemical, having considered that (i) as disclosed in the interim report of the Company for the six months ended 30 June 2019, the Company has cash and cash equivalents at end of period of the six months ended 30 June 2019 of approximately RMB732,034,000; (ii) the Company has since then been exploring different ways to utilize such cash and cash equivalents balance for investment opportunities with an aim to bring more valuable return to its Shareholders; and (iii) as the Company is currently in the phase of considering the possibility of exploring different risk reward justifiable investment opportunities including but not limited to investing in and/or initiating new projects and that the Company is not required to utilize its cash and cash equivalents balance for such investment opportunities at such an early stage, the Board is of the view that it will be beneficial to the Company and its Shareholders as whole to extend the Financial Assistance to Mei Fu Petrochemical for a 10% interest rate per annum which will be able to generate interest income for the Group.

Pursuant to the 2nd Supplemental LG Agreement, the guarantee payments under the LG Agreement will cease while the other terms and conditions of the LG Agreement and the Supplemental LG Agreement shall remain the same, including the undertakings by Mr. Guan and the pledge created pursuant to the Supplemental LG Agreement. Pursuant to the undertakings by Mr. Guan, Mr. Guan has irrevocably continued to undertake that if the Company claims against Mei Fu Petrochemical for failing to repay the Financial

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## LETTER FROM THE BOARD

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Assistance, he will himself pay such amount to the Company directly for any loss that may be incurred by the Group and that if he ceases to be a controlling shareholder of the Company, the Renewed Loan will become immediately repayable to the Group. For the pledge, Sure Capital and Jianghao Investment will continue to pledge their 51% equity interests in Mei Fu Petrochemical in favour of Sanjiang Chemical and Capitol International subject to the local regulations as to the pledge requirements for foreign and local companies, which may change from time to time. Accordingly, the Board is of the view that the 10% interest rate per annum is fair and reasonable given that the undertakings by Mr. Guan and the pledge are still in place.

The Directors (excluding the independent non-executive Directors) consider that terms of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders.

Mr. Guan and Ms. Han are considered to have material interests in the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder by virtue of their respective interests in Mei Fu Petrochemical, and therefore they have abstained from voting on the board resolutions approving the entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance thereunder. Save as disclosed above, no other Directors have abstained from voting on the board resolutions.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder is more than 25% but less than 75%, the entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance thereunder constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mei Fu Petrochemical is owed as to 10% by Jiaxing Guanhao, 21.85% by Hangzhou Haoming, 18% by Jianghao Investment and 33% by Sure Capital respectively. As such, Mei Fu Petrochemical is an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company. The entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder is therefore a continuing connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Guan and Ms. Han and their respective associate(s) are required to abstain from voting on the resolutions to be proposed for approving the entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance thereunder at the EGM.

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## LETTER FROM THE BOARD

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### GENERAL

The Company will seek the Independent Shareholders' approval of the 2nd Supplemental LG Agreement and provision of Financial Assistance contemplated thereunder at the EGM. The Company has established an independent board committee (which comprise all the existing independent non-executive Directors) to advise the Independent Shareholders as to whether the terms of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Independent Board Committee has approved the appointment of Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder.

### THE EGM

The Company will convene the EGM at 10:00am on 18 November 2019 at 20/F., OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong at which ordinary resolutions will be proposed for the Independent Shareholders and Shareholders to consider, and if thought fit, to approve the transactions contemplated under the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder. The resolutions will be put to the vote at the EGM by poll as required by the Listing Rules. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this Circular.

A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 November 2019 to 18 November 2019, both days inclusive, during which period no transfer of Shares will be registered, in order to determine the entitlement to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, unregistered holders of Shares should ensure that all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 13 November 2019.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 24 of this circular in connection with the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder and the principal factors and reasons considered by Gram Capital in arriving at such advice.

The Independent Board Committee, having taken into account the advice from Gram Capital, considers that the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder was entered into on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole although they are not in the ordinary and usual course of business of the Group. Accordingly, the Directors, including the Independent Board Committee, recommend the Shareholders to vote in favour of the ordinary resolutions to approve the entering into of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder at the EGM as set out in the notice of the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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



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)**

30 October 2019

*To the Independent Shareholders*

**MAJOR AND CONTINUING CONNECTED TRANSACTION  
FINANCIAL ASSISTANCE TO MEI FU PETROCHEMICAL  
AND  
NOTICE OF EGM**

Dear Sir or Madam,

We refer to the circular of the Company dated 30 October 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole. Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 12 of the Circular which contains, *inter alia*, information about the terms of the 2nd Supplemental LG Agreement, and the “Letter from Gram Capital” set out on pages 15 to 24 of the Circular which contains its advice in respect of the 2nd Supplemental LG Agreement together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the 2nd Supplemental LG Agreement and having taken into account the factors and reasons considered by and the advice from Gram Capital as stated in their letter dated 30 October 2019, we consider that the terms of the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder are fair and reasonable and on normal commercial terms so far as the interests



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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of the Independent Shareholders are concerned; and the entering into of the 2nd Supplemental LG Agreement are in the interests of the Company and the Independent Shareholders as a whole, although the 2nd Supplemental LG Agreement are not entered into in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to ratify and approve the 2nd Supplemental LG Agreement.

Yours faithfully,  
For and on behalf of the Independent Board Committee

**Mr. SHEN Kaijun**

**Ms. PEI Yu**

**Mr. KONG Liang**

*Independent Non-executive Directors*



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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2nd Supplemental LG Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

30 October 2019

*To: The independent board committee and the independent shareholders  
of China Sanjiang Fine Chemicals Company Limited*

Dear Sirs,

### MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2nd Supplemental LG Agreement, and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 October 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 September 2019 (the “**Agreement Date**”), the Company entered into the 2nd Supplemental LG Agreement with Mei Fu Petrochemical, pursuant to which, the Company has conditionally agreed to continue to provide the Renewed Loan to Mei Fu Petrochemical for a further term of three years from 30 November 2019 (being the date immediately following the Original End Date), subject to the 2nd Supplemental LG Agreement taking effect upon Independent Shareholders’ approval.

The maximum amount of the Renewed Loan (being the Financial Assistance) to be provided by the Company to Mei Fu Petrochemical under the 2nd Supplemental LG Agreement is RMB700,000,000 and the maximum amount of annual interest payable by Mei Fu Petrochemical to the Company is RMB70,000,000. The Company has a right to call for repayment of the Renewed Loan in full by giving 10 business days’ notice to Mei Fu Petrochemical.

With reference to the Board Letter, the provision of Financial Assistance constitutes a major and continuing connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of 2nd Supplemental LG Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the provision of Financial Assistance is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the 2nd Supplemental LG Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the provision of Financial Assistance. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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## LETTER FROM GRAM CAPITAL

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mei Fu Petrochemical or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the provision of Financial Assistance. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the provision of Financial Assistance, we have taken into consideration the following principal factors and reasons:

#### Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in manufacturing and supplying of ethylene, propylene, ethylene oxide, ethylene glycol and surfactants and the provision of surfactants processing service.

Set out below are the consolidated financial results of the Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 (with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report") respectively:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000	Year on year change %
Revenue	9,585,859	8,897,143	7.74
Gross profit	996,124	1,085,275	(8.21)
Profit for the year	301,192	623,137	(51.67)

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## LETTER FROM GRAM CAPITAL

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	For the six months ended 30 June 2019 RMB'000	For the six months ended 30 June 2018 RMB'000	Year on year change %
Revenue	4,190,077	4,741,594	(11.63)
Gross profit	206,338	557,703	(63.00)
Profit for the period	2,929	189,489	(98.45)

As illustrated in the above table, the Group's revenue amounted to approximately RMB9.59 billion for the year ended 31 December 2018 ("FY2018"), representing an increase of approximately 7.74% as compared to that for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report, the increase in revenue was primarily due to (i) increase in sales of polypropylene line of business after completion of ramp-up of the 2nd phase polypropylene production facility; and (ii) increase in sales of surfactants line of business as the Group put more efforts to develop downstream markets in FY2018. Despite the increase in the Group's revenue, the Group's profit for FY2018 decreased by approximately 51.67% as compared to that for FY2017. With reference to the 2018 Annual Report and advised by the Directors, the aforesaid decrease in the Group's profit was primarily due to the overall financial impact of RMB depreciation and the decrease in overall gross profit margin as a result of volatile methanol pricing (being the dominant factor that affects the profitability of the Group as methanol cost counts approximately two-third towards the feedstock procurement cost of the Group on a full production capacity basis).

As illustrated in the above table, the Group's revenue decreased for the six months ended 30 June 2019 as compared that for the corresponding period in 2018. With reference to the 2019 Interim Report and as advised by the Directors, the aforesaid decrease in the Group's revenue was primarily resulted from the combined effects of decrease in output of ethylene glycol, decrease in average selling price of certain products and increase in output of polypropylene. The decrease in average selling price of the Group's certain products also led to decrease in the Group's overall gross profit margin. Accordingly, the Group's gross profit and profit for the six months ended 30 June 2019 also decreased as compared those for the corresponding period in 2018.

### Information of Mei Fu Petrochemical

With reference to the Board Letter, Mei Fu Petrochemical is principally engaged in the manufacture and sale of various aromatics and heat transfer fluids. Mei Fu Petrochemical is an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company.

### Reasons for the Financial Assistance

Details of the reasons for the provision of Financial Assistance are set out under the section headed "REASONS FOR THE TRANSACTION" in the Board Letter.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, the Group has been providing necessary funding and financial assistance to Mei Fu Petrochemical as its working capital by way of loans and guarantees since 2013. The loans have been used as general working capital of Mei Fu Petrochemical. As at 31 August 2019, the loan under the Original Financial Assistance remaining outstanding was approximately RMB130,000,000.

We noted from the 2019 Interim Report that the Company has cash and cash equivalents of approximately RMB732.03 million as at 30 June 2019. With reference to the Board Letter, the Company has been exploring different ways to utilize such cash and cash equivalents balance for investment opportunities with an aim to bring more valuable return to its Shareholders. As the Company is currently in the phase of considering the possibility of exploring different risk reward justifiable investment opportunities including but not limited to investing in and/or initiating new projects and that the Company is not required to utilize its cash and cash equivalents balance for such investment opportunities at such an early stage, the Board is of the view that it will be beneficial to the Company and its Shareholders as a whole to extend the Financial Assistance to Mei Fu Petrochemical for a 10% interest rate per annum which will be able to generate interest income for the Group.

We noted (i) from the 2019 Interim Report that the Group recorded net cash flows in respect of operating activities of approximately RMB191.47 million for the six months ended 30 June 2019; and from the 2018 Annual Report that the Group recorded net cash flows from operating activities of approximately RMB918.24 million for FY2018. In addition, the Company has a right to call for repayment of the Renewed Loan in full by giving 10 business days' notice to Mei Fu Petrochemical pursuant to the 2nd Supplemental LG Agreement (the "**Rights to Call for Repayment**"). Accordingly, the Directors advised us that the provision of the Financial Assistance will not hinder the Group's daily operation or investment when opportunity arises.

With reference to the Company's announcement dated 29 September 2019 (the "**New Project Announcement**"), the Group is considering a plan to construct Ethylene production facility with one million metric tonne annual production capacity and Ethylene Oxide/Ethylene Glycol production facility with one million metric tonne annual production capacity (the "**New Project**"). With reference to the New Project Announcement and as confirmed by the Directors, the Board is planning to work on financing arrangements for the New Project. The Directors expect that the Group will have sufficient financial resources (with debt financing support) to finance the New Project even when the Renewed Loan is drawdown to its maximum amount of RMB700 million. The Directors also estimate the debt financing cost for the New Project to be substantially lower than the interest rate of the Renewed Loan. The Group can also exercise the Rights to Call for Repayment if and when necessary.

As disclosed in the Company's circular dated 12 August 2016 in respect of, among others, the disposal of an aggregate of 51% equity interest in the registered capital of Mei Fu Petrochemical (the "**Sale Interest**") by the Group (the "**Disposal**"), on 11 August 2016, a supplemental agreement was entered into among vendors and purchasers under the Disposal. Pursuant to the aforesaid supplemental agreement,

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## LETTER FROM GRAM CAPITAL

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the purchasers under the Disposal undertook, upon completion of the sale and purchase agreement in relation to the Disposal, to pledge the Sale Interest held by them in favour of the vendors (the “**Pledge**”) as guarantee for Mei Fu Petrochemical’s obligation under the LG Agreement.

According to the Board Letter, Mei Fu Petrochemical’s net asset value was approximately RMB682 million as at 31 December 2018 and were profitable for the three years ended 31 December 2018.

In respect of the LG Agreement, Mr. Guan also provided undertakings (the “**Undertakings**”) as follows:

- (i) if the Company claims against Mei Fu Petrochemical for failing to repay and/or reduce the Financial Assistance and/or to pay the related interest and/or guarantee fee, as the case may be, within the agreed timeframe, he will himself repay such amount to the Company directly for any loss that may be incurred by the Group; and
- (ii) if he ceases to be the controlling shareholder of the Company, the loan (under the Financial Assistance) will become immediately repayable to the Group, and Mei Fu Petrochemical and Mr. Guan will also carry out immediate measures (such as replacing the guarantee obligations of the Group with Mr. Guan’s personal guarantee or guarantee provided by company(ies) owned by Mr. Guan which is/are not part of the Group) for the purpose of releasing the guarantee obligation of the Group (under the Financial Assistance), subject to the processing time of the relevant banks may require.

With reference to the Board Letter, the Pledge and the Undertakings shall remain valid pursuant to the 2nd Supplemental LG Agreement.

As at the Agreement Date, Mr. Guan (together with his spouse) were effectively interested in (i) approximately 43.28% equity interest of the Company (the market value of such Shares was approximately HK\$757.1 million; and (ii) approximately 17.16% unpledged and non-restricted equity interest of Zhejiang Jiahua Energy Chemical Industry Co., Ltd. (stock code: SH600273, the market value of the said shares was approximately RMB3,085.0 million). The aggregated market value of the said Shares and shares of Zhejiang Jiahua Energy Chemical Industry Co., Ltd. are higher than the maximum amount of the Financial Assistance (i.e. RMB700 million) under the 2nd Supplemental LG Agreement.

Given the above, we consider that the Group’s risk of providing the Financial Assistance can be contained to a certain extent.

Having considered the above, we concur with the Directors that although the provision of Financial Assistance is not conducted under the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM GRAM CAPITAL

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### Principal terms of the 2nd Supplemental LG Agreement

The table below summarises the major terms of the 2nd Supplemental LG Agreement:

Date:	12 September 2019
Lender:	The Company
Borrower:	Mei Fu Petrochemical
Subject matter:	Pursuant to the 2nd Supplemental LG Agreement, the Company has conditionally agreed to continue to provide the Renewed Loan to Mei Fu Petrochemical for a further term of three years from 30 November 2019 (being the date immediately following the Original Completion Date), subject to 2nd Supplemental LG Agreement taking effect upon Independent Shareholders' approval. Pursuant to the 2nd Supplemental LG Agreement, the guarantee payments under the LG Agreement will cease while the other terms and conditions of the LG Agreement and the Supplemental LG Agreement shall remain the same. The Renewal Loan will be revolving in nature.
Interest rate:	The interest rate applicable to the Renewed Loan shall be 10% per annum.

### *The interest rate*

We enquired into the Directors regarding (i) the effective interest rate of the Group's borrowings and were advised by the Directors that the such effective interest rate ranged from 2.225% to 5.090% per annum for FY2018; and (ii) the interest rate of the Group's bank deposit and were advised by the Directors that the Company received an average annual interest rate of 2.243% per annum for the Group's bank deposits during FY2018. For our due diligence purpose, we obtained the calculation of the aforesaid effective interest rate of the Group's borrowings for FY2018 and the average annual interest rate of the Group's bank deposits. Furthermore, we noted that, as at the Agreement Date, as announced by the People's Bank of China, the prevailing benchmark interest rate for (i) loans in RMB, which will be matured over one year and up to five years, is 4.75% per annum; and (ii) one-year time deposit, two-year time deposit and three-year time deposit are 1.50%, 2.10% and 2.75% per annum respectively.

Having considered that the interest rate of the Renewed Loan is higher than: (i) the effective interest rate of the Group's borrowings for FY2018; (ii) the average interest rate of the Group's bank deposit during FY2018; and (iii) the People's Bank of China's prevailing benchmark interest rates as at the Agreement Date for loans in

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RMB which will be matured over one year and up to five years and one-year time deposit, two-year time deposit and three-year time deposit (all in RMB), we are of the view that the interest rate of the Renewed Loan to be fair and reasonable.

Taking into account the principal terms of the 2nd Supplemental LG Agreement as discussed above, we consider that the terms of the 2nd Supplemental LG Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### The Caps

The following tables sets out the historical maximum accounts for the Financial Assistance for the three years following the Completion Date and the annual caps (“Caps”) of the Financial Assistance for the three years from 30 November 2019 (being the date immediately following the Original End Date), subject to the 2nd Supplemental LG Agreement taking effect upon Independent Shareholders’ approval, separating into four periods:

	Annual cap amounts for the period		
	First year following Completion Date	Second year following Completion Date	Third year following Completion Date
Historical maximum amount of the financial assistance (inclusive of the related interest and guarantee fee)	RMB2,165,000,000	RMB1,792,310,000	RMB1,171,160,000
Actual amount of the financial assistance (inclusive of the related interest and guarantee)	RMB1,453,509,000	RMB713,078,000	Cap period not finished yet

	Annual cap amounts for the period/year			
	From 30 November 2019 up to 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	From 1 January 2022 up to 29 November 2022
Annual cap amount for the Financial Assistance (inclusive of the related interest)	RMB706,136,986 (i.e. RMB700,000,000 plus RMB70,000,000*32/365)	RMB770,000,000	RMB770,000,000	RMB763,863,014 (i.e. RMB700,000,000 plus RMB70,000,000*333/365)

With reference to the Board Letter, the Caps are determined based on the following factors:

- (i) the maximum historical loan for the three financial years ended 31 December 2016, 2017 and 2018;
- (ii) the amount of the Renewed Loan; and



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## LETTER FROM GRAM CAPITAL

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- (iii) the maximum amount of interest income under the Financial Assistance to be received by the Group under the 2nd Supplemental LG Agreement.

To assess the fairness and reasonableness of the Caps, we have enquired into the Directors regarding the basis and assumptions underlying the Caps.

We noted from the 2019 Interim Report that as at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB732 million. As the loan under the Original Financial Assistance remaining outstanding was approximately RMB130 million, the Group will have to provide a further amount of RMB570 million if the Renewed Loan is drawdown to its maximum amount of RMB700 million. Also given that the Group recorded net cash flows in respect of operating activities of approximately RMB191.47 million for the six months ended 30 June 2019 and approximately RMB918.24 million for FY2018, we consider that the Group will have sufficient internal resources to provide the Renewed Loan at maximum amount of RMB700 million.

As aforementioned, the Group is considering the New Project and the Board is planning to work on financing arrangements for the New Project. The Directors expect that the Group will have sufficient financial resources (with debt financing support) to finance the New Project even when the Renewed Loan is drawdown to its maximum amount of RMB700 million. The Group can also exercise the Rights to Call for Repayment if and when necessary.

Set out below is the working capital statement (the "**Statement**") contained in Appendix I to the Circular: "Taking into account the financial resources available to the Group including internally generated funds and other financial resources and the effect of the Financial Assistance, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least 12 months following the date of this circular, in the absence of unforeseeable circumstances." We noted that the Company, in compliance with Rule 14.66(12) of the Listing Rules, engaged its auditors to provide a letter confirming that (a) in the auditors' opinion, the Statement has been made by the Directors after due and careful enquiry; and (b) the institutions providing finance have confirmed in writing the existence of such facilities as of 31 August 2019 that are shown to be required by the Company's working capital forecast.

The Caps were derived from the maximum amount of the Renewed Loan and the annual interest of 10% as stipulated under the 2nd Supplemental LG Agreement. For our due diligence purpose, we examined the calculation of the Caps.

Given the above, we consider that the Caps are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM GRAM CAPITAL

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### **Listing Rules Implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Financial Assistance must be restricted by the Caps; (ii) the terms of the Financial Assistance (including the Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Financial Assistance must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Financial Assistance (i) has not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the 2nd Supplemental LG Agreement; and (iii) has exceeded the Caps. In the event that the total amounts of the Financial Assistance is anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Financial Assistance, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Financial Assistance (including the Caps) and thus the interest of the Independent Shareholders would be safeguarded.

### **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2nd Supplemental LG Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Financial Assistance is not conducted under the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2nd Supplemental LG Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

## 1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2016, 31 December 2017, 31 December 2018 and the six months ended 30 June 2019 together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.chinasanjiang.com](http://www.chinasanjiang.com)):

- annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (pages 44–129)(<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0413/ltn20170413534.pdf>);
- annual report of the Company for the year ended 31 December 2017 published on 19 April 2018 (pages 42–130) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419451.pdf>);
- annual report of the Company for the year ended 31 December 2018 published on 15 April 2019 (pages 46–154) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn20190415406.pdf>); and
- Interim report of the Company for the six months ended 30 June 2019 published on 4 September 2019 (pages 6–24)(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0904/ltn20190904309.pdf>).

## 2. INDEBTEDNESS

As at the close of business on 31 August 2019, being the latest practicable date for ascertaining the indebtedness of the Group for the purpose of this indebtedness statement, the Group had the following indebtedness:

Bank borrowings — secured	RMB3,375,987,000
Bank borrowings — unsecured	RMB334,625,000
Amount due to a related company(for financing purpose) — unsecured (term:- interest bearing at 10% per annum and repayable on demand.	RMBNil
Guarantees given to banks in connection with facilities granted to Zhejiang Mei Fu Petrochemical Co., Ltd. (Out of the aforesaid RMB592,000,000, approximately, RMB389,294,000 was utilised)	RMB592,000,000

The Group has pledged certain properties, plants and equipments, leasehold land use right and cash deposits to secure the bank borrowings of the Group.

Save as disclosed above and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of business of the Group, at the close of business on 31 August 2019, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or

other material contingent liabilities. The Directors confirmed that there had been no material change in terms of the Group's contingent liabilities and indebtedness during the period from 31 August 2019 to the Latest Practicable Date.

### **3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group including internally generated funds and other financial resources and the effect of the Financial Assistance, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least 12 months following the date of this circular, in the absence of unforeseeable circumstances.

### **4. MATERIAL ADVERSE CHANGE**

Save as the profit warning announcement of the Company dated 12 July 2019, the Directors confirm that there are no material adverse change in the financial or trading position or outlook of the Group since 30 June 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

### **5. FINANCIAL AND TRADING PROSPECTS**

The Group is principally engaged in the manufacture and sale of ethylene oxide, ethylene glycol, polypropylene and surfactants and the provision of polypropylene and surfactants processing services. The Group is expecting positive developments in medium term as to Methanol pricing, which is considered as one of the dominant factors that affects the profitability of the Group as Methanol cost counts approximately two-third towards the feedstock procurement cost of the Group on a full production capacity basis and the pricing of Methanol has been staying in a relatively low level since the first half of 2019.

The Directors consider the Financial Assistance allows the Group to generate interest income at a 10% interest rate per annum while the Company has been exploring different ways to utilize cash and cash equivalents balance for investment opportunities with an aim to bring more valuable return to its Shareholders and is not able to identify risk-reward justifiable investment opportunities.

Moreover, as disclosed by the Company on 29 September 2019, the Group is considering a plan to construct an Ethylene production facility with one million metric tonne annual production capacity and an Ethylene Oxide/Ethylene Glycol production facility with one million metric tonne annual production capacity in the China Chemical New Material Zone located at the port area of Jiaying City of Zhejiang Province, the PRC, a place near to the Group's current production base. The purpose of the construction is to help the Group mitigate market risk and price fluctuation risk regarding the prices of ethane, naphtha and propane and also to mitigate the price fluctuation risk of the market prices of Ethylene Oxide and Ethylene Glycol. The Directors consider that such plan will enable the Group to further maximize its profits and is in the interests of the long term development of the Group.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”), were as follows:

### (a) Long positions in the shares of the Company

Name of Directors	Number of Shares			Total	Approximate% of issued share capital <sup>3</sup>
	Personal Interest	Family Interest	Trust/Corporate Interest		
Mr. Guan	16,632,000	—	505,573,000 <sup>1</sup>	522,205,000	43.88%
Ms. Han	—	16,632,000 <sup>2</sup>	505,573,000 <sup>1</sup>	522,205,000	43.88%

*Notes:*

- (1) The 505,573,000 Shares were held by Sure Capital Holdings Limited (“**Sure Capital**”) which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd (“**Vistra Singapore**”). The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Vistra Singapore are deemed to be interested in the Shares under the SFO.
- (2) These shares were beneficially owned by Mr. Guan, the spouse of Ms. Han. Under the SFO, Ms. Han was deemed to be interested in such shares and both Mr. Guan and Ms. Han were also deemed to be interested in 505,573,000 Shares mentioned in Note 1 above.
- (3) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.

**(b) Interest in shares of associated corporation of the Company**

Name of Directors	Name of associated corporation	Number of Shares			Total	Approximate % of issued share capital <sup>2</sup>
		Personal Interest	Family Interest	Trust/ Corporate Interest		
Mr. Guan	Sure Capital	—	—	505,573,000 <sup>1</sup>	505,573,000	42.49%
Ms. Han	Sure Capital	—	—	505,573,000 <sup>1</sup>	505,573,000	42.49%

*Notes:*

- (1) The 505,573,000 Shares were held by Sure Capital Holdings Limited (“**Sure Capital**”) which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd (“**Vistra Singapore**”). The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Vistra Singapore are deemed to be interested in the Shares under the SFO.
- (2) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.

**(c) Interests of substantial shareholders**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interest in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate % of issued share capital <sup>2</sup>
Vistra Trust (Singapore) Pte. Ltd	Trustee	505,573,000 <sup>1</sup>	42.49%
Yihao Development Limited	Interest of controlled corporation	505,573,000 <sup>1</sup>	42.49%
Sure Capital	Interest of controlled corporation	505,573,000 <sup>1</sup>	42.49%

*Notes:*

- (1) The 505,573,000 Shares were held by Sure Capital Holdings Limited (“**Sure Capital**”) which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd (“**Vistra Singapore**”). The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Vistra Singapore are deemed to be interested in the Shares under the SFO.
- (2) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.



Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

At the Latest Practicable Date, save for the following arrangements, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group:

- (a) the management agreement dated 6 November 2017 entered into between the Company, Capitol International Limited (a wholly-owned subsidiary of the Company) and Grand Novel Developments Limited (浩新發展有限公司) (a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Guan) for the provision of management services by Grand Novel Developments Limited for a term of three years as disclosed in the announcement of the Company dated 6 November 2017;
- (b) the acquisition agreement dated 15 December 2017 entered into between 三江化工有限公司 (Sanjiang Chemical Co., Ltd.\*) (“**Sanjiang Chemical**”), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, and 浙江嘉化集團股份有限公司 (Zhejiang Jiahua Group Co., Ltd.\*) (“**Zhejiang Jiahua**”) for the acquisition of 2.5% equity interest in 浙江興興新能源科技有限公司 (Zhejiang Xingxing New Energy Technology Co., Ltd.\*) (“**Xing Xing**”) as disclosed in the announcement of the Company dated 15 December 2017. Zhejiang Jiahua is a limited liability company established in the PRC and owned as to 30.93% by third parties independent of the Company and its connected person, and as to 69.07% by Hangzhou Haoming;
- (c) the fatty alcohol supply agreement dated 1 January 2018 entered into between 浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co., Ltd.\*) (“**Jiahua Energy Chemical Co**”) (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 non-wholly owned subsidiary of 浙江嘉化集團股份有限公司 (Zhejiang Jiahua Group Co., Ltd.\*) (“**Jihua**”), a joint stock company established in the PRC with limited liability and a company which was ultimately controlled by Mr. Guan and Ms. Han and a connected person of the Company, and Sanjiang Chemical as disclosed in the announcement of the Company dated 1 January 2018;
- (d) the condensate water purchase agreement dated 1 January 2018 entered into between Sanjiang Chemical and Jiahua Energy Chemical Co as disclosed in the announcement of the Company dated 1 January 2018;

- (e) the renewed steam supply agreement dated 1 January 2018 entered into between Jiahua Energy Chemical Co and Xing Xing as disclosed in the announcement of the Company dated 2 January 2018;
- (f) the port services agreement dated 9 January 2019 entered into between 浙江乍浦美福碼頭倉儲有限公司 (Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd.\*) (“**Mei Fu Port**”) (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 Directors) and Sanjiang Chemical, 浙江三江化工新材料有限公司 (Zhejiang Sanjiang New Material Co., Ltd.\*) (“**Sanjiang New Material**”) (a company established in the PRC with limited liability on 23 December 2011 which is an indirect wholly-owned subsidiary of the Company) and 浙江興興新能源科技有限公司 (Zhejiang Xingxing New Energy Technology Co., Ltd.\*) (“**Xing Xing New Energy**”) (a company established in the PRC with limited liability and a 77.5% indirectly-owned subsidiary of the Group) as disclosed in the announcement of the Company dated 9 January 2018;
- (g) the Sanjiang Chemical steam supply agreement dated 23 January 2018 entered into between Jiahua Energy Chemical Co and Sanjiang Chemical and the Sanjiang New Material steam supply agreement dated 23 January 2018 entered into between Jiahua Energy Chemical Co and Sanjiang New Material as disclosed in the announcement of the Company dated 23 January 2018;
- (h) the desalinated water and miscellaneous materials supply agreements dated 24 January 2018 entered into between Jiahua Energy Chemical Co and Sanjiang Chemical and Sanjiang New Material as disclosed in the announcement of the Company dated 24 January 2018;
- (i) (i) the desalinated water and miscellaneous materials supply agreement dated 24 January 2018 entered into between Xing Xing and Jiahua Energy Chemical Co; and (ii) condensate water purchase agreement dated 24 January 2018 entered into between Xing Xing and Jiahua Energy Chemical Co as disclosed in the announcement of the Company dated 24 January 2018;
- (j) the supply agreement dated 31 March 2018 entered into between Sanjiang Chemical and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 31 March 2018;
- (k) (i) the energy management agreement dated 29 June 2018 entered into between Sanjiang New Material and Jiahua Energy Chemical Co; and (ii) the energy management agreement dated 29 June 2018 entered into between Xing Xing and Jiahua Energy Chemical Co as disclosed in the announcement of the Company dated 29 June 2018;
- (l) the transfer agreement dated 5 December 2018 entered into between Jiahua Energy Chemical Co and Sanjiang Chemical as disclosed in the announcement of the Company dated 5 December 2018;



- (m) the supply agreement dated 31 December 2018 entered into between Sanjiang Chemical and Jiahua Energy Chemical Co as disclosed in the announcement of the Company dated 31 December 2018;
- (n) the supply agreement dated 1 February 2019 entered into between 嘉興興港熱網有限公司 (Jiaxing Xinggang Rewang Co., Ltd.\*) (“**Jiaxing Rewang**”), a limited liability company established in the PRC on 28 March 2002 and is owned as to 50% by Jiahua Energy Chemical Co and 50% by local government or local government related bodies, Sanjiang Chemical and Sanjiang New Material as disclosed in the announcement of the Company dated 1 February 2019;
- (o) (i) the energy management agreement dated 8 May 2019 entered into between Sanjiang Chemical and 浙江浩星節能科技有限公司 (Zhejiang Haoxing Energy Conservation Technology Co. Ltd.\*) (“**Haoxing Energy Conservation**”), a company established on the PRC with limited liability owned as to approximately 55.5% by Mr. Guan; and (ii) the energy management agreement dated 8 May 2019 entered into between Sanjiang New Material and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 8 May 2019;
- (p) the port services agreement dated 8 May 2019 entered into between Mei Fu Port and 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.\*) (“**Sanjiang Ho Jia**”) as disclosed in the announcement of the Company dated 8 May 2019; and
- (q) the steam and miscellaneous materials supply agreement dated 8 May 2019 entered into between Jiahua Energy Chemical Co and Sanjiang Ho Jia as disclosed in the announcement of the Company dated 8 May 2019.

Save as disclosed above, since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### 4. COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective close associates had any interest in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

## 5. EXPERT'S QUALIFICATION AND CONSENT

Gram Capital is a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group. As at the Latest Practicable Date, Gram Capital did not have any interest, direct or indirect, in any assets which since 30 June 2019, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the date of this circular, which were or might be material:

- (a) a placing agreement dated 9 October 2017 entered into between the Company and Shenwan Hongyuan Securities (H.K.) Limited pursuant to which the Company conditionally agreed to issue 196,896,000 placing shares, and Shenwan Hongyuan Securities (H.K.) Limited conditionally agreed, on a best effort basis, to procure places to subscribe for the placing shares on the terms and subject to the conditions set out in the Placing Agreement; and
- (b) the 2nd Supplemental LG Agreement.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at Room 1702, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;

- (c) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (d) the LG Agreement and the Supplemental LG Agreement;
- (e) the circular of the Company dated 12 August 2016 in relation to the LG Agreement and Supplemental LG Agreement;
- (f) the 2nd Supplemental LG Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from Gram Capital, the text of which is set out in this circular;
- (i) the written consent from Gram Capital referred to in the section headed “Expert’s Qualification and Consent” in this appendix; and
- (j) this circular.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company was Mr. Yip Ngai Hang (“**Mr. Yip**”), who was also the financial controller of the Group. According to the announcement of the Company dated 23 September 2019, Mr. Yip has resigned as the company secretary of the Company and Mr. Yeung Chi Lung (“**Mr. Yeung**”) has been appointed as the company secretary of the Company with effect from 22 September 2019. Mr. Yeung, aged 36, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is currently the company secretary of several companies listed on the main board of the Stock Exchange. He is also the senior manager of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1702, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands.
- (d) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of **CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED** (the “**Company**”) will be held at 10:00 a.m. on 18 November 2019 at 20/F., OfficePlus@Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, approving the following resolution as an ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 30 October 2019.

The following resolution will be considered and, if thought fit, approved by the Shareholders, with or without amendments, at the EGM:

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the 2nd Supplemental LG Agreement dated 12 September 2019 entered into between the Company and 浙江美福石油化工有限公司 (Zhejiang Mei Fu Petrochemical Co., Ltd\*), and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified be hereby approved, ratified and confirmed;
- (b) the cap for the Financial Assistance (as defined in the circular of the Company dated 12 September 2019) for the three years following the 2nd Supplemental LG Agreement taking effect for the provision of Financial Assistance contemplated under the 2nd Supplemental LG Agreement be and is hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the 2nd Supplemental LG Agreement and the provision of Financial Assistance contemplated thereunder.”

For and on behalf of the Board of  
**China Sanjiang Fine Chemicals Company Limited**  
**GUAN Jianzhong**  
*Chairman and executive Director*

Hong Kong, 30 October 2019

*Notes:*

1. In order to qualify for the attendance of the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 13 November 2019.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
3. In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
4. The register of members of the Company will be closed from 14 November 2019 to 18 November 2019, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the EGM. In order to qualify for the right to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 13 November 2019.
5. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM convened and in such event, the form of proxy shall be deemed to be revoked.
6. In the case of joint registered holders of any share, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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## NOTICE OF EGM

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7. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at ([www.chinasanjiang.com](http://www.chinasanjiang.com)) and on the HKExnews website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify Shareholders of the date, time and venue of the rescheduled meeting.
8. At the EGM (or at any adjournment thereof), the chairman of the meeting put the above resolution to the vote by way of poll pursuant to the Listing Rules. The poll results will be published on the website of the Company and the website of the Stock Exchange in accordance with the Listing Rules.
9. In case of inconsistency between the English and Chinese version of this notice of EGM, the English version shall prevail.

*As at the date of this notice, 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.*