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**三江化工**

SANJIANG CHEMICAL

**CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED**

**中國三江精細化工有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2198)**

**CONNECTED TRANSACTION  
RELATING TO ACQUISITION OF THE ENTIRE EQUITY INTEREST  
IN THE TARGET COMPANY**

**THE ACQUISITION**

On 11 December 2020, the Purchasers, both wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchasers agreed to purchase and the Vendors agreed to sell the entire equity interest in the Target Company at the Consideration of RMB10,000,000 (equivalent to approximately HK\$11,779,000).

**LISTING RULES IMPLICATION**

As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 11 December 2020, the Purchasers, both wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchasers agreed to purchase and the Vendors agreed to sell the entire equity interest in the Target Company at the Consideration of RMB10,000,000 (equivalent to approximately HK\$11,779,000).

Details of the Acquisition Agreement are set out below.

## THE ACQUISITION AGREEMENT

Date:

11 December 2020

Parties:

- (1) The Purchasers: (i) 三江浩嘉高分子材料科技有限公司 (Sanjiang Haojia High Polymer Material Technology Co., Ltd\*), a company established in the PRC with limited liability on 28 December 2018, which is an indirect wholly-owned subsidiary of the Company; and (ii) 浙江三江思怡新材料有限公司 (Zhejiang Sanjiang Siyi New Material Co. Ltd\*), a company established in the PRC with limited liability on 17 November 2020, which is an indirect wholly-owned subsidiary of the Company. Upon the completion of the Acquisition of the entire equity interest in the Target Company, the Target Company will be owned as to 70% by Sanjiang Haojia High Polymer Material Technology Co., Ltd and 30% by Zhejiang Sanjiang Siyi New Material Co. Ltd.

The principal activities of the Group are the manufacture and supply of ethylene oxide, ethylene glycol, polypropylene, methyl tert-butyl ether and surfactants in the PRC. The Group was also engaged in the provision of processing services for polypropylene, methyl tert-butyl ether and surfactants to its customers and the production and supply of other chemical products such as C4, pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC.

- (2) The Vendors: (i) 杭州秋實創業投資管理合夥企業(有限合夥) (Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership)\*, a limited liability partnership established in the PRC and is owned as to 45% by Mr. Guan, 15% by Yan Zhongbo\* (嚴中鉞), 15% by Ding Yingxin\* (丁穎新), 5% by Lu Guoxing\* (魯國興), 5% by Hu Zhengfang\* (胡正芳), 5% by Xin Zhangwei\* (殷張偉), 5% by Guo Mingdong\* (郭明東) and 5% by Guo Mingliang\* (郭明良), all of whom, except for Mr. Guan, are third parties independent of the Company and its connected person; and (ii) 杭州管石創業投資管理合夥企業(有限合夥) (Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership)\*, a limited liability partnership established in the PRC and is owned as to 95% by Mr. Guan and 5% by Liu Zhaoxia\* (劉朝霞), who is a third party independent of the Company and its connected person. Before the completion of the Acquisition of the entire equity interest in the Target Company, the Target Company is owned as to 70% by Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership) and 30% by Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership). Mr. Guan is a controlling Shareholder of the Company and the spouse of Ms. Han, an executive Director of the Company. As Ms. Han is an executive

Director and Mr. Guan is a controlling Shareholder of the Company, the Vendors are therefore associates of Mr. Guan and Ms. Han and are thus connected persons of the Company.

The Vendors are principally engaged in investment holding.

**Assets to be acquired:**

The Purchasers have agreed to purchase, and the Vendors have agreed to sell, the entire equity interest in the Target Company.

**Consideration and terms of payment:**

The Consideration for the Acquisition is RMB10,000,000 (equivalent to approximately HK\$11,779,000), which will be paid by the Purchasers to the Vendors within three Business Days from the date of the Acquisition Agreement (or such other date as may be agreed by the parties) by way of bank transfer to the Vendors designated PRC bank accounts. The Consideration will be funded by internal resources of the Group.

**Basis of the Consideration**

The Directors (including the independent non-executive Directors, but excluding Ms. Han who is required to abstain from voting) confirm that the Consideration was arrived at after arm's length negotiations and on normal commercial terms between the Purchasers and the Vendors with reference to the following factors:

1. the valuation of the market value of 100% equity interest of the Target Company of approximately RMB10.2 million as at the valuation date of 30 November 2020 prepared by the Independent Valuer using the adjusted net asset method under cost approach;
2. the unaudited net profit of the Target Company for the eleven months ended 30 November 2020 of approximately RMB3.5 million prepared in accordance with HKFRSs;
3. the unaudited net assets value of the Target Company as at 30 November 2020 of approximately RMB8.2 million, prepared in accordance with HKFRSs; and

4. The Targe Company is registered under the license — Private Investment Fund Manager Registration (私募基金管理證明\*) issued by Asset Management Association of China (中國基金業協會\*), which allows fundraising from investors and investing in particular sectors in a risk/profit-sharing approach and as such, the Directors consider the Target Company is able to fit into the Group's strategic downstream expansion plan through investing in the equities of downstream players for the purpose of solidifying a strong customer base and expanding the Group's involvement in downstream level of the industry, given the fact that the Group has been only focusing on the expansions of middlestream level capacity (i.e. ethylene oxide, ethylene glycol and polypropylene level) and upstream level capacity (i.e. MTO and ethylene level) in the past few years to avoid direct intense competition with downstream players as they are also the customers from middlestream level perspective.

### **Completion of the Acquisition Agreement**

Completion of the Acquisition Agreement shall take place within three Business Days from the date of the Acquisition Agreement (or such other date as may be agreed by the parties).

Upon Completion, the Target Company will be owned as to 100% by the Purchasers.

### **Information on the Target Company**

The Targe Company is a limited liability company established in the PRC on 20 July 2015 with a paid-up capital of RMB10,000,000 as at the date of this announcement and its equity interest is, immediately prior to the Completion, owned as to 70% by Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership) and 30% by Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership). Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership) is owned as to 45% by Mr. Guan, 15% by Yan Zhongbo\* (嚴中鉞), 15% by Ding Yingxin\* (丁穎新), 5% by Lu Guoxing\* (魯國興), 5% by Hu Zhengfang\* (胡正芳), 5% by Xin Zhangwei\* (殷張偉), 5% by Guo Mingdong\* (郭明東) and 5% by Guo Mingliang\* (郭明良), all of whom, except for Mr. Guan, are third parties independent of the Company and its connected person. Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership) is owned as to 95% by Mr. Guan and 5% by Liu Zhaoxia\* (劉朝霞), who is a third party independent of the Company and its connected person. Mr. Guan is a controlling Shareholder of the Company and the spouse of Ms. Han, an executive Director of the Company. As Ms. Han is an executive Director and Mr. Guan is a controlling Shareholder of the Company, the Vendors are therefore associates of Mr. Guan and Ms. Han and are thus connected persons of the Company.

The Target Company is principally engaged in private equity fund management business. Set out below is a summary of the unaudited financial information on the Target Company for the period/year ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020 (prepared in accordance with HKFRS):

	<b>For the period from date of incorporation to 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the eleven months ended 30 November 2020</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue and other income/ (expense)	—	—	5.8
(Loss)/profit before taxation	(2.7)	(2.6)	3.5
(Loss)/profit for the year	(2.7)	(2.6)	3.5

As at 30 November 2020, the Target Company had total assets value and net assets amount of approximately RMB34.8 million and RMB8.2 million respectively based on the unaudited financial information prepared in accordance with HKFRSs.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The principal activities of the Group are the manufacture and supply of ethylene oxide, ethylene glycol, polypropylene, methyl tert-butyl ether and surfactants in the PRC. The Group was also engaged in the provision of processing services for polypropylene, methyl tert-butyl ether and surfactants to its customers and the production and supply of other chemical products such as C4, pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC.

The Target Company is principally engaged in private equity fund management business.

The Group always looks for ways to further solidify a strong customer base as well as expand its involvement in downstream level of the industry. The Acquisition of the Target Company, which is registered under the license — Private Investment Fund Manager Registration (私募基金管理證明\*\*) issued by Asset Management Association of China (中國基金業協會\*), fits into the Group's strategic downstream expansion plan through investing in the equities of downstream players for the purpose of solidifying a strong customer base and expanding the Group's involvement in downstream level of the industry, given the fact that the Group has been only focusing on the expansions of middlestream level capacity (i.e. ethylene oxide, ethylene glycol and polypropylene level) and upstream level capacity (i.e. MTO and ethylene level) in the past few years to avoid direct intense competition with downstream players as they are also the customers from middlestream level perspective.

Having taken into account the market value of 100% equity interest of the Target Company as at 30 November 2020 of approximately RMB10.2 million under the Valuation Report, the Directors (including the independent non-executive Directors, but excluding Ms. Han who is required to abstain from voting) are of the view the Consideration is a good bargain for the Company in the long term and the Directors also consider that the terms of the Acquisition Agreement, which were arrived at after arm's length negotiations between the Purchasers and the Vendors, are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

Since Ms. Han has a material interest in the Acquisition, she therefore abstained from voting on board resolutions of the Company approving the Acquisition.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, the Vendors are (i) 杭州秋實創業投資管理合夥企業(有限合夥) (Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership)\*, a limited liability partnership established in the PRC and is owned as to 45% by Mr. Guan, 15% by Yan Zhongbo\* (嚴中鉞), 15% by Ding Yingxin\* (丁穎新), 5% by Lu Guoxing\* (魯國興), 5% by Hu Zhengfang\* (胡正芳), 5% by Xin Zhangwei\* (殷張偉), 5% by Guo Mingdong\* (郭明東) and 5% by Guo Mingliang\* (郭明良), all of whom, except for Mr. Guan, are third parties independent of the Company and its connected person; and (ii) 杭州管石創業投資管理合夥企業(有限合夥) (Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership)\*, a limited liability partnership established in the PRC and is owned as to 95% by Mr. Guan and 5% by Liu Zhaoxia\* (劉朝霞), who is a third party independent of the Company and its connected person. Mr. Guan is a controlling Shareholder of the Company and the spouse of Ms. Han, an executive Director of the Company. As Ms. Han is an executive Director and Mr. Guan is a controlling Shareholder of the Company, the Vendors are therefore associates of Mr. Guan and Ms. Han and are thus connected persons of the Company.

As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Purchasers from the Vendors pursuant to the Acquisition Agreement
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“Acquisition Agreement”	the sale and purchase agreement dated 11 December 2020 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
“Company”	China Sanjiang Fine Chemicals Company Limited (stock code: 2198), 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”	completion of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration to be payable by the Purchasers to the Vendors pursuant to the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts as in effect from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	CHFT Advisory And Appraisal Ltd, a qualified valuer registered in Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company and the spouse of Ms. Han
“Ms. Han”	Ms. Han Jianhong, an executive Director of the Company and the spouse of Mr. Guan

“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	(i) 三江浩嘉高分子材料科技有限公司 (Sanjiang Haojia High Polymer Material Technology Co., Ltd*), a company established in the PRC with limited liability on 28 December 2018, which is an indirect wholly-owned subsidiary of the Company; and (ii) 浙江三江思怡新材料有限公司 (Zhejiang Sanjiang Siyi New Material Co. Ltd*), a company established in the PRC with limited liability on 17 November 2020, which is an indirect wholly-owned subsidiary of the Company. Upon the completion of the Acquisition of the entire equity interest in the Target Company, the Target Company will be owned as to 70% by Sanjiang Haojia High Polymer Material Technology Co., Ltd and 30% by Zhejiang Sanjiang Siyi New Material Co. Ltd.
“Share(s)”	the share(s) of par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	浙江管大資產管理股份有限公司 (Zhejiang Guan Dai Asset Management Co., Limited*), a limited liability company established in the PRC, which, immediately prior to the Completion, was owned as to 70% by Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership) and 30% by Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership)
“Valuation Report”	the valuation report in relation to the market value of 100% equity interest of the Target Company as at the valuation date of 30 November 2020 prepared by the Independent Valuer

“Vendors”	(i) 杭州秋實創業投資管理合夥企業(有限合夥) (Hangzhou Qiushi Venture Capital Management Partnership (Limited Partnership)*, a limited liability partnership established in the PRC and is owned as to 45% by Mr. Guan, 15% by Yan Zhongbo* (嚴中鉞), 15% by Ding Yingxin* (丁穎新), 5% by Lu Guoxing* (魯國興), 5% by Hu Zhengfang* (胡正芳), 5% by Xin Zhangwei* (殷張偉), 5% by Guo Mingdong* (郭明東) and 5% by Guo Mingliang* (郭明良), all of whom, except for Mr. Guan, are third parties independent of the Company and its connected person; and (ii) 杭州管石創業投資管理合夥企業(有限合夥) (Hangzhou Guanshi Venture Capital Management Partnership (Limited Partnership)*, a limited liability partnership established in the PRC and is owned as to 95% by Mr. Guan and 5% by Liu Zhaoxia* (劉朝霞), who is a third party independent of the Company and its connected person
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

An exchange note of HK1.00 to RMB0.849 has been adopted in this announcement for illustration purpose.

By order of the Board  
**China Sanjiang Fine Chemicals Company Limited**  
**HAN Jianhong**  
*Chairlady and Executive Director*

The People’s Republic of China, 11 December 2020

*As at the date of this announcement, the Board comprises three executive Directors: Ms. HAN Jianhong, Mr. HAN Jianping and Mr. RAO Huotao and three independent non-executive Directors: Mr. SHEN Kaijun, Ms. PEI Yu and Mr. KONG Liang.*

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “\*” is for identification purpose only.*