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**三江化工**

SANJIANG CHEMICAL

**CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED**

**中國三江精細化工有限公司**

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

**(Stock Code: 2198)**

**CONTINUING CONNECTED TRANSACTION —  
FRAMEWORK AGREEMENT FOR THE PROVISION OF  
PIPELINE NETWORK USAGE SERVICE**

**CONTINUING CONNECTED TRANSACTION**

The Directors announce that, on 26 February 2021, Guanlang entered into the Framework Agreement with Jiahua Energy Chemical Co., (including and covering its subsidiaries) pursuant to which, Guanlang has agreed to provide pipeline network usage service to Jiahua Energy Chemical Co. (including and covering its subsidiaries) for a term from 26 February 2021 to 31 December 2021 with a consideration not exceeding RMB3 million.

**IMPLICATIONS OF THE LISTING RULES**

As the relevant applicable percentage ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Framework Agreement and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**FRAMEWORK AGREEMENT**

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service to Jiahua Energy Chemical Co. (including and covering its subsidiaries) for a term from 26 February 2021 to 31 December 2021 with a consideration not exceeding RMB3 million.

**Date:** 26 February 2021

**Parties:** (1) Guanlang, a non-wholly owned subsidiary of the Company, as service provider; and  
(2) Jiahua Energy Chemical Co., a connected person of the Company, as service user.

### **Subject matter**

Pursuant to the Framework Agreement, Guanlang has agreed to provide pipeline network usage service to Jiahua Energy Chemical Co. (including and covering its subsidiaries), for the period from 26 February 2021 to 31 December 2021.

### **Term**

The Framework Agreement shall become effective on 26 February 2021 and has a term ending on 31 December 2021 which may be renewable upon further agreement by the parties (subject to compliance with the Listing Rules).

The Company will comply with the relevant Listing Rules requirements when the term of the Framework Agreement is renewed.

### **Pricing principles**

Pursuant to the Framework Agreement, the purchase price for the provision of pipeline network usage service shall be charged in accordance with the notice namely 嘉興港區公共管廊使用收費標準 (Jiaxing Port Area Public Pipeline Usage Standard Fee Rates\*) issued by the local authority. According to the aforesaid notice, the purchase price payable by Jiahua Energy Chemical Co. (including and covering its subsidiaries) shall be payable by Jiahua Energy Chemical Co. (including and covering its subsidiaries) in a lump sum once a year within 30 days after the commencement of the services as to the provision of pipeline network usage service.

As the purchase prices are determined in accordance with the notice namely Jiaxing Port Area Public Pipeline Usage Standard Fee Rates issued by the local authority, which is applied to all the pipeline users in the region, the Board considers such pricing principles and the transactions under the Framework Agreement, will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole.

## Historical transaction amounts and annual caps

Guanlang had the following amounts received from Jiahua Energy Chemical Co. in respect of the provision of pipeline network usage service:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amount received from Jiahua Energy Chemical Co. (including and covering its subsidiaries) (these continuing connected transactions fully exempt under Rule 14A.76 of Listing Rule)	759	709	1,979

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical annual caps in respect of the amounts received from Jiahua Energy Chemical Co.	—	—	—

## Proposed Caps

Based on:

- (1) the expected amount of pipeline network usage to be required by Jiahua Energy Chemical Co. (including and covering its subsidiaries) for the period ending 31 December 2021; and
- (2) the pipeline network usage charge rates as indicated in the notice namely 嘉興港區公共管廊使用收費標準 (Jiaxing Port Area Public Pipeline Usage Standard Fee Rates\*) issued by the local authority applicable for the period ending 31 December 2021,

it is expected that the estimated Annual Caps for the period ending 31 December 2021 will be as follows:

	For the period ending 31 December 2021 <i>RMB'000</i>
Annual caps	3,000

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

Guanlang is a non-wholly owned subsidiary of the Company and is owned as to 83.85% by Sanjiang Chemical, a wholly owned subsidiary of the Company. The principal activities of Guanlang are the construction and management of pipeline network in Jiaxing Port Area Chemical Industrial Park.

Jiahua Energy Chemical Co. is a limited liability company established in the PRC and is principally engaged in the business of production and trading of desalinated water, steam, chlorine gas and sulfuric acid. Jiahua Energy Chemical Co. is currently listed on the Shanghai Stock Exchange (stock code: 600273). Other than Jiahua, there are no other shareholders who individually hold more than 10% or above interests in Jiahua Energy Chemical Co..

As the principal activities of Guanlang are the construction and management of pipeline network in Jiaxing Port Area Chemical Industrial Park and the production base of Jiahua Energy Chemical Co. is located at Jiaxing Port Area Chemical Industrial Park, the entering into of the Framework Agreement will enable Guanlang to engage in its principal businesses and bring synergies to Guanlang's operation. In addition, as the purchase prices under the Framework Agreement are determined in accordance with the notice namely Jiaxing Port Area Public Pipeline Usage Standard Fee Rates issued by the local authority, which is applied to all the pipeline users in the region, the Board considers such pricing principles and the transactions under the Framework Agreement, will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole. In view of the foregoing reasons, Guanlang entered into the Framework Agreement with Jiahua Energy Chemical Co..

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement, which were arrived at after arm's length negotiations between Guanlang and Jiahua Energy Chemical Co., are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business of Guanlang and are in the interests of the Company and its shareholders as a whole.

## **CONNECTED PERSON**

Jiahua Energy Chemical Co. is owned as to approximately 40.86% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han.

As Ms. Han is the wife of Mr. Guan and is an executive Director and Mr. Guan is a controlling Shareholder of the Company, Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

As the relevant applicable percentage ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Framework Agreement and the Annual Caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Annual Caps”	the maximum aggregate value of the payments for pipeline network usage service to Guanlang under the Framework Agreement, details of which are set out in the section headed “Proposed Caps” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Sanjiang Fine Chemicals Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement entered into between Guanlang and Jiahua Energy Chemical Co. dated 26 February 2021

“Guanlang”	嘉興市港區工業管廊有限公司 (Jiaxing Port Chemical Industry Park Pipeline Co., Ltd*), a limited liability company principally engaged in the construction and management of pipeline network in Jiaxing Port Chemical Industrial Park and a non-wholly owned subsidiary of the Company, which is owned as to 83.85% by Sanjiang Chemical and as to 16.15% by 嘉興市乍浦建設投資有限公司 (Jiaxing Zhapu Construction Investment Co., Ltd.*), which is in turn owned as to 100% by 嘉興濱海控股集團有限公司 (Jiaxing Binhai Holding Group Co., Ltd.*), which is owned as to 100% by 嘉興市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jiaxing Municipal People’s Government*). All 嘉興市乍浦建設投資有限公司, 嘉興濱海控股集團有限公司 and 嘉興市人民政府國有資產監督管理委員會 are government bodies and third parties independent of the Company and its connected persons
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiahua”	浙江嘉化集團股份有限公司 (Zhejiang Jiahua Group Co., Ltd.*), a joint stock company established in the PRC with limited liability on 15 March 2000 and a company which is ultimately controlled by Mr. Guan and Ms. Han
“Jiahua Energy Chemical Co.”	浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co. Ltd.*) (formerly known as 浙江嘉化工業園投資發展有限公司 (Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.*)), a company established in the PRC with limited liability on 20 January 2001 and a non-wholly owned subsidiary of Jiahua and currently listed on the Shanghai Stock Exchange (stock code: 600273)
“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 and the spouse of Mr. Guan
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC

“Sanjiang Chemical”	三江化工有限公司 (Sanjiang Chemical Co. Ltd.*), a company established in the PRC with limited liability on 9 December 2003, which is an indirect wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

The PRC, 26 February 2021

*As at the date of this announcement, the Board comprises two executive Directors: Ms. HAN Jianhong 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 individuals and 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.*