

## HISTORY AND REORGANISATION

### Our Group

Our Company was incorporated in the Cayman Islands on 30 January 2009 and is the holding company of our subsidiaries. As a result of our Reorganisation, our Company, through Capitol International, indirectly holds the shareholding interest in five operating subsidiaries in the PRC, namely Sanjiang Chemical, Yongming Petrochemical, Sanjiang Trading, Guanlang and Hangzhou Sanjiang, which are principally engaged in the petrochemical manufacturing and related businesses in Zhejiang Province of the PRC. Our Company also indirectly held the shareholding interest in Jianghao Property until December 2009.

Prior to the establishment of our Group, Mr. Guan established Hangzhou Haoming, with Ms. Han and Mr. Han Jianping, in March 1998. Hangzhou Haoming commenced its surfactant manufacturing in May 1998. In order to concentrate resources and efforts on our core business, as part of our Reorganisation, Hangzhou Sanjiang was set up to acquire from Hangzhou Haoming its ethylene oxide trading and surfactant manufacture and sale businesses in April 2010. As Hangzhou Haoming is under the common control and management of Mr. Guan and Ms. Han, the results of the business acquired from Hangzhou Haoming have been reflected in our Group's results prior to 31 March 2010 by using merger accounting.

The following describes the key milestones of our corporate and production history:

<b>May 1998</b>	Production of surfactants at the Xiaoshan Production Plant of Hangzhou Haoming commenced after the first phase construction of the production facilities of surfactants with a designed annual production capacity of 8,000 MT at the Xiaoshan Site was completed
<b>March 2001</b>	Second phase construction of the production facilities of surfactants with a designed annual production capacity of 10,000 MT at the Xiaoshan Site of Hangzhou Haoming was completed, thereby our designed annual production capacity of surfactants increased to 18,000 MT in aggregate
<b>July 2003</b>	Capitol International was incorporated in Hong Kong as an investment holding company for the purpose of holding our petrochemical manufacturing businesses in the PRC
<b>December 2003</b>	Sanjiang Chemical and Yongming Petrochemical were established in the PRC to commence petrochemical manufacturing business
<b>October 2004</b>	Sanjiang Trading was established in the PRC to engage in the trading business of ethylene oxide, ethylene and other petrochemical products

## HISTORY AND REORGANISATION

<b>September 2005</b>	Guanlang was established in the PRC to manage and operate the pipeline transport of ethylene. Guanlang is also engaged in the business of rental of pipeline structural steel truss
<b>September 2005</b>	Ethylene storage tank with an aggregate storage capacity of 22,000 cubic metres was installed in Jiaxing
<b>December 2005</b>	First phase construction of the production facilities of ethylene oxide with a designed annual production capacity of 60,000 MT at our Jiaxing Site was completed
<b>January 2006</b>	Production of ethylene oxide at our Jiaxing Production Plant commenced
<b>January 2008</b>	First phase construction of the production facilities of surfactants with a designed annual production capacity of 100,000 MT at our Jiaxing Site was completed, thereby our designed annual production capacity of surfactants increased to 118,000 MT in aggregate
<b>February 2008</b>	Production of surfactants at our Jiaxing Production Plant commenced
<b>December 2008</b>	Second phase construction of the production facilities of ethylene oxide with a designed annual production capacity of 60,000 MT at our Jiaxing Site was completed, thereby our designed annual production capacity of ethylene oxide increased to 120,000 MT in aggregate
<b>January 2009</b>	Our Company was incorporated in the Cayman Islands as our holding company in anticipation of the Global Offering
<b>April 2009</b>	Second phase construction of the production facilities of surfactants with a designed annual production capacity of 100,000 MT commenced at our Jiaxing Site
<b>September 2009</b>	Our Company acquired the entire shareholding interest in Capitol International which became a wholly-owned subsidiary of our Company
<b>December 2009</b>	Third phase construction of the production facilities of ethylene oxide with a designed annual production capacity of 60,000 MT commenced at our Jiaxing Site. The third phase construction is expected to be completed by early 2011, thereby increasing our designed annual production capacity of ethylene oxide to 180,000 MT in aggregate upon completion

## HISTORY AND REORGANISATION

<b>April 2010</b>	Hangzhou Sanjiang was established to acquire the ethylene oxide trading and surfactant manufacture and sale businesses from Hangzhou Haoming. As Hangzhou Haoming is under the common control and management of Mr. Guan and Ms. Han, the results of the business acquired from Hangzhou Haoming have already been reflected in our Group's results prior to 31 March 2010 by using merger accounting
<b>May 2010</b>	Sanjiang Honam was established in the PRC to principally engage in the manufacture of ethylene oxide
<b>August 2010</b>	Second phase construction of the production facilities of surfactants with a designed annual production capacity of 100,000 MT was completed, thereby our designed annual production capacity of surfactants increased to 218,000 MT in aggregate

The following describes the corporate history of our Company, Hangzhou Haoming, our subsidiaries, Jianghao Property and Sanjiang Honam.

### **Our Company**

Our Company was incorporated in the Cayman Islands on 30 January 2009 and is the holding company of our subsidiaries. As of the Latest Practicable Date, our Company was held as to approximately 69.49% by Sure Capital, all the issued ordinary shares of which were held by Mr. Guan and Ms. Han as to approximately 84.71% and 15.29% respectively and all the issued preference shares of which were held by the Preference Shares Investors. The remaining approximately 30.51% shareholding interest in our Company was, as of the Latest Practicable Date, held by the Ordinary Shares Investors, the New Investors and Pasicue as to 5.8%, 21.86% and 2.85% respectively.

As a result of our Reorganisation, our Company, through Capitol International, indirectly holds the shareholding interest in five operating subsidiaries in the PRC, namely Sanjiang Chemical, Yongming Petrochemical, Sanjiang Trading, Guanlang and Hangzhou Sanjiang, which are principally engaged in the petrochemical manufacturing and related businesses in Zhejiang Province of the PRC. Our Company also indirectly held the shareholding interest in Jianghao Property until December 2009. Please refer to the paragraph headed "Reorganisation" below in this section and the section headed "Further information about our Company – Group reorganisation" as set out in Appendix VII to this prospectus for further details on our Reorganisation.

### **Hangzhou Haoming**

Prior to the establishment of our Group, Mr. Guan established Hangzhou Haoming, with Ms. Han and Mr. Han Jianping, in March 1998 and Hangzhou Haoming was held as to 60% by Mr. Guan and 20% by each of Ms. Han and Mr. Han Jianping respectively. Ms. Han is the spouse of Mr. Guan and Mr. Han Jianping is the brother of Ms. Han. At the time of the establishment of Hangzhou Haoming in 1998, its registered capital of RMB500,000 was paid up by Mr. Guan from his income made from his prior business engagement. Hangzhou Haoming commenced its surfactant manufacturing in May 1998. Besides, Hangzhou Haoming is the investment holding company of its subsidiaries which are principally engaged in the businesses of supply of desalinated water and steam, manufacture of chlorine gas, sulphuric acid, magnesium sulphate and synthetic materials, as well as trading business.

## HISTORY AND REORGANISATION

In order to concentrate resources and efforts on our core business, as part of our Reorganisation, Hangzhou Sanjiang was set up to acquire from Hangzhou Haoming its ethylene oxide trading and surfactant manufacture and sale businesses in April 2010. As Hangzhou Haoming is under the common control and management of Mr. Guan and Ms. Han, the results of the business acquired from Hangzhou Haoming have been reflected in our Group's results prior to 31 March 2010 by using merger accounting. After such acquisition, Hangzhou Haoming ceased the businesses of ethylene oxide trading and manufacture and sale of surfactants or any products in direct competition with us. Its subsidiaries however continue to engage in the business of supply of desalinated water and steam, manufacture of chlorine gas sulfuric acid, magnesium and its trading business. As of the Latest Practicable Date, Hangzhou Haoming remained held as to 60% by Mr. Guan and 20% by each of Ms. Han and Mr. Han Jianping respectively and was engaged in business not in direct competition with us. Please refer to the paragraph headed "Reorganisation" below in this section and the section headed "Further information about our Company – Group reorganisation" in Appendix VII to this prospectus for further details on the acquisition.

### **Sanjiang Chemical**

In December 2003, we commenced our petrochemical manufacturing business with the establishment of Sanjiang Chemical in Jiaxing of the Zhejiang Province. Sanjiang Chemical was established as a sino-foreign joint venture company with a registered capital of US\$10,800,000 and was held by Capitol International and Hangzhou Haoming as to 92.59% and 7.41% respectively on the date of establishment. The registered capital of US\$10,800,000 was paid up as to 92.59% (i.e. US\$10,000,000) by Capitol International which was advanced by Ms. Han as shareholder's loan which was in turn obtained by Ms. Han from an Independent Third Party lender. The remaining 7.41% was paid up by Hangzhou Haoming from its internally generated funds from its operating activities.

In May 2005, the registered capital of Sanjiang Chemical was increased to US\$18,000,000 through an additional capital contribution of US\$1,200,000 by Hangzhou Haoming and an initial capital contribution of US\$6,000,000 by Tengfei Gongmao which is an Independent Third Party. As a result, Capitol International's shareholding interest in Sanjiang Chemical was diluted from 92.59% to 55.56%, whilst Hangzhou Haoming's shareholding interest in Sanjiang Chemical increased from 7.41% to 11.11% and Tengfei Gongmao became a shareholder of Sanjiang Chemical holding 33.33% of the shareholding interest in Sanjiang Chemical.

Sanjiang Chemical commenced its production in January 2006 and is principally engaged in the manufacture of ethylene oxide and surfactants.

In March 2007, Tengfei Gongmao sold and transferred its 28.89% shareholding interest in Sanjiang Chemical to Hangzhou Haoming for a consideration of RMB61,680,000. Following the transfer, Sanjiang Chemical was held by Capitol International, Hangzhou Haoming and Tengfei Gongmao as to 55.56%, 40% and 4.44% respectively.

The registered capital of Sanjiang Chemical was increased to US\$21,500,000 in May 2007, and to US\$22,225,000 in November 2007 through additional capital contributions of US\$1,944,600 by Capitol International, US\$2,092,810 by Hangzhou Haoming and US\$187,590 by Tengfei Gongmao. As a result, Sanjiang Chemical was held by Capitol International, Hangzhou Haoming and Tengfei Gongmao as to 53.75%, 41.81% and 4.44% respectively.

## HISTORY AND REORGANISATION

As part of our Reorganisation, Capitol International acquired 41.81% and 4.44% shareholding interest in Sanjiang Chemical for a consideration of RMB94,120,258.39 and RMB9,995,071.69 from Hangzhou Haoming and Tengfei Gongmao respectively in November 2009. Such consideration was determined by reference to the amount of Hangzhou Haoming's total investment in Sanjiang Chemical in the sum of RMB94,120,258.39 (which is for 41.81% shareholding interest in Sanjiang Chemical). The consideration paid by Capitol International to Tengfei Gongmao was determined by reference to the pro rata amount of the consideration paid by Capitol International to Hangzhou Haoming (which is for 41.81% shareholding interests in Sanjiang Chemical) as proportionate to Tengfei Gongmao's 4.44% shareholding interest in Sanjiang Chemical. As a result, Sanjiang Chemical became a wholly-foreign owned enterprise and a wholly-owned subsidiary of Capitol International. Please refer to the paragraph headed "Reorganisation" below in this section and in the section headed "Further information about our Company – Group reorganisation" as set out in Appendix VII to this prospectus for further details on the acquisitions.

### **Yongming Petrochemical**

Yongming Petrochemical was established as a sino-foreign joint venture company in Jiaying of the Zhejiang Province in December 2003 with a registered capital of US\$10,800,000. On the date of establishment, Yongming Petrochemical was held by Capitol International and 杭州永明塑料包装有限公司 (Hangzhou Yongming Plastic Packaging Co., Ltd.\*) ("**Hangzhou Yongming**"), an Independent Third Party, as to 92.59% and 7.41% respectively.

In August 2006, Hangzhou Yongming sold and transferred its entire 7.41% shareholding interest in Yongming Petrochemical to Hangzhou Haoming for a consideration of RMB2,500,000. Following the transfer, Yongming Petrochemical was held by Capitol International and Hangzhou Haoming as to 92.59% and 7.41% respectively.

Yongming Petrochemical commenced its production in December 2008, and is principally engaged in the manufacture of ethylene oxide and surfactants.

The registered capital of Yongming Petrochemical was increased to US\$22,800,000 in July 2009 through an initial capital contribution of US\$12,000,000 by Sanjiang Chemical. As a result, Capitol International's shareholding interest in Yongming Petrochemical was diluted from 92.59% to 43.86%, whilst Hangzhou Haoming's shareholding interest in Yongming Petrochemical was diluted from 7.41% to 3.51% and Sanjiang Chemical became a shareholder of Yongming Petrochemical holding 52.63% of the shareholding interest in Yongming Petrochemical.

As part of our Reorganisation, Sanjiang Chemical acquired 3.51% shareholding interest in Yongming Petrochemical for a consideration of RMB11,518,262 from Hangzhou Haoming in January 2010. Such consideration was determined with reference to the net asset value of Yongming Petrochemical as at 30 November 2009. As a result, Sanjiang Chemical's shareholding in Yongming Petrochemical increased to 56.14% and Yongming Petrochemical became our wholly-owned subsidiary. Please refer to the paragraph headed "Reorganisation" below in this section and the section headed "Further information about our Company – Group reorganisation" as set out in Appendix VII to this prospectus for further details on the acquisition.

## HISTORY AND REORGANISATION

### Sanjiang Trading

Sanjiang Trading was established as a domestic enterprise in Jiaxing of the Zhejiang Province in October 2004 with a registered capital of RMB500,000 to engage in the trading business of ethylene. On the date of establishment, Sanjiang Trading was held by Mr. Guan and Mr. Shi Mingfa (“**Mr. Shi**”) as to 60% and 40% respectively. Mr. Shi is a friend of Mr. Guan. He is a former director of each of Guanlang and Yongming Petrochemical, and a former shareholder of each of Hangzhou Yongming, Sanjiang Trading and Capitol International. In May 2006, the Company granted a loan of approximately RMB24,400,000 to Hangzhou Yongming, which was repaid in full in August 2008. Save as disclosed, Mr. Shi has no other past or present relationship with the Group, its directors, senior management, shareholders and their respective associates.

The registered capital of Sanjiang Trading was increased to RMB5,000,000 in November 2004. The additional capital of RMB4,500,000 was contributed by Mr. Guan as to RMB2,700,000 and Mr. Shi as to RMB1,800,000.

In June 2006, Mr. Shi sold and transferred his 40% shareholding interest in Sanjiang Trading to Ms. Han for a consideration of RMB2,000,000. At the relevant time Sanjiang Trading was loss-making and equity attributable to equity holders of the company was only about RMB1.97 million. Therefore, the parties used the registered capital amount of Sanjiang Trading (i.e. RMB5 million) as the basis for determining the consideration for the transfer. Following the transfer, Sanjiang Trading was held by Mr. Guan and Ms. Han as to 60% and 40% respectively.

In February 2008, Mr. Guan and Ms. Han transferred their respective entire shareholding interest in Sanjiang Trading to Hangzhou Haoming for a consideration of RMB3,000,000 and RMB2,000,000 respectively. As a result, Sanjiang Trading became a wholly-owned subsidiary of Hangzhou Haoming.

As part of our Reorganisation, Yongming Petrochemical acquired the entire shareholding interest in Sanjiang Trading for a consideration of RMB5,000,000 from Hangzhou Haoming in January 2010. Such consideration was determined with reference to the registered capital of Sanjiang Trading. As a result, Sanjiang Trading became a wholly-owned subsidiary of Yongming Petrochemical. Please refer to the paragraph headed “Reorganisation” below in this section and the section headed “Further information about our Company – Group reorganisation” as set out in Appendix VII to this prospectus for further details on the acquisition.

### Guanlang

Guanlang was established in Jiaxing of the Zhejiang Province in September 2005 with a registered capital of RMB6,000,000 to manage and operate the pipeline transport of ethylene, the principal raw material for our manufacture of ethylene oxide. Guanlang is also engaged in the business of leasing of pipeline structural steel truss. On the date of establishment, Guanlang was held by Sanjiang Chemical and Zhapu Construction, as to 65% and 35% respectively. Zhapu Construction is a wholly state-owned company funded by 嘉興港區國有資產管理辦公室 (Jiaying Port Economic Development Zone State-owned Asset Management Office). Zhapu Construction is principally engaged in infrastructure investments, developments and constructions, as well as land resumption, reservation and development in Zhapu, Jiaying, the Zhejiang Province.

## HISTORY AND REORGANISATION

The registered capital of Guanlang was increased to RMB13,000,000 in September 2006 through an additional capital contribution of RMB7,000,000 by Sanjiang Chemical. As a result, Sanjiang Chemical's shareholding interest in Guanlang increased from 65% to 83.85%, whilst Zhapu Construction's shareholding interest in Guanlang was diluted from 35% to 16.15%.

### Hangzhou Sanjiang

We established Hangzhou Sanjiang in April 2010 in Xiaoshan of the Zhejiang Province as a wholly-owned subsidiary of Sanjiang Chemical with a registered capital of RMB5,000,000 for the purpose of operating the ethylene oxide trading and surfactant manufacture and sale businesses acquired from Hangzhou Haoming. The registered capital of Hangzhou Sanjiang has been fully paid. As Hangzhou Haoming is under the common control and management of Mr. Guan and Ms. Han, the results of the business acquired from Hangzhou Haoming have been reflected in our Group's results prior to 31 March 2010 by using merger accounting. Please refer to the paragraph headed "Reorganisation" below in this section and the section headed "Further information about our Company – Group Reorganisation" as set out in Appendix VII to this prospectus for further details on the acquisition.

### Capitol International

In July 2003, Capitol International was incorporated in Hong Kong as a company with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each of which two shares were allotted and issued to two initial subscribers at par. In October 2003, each of the two subscriber shares was sold and transferred to each of Ms. Han and Ms. Chen Xinghua, an Independent Third Party, at par. On the same day, an aggregate of 9,998 shares in Capitol International were allotted and issued to Ms. Han and four shareholders who are Independent Third Parties at par. The following summarises the shareholding structure of Capitol International immediately following the above share transfers and allotments:

Shareholders	Number of shares
Ms. Han	2,777
Ms. Chen Xinghua ("Ms. Chen")	2,750
Mr. Shi	2,250
Mr. Wang Jinchang ("Mr. Wang")	1,355
Mr. Yin Zhangwei ("Mr. Yin")	868
	<hr/>
	10,000



## HISTORY AND REORGANISATION

The spouse of Ms. Chen is one of the shareholders whereas Mr. Shi is a former shareholder of Hangzhou Yongming, the 7.41% shareholder of Yongming Petrochemical at the time of its establishment. Mr. Shi is also a former shareholder of Sanjiang Trading. Mr. Wang is one of the shareholders of a company established in the PRC principally engaged in the production of textile auxiliaries. Mr. Yin is one of the shareholders of a company established in the PRC principally engaged in the production of chemical auxiliaries. During the Track Record Period, the Group had supplied surfactants to such company owned by Mr. Yin.

As all of these shareholders had known Mr. Guan and Ms. Han for over ten years and Mr. Wang and Mr. Yin were also engaged in the fine chemicals business, therefore, they were interested in investing with Ms. Han in Capitol International.

In July 2005, the following share transfers took place:

- (A) an aggregate of 900 shares in Capitol International were sold and transferred to Mr. Guo Mingliang, an Independent Third Party, from the shareholders at par as follows:

<b>Shareholders</b>	<b>Number of shares</b>
Ms. Han	552
Mr. Shi	348
	900
	900

- (B) an aggregate of 900 shares in Capitol International were sold and transferred to Mr. Guo Mingdong, an Independent Third Party, from the shareholders at par as follows:

<b>Shareholders</b>	<b>Number of shares</b>
Ms. Han	697
Ms. Chen	203
	900
	900

- (C) Ms. Chen sold and transferred her 138 shares and 86 shares in Capitol International to Mr. Wang and Mr. Yin at par respectively.



## HISTORY AND REORGANISATION

The following summarises the shareholding structure of Capitol International immediately following the above share transfers:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Percentage of shareholding (%)</b>
Ms. Han	1,528	15.28
Ms. Chen	2,323	23.23
Mr. Shi	1,902	19.02
Mr. Wang	1,493	14.93
Mr. Yin	954	9.54
Mr. Guo Mingliang	900	9.00
Mr. Guo Mingdong	900	9.00
	<u>10,000</u>	<u>100.00</u>

Mr. Guo Mingliang and Mr. Guo Mingdong are brothers and they are cousins of Mr. Yin. They are the shareholders of a company established in the PRC principally engaged in the production and sale of dyeing chemical products. They are friends of Mr. Guan and his family through the introduction of Mr. Yin. As they were also engaged in the fine chemicals business, they were interested in investing in Capitol International.

In June 2006, an aggregate of 8,472 shares in Capitol International were sold and transferred to Mr. Guan from the shareholders at par as follows:

<b>Shareholders</b>	<b>Number of shares</b>
Ms. Chen	2,323
Mr. Shi	1,902
Mr. Wang	1,493
Mr. Yin	954
Mr. Guo Mingliang	900
Mr. Guo Mingdong	900
	<u>8,472</u>

Each of Ms. Chen, Mr. Shi, Mr. Wang and Mr. Yin, is a friend of Mr. Guan for over ten years and a former shareholder of Capitol International, whereas Mr. Guo Mingliang and Mr. Guo Mingdong, former shareholders of Capitol International, are brothers and are cousins of Mr. Yin. Ms. Chen is a former director of Yongming Petrochemical and the spouse of Ms. Chen is one of the shareholders of Hangzhou Yongming.

Save as disclosed, each of Ms. Chen, Mr. Shi, Mr. Wang, Mr. Yin, Mr. Guo Mingliang and Mr. Guo Mingdong has no other past or present relationship with the Group, the Directors, the senior management of the Company, the Shareholders and their respective associates.

## HISTORY AND REORGANISATION

Each of Ms. Chen, Mr. Shi, Mr. Wang, Mr. Yin, Mr. Guo Mingliang and Mr. Guo Mingdong was the beneficial owner of the respective interests held by them in Capitol International. However, as all the funds invested in Sanjiang Chemical by Capitol International were contributed solely by Ms. Han in the form of shareholder's loan, whereas the other shareholders had not made any capital or funding contribution to Capitol International other than the amount at par value paid on the number of shares held by them, they agreed to transfer their interests in Capitol International at par.

The following summarises the shareholding structure of Capitol International immediately following the above share transfers:

Shareholders	Number of shares	Percentage of shareholding (%)
Mr. Guan	8,472	84.72
Ms. Han	1,528	15.28
	<u>10,000</u>	<u>100.00</u>

As part of our Reorganisation, the authorised share capital of Capitol International was increased to HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each and 990,000 shares in Capitol International were allotted and issued at par to our Company in September 2009. As a result, Capitol International was held by our Company, Mr. Guan and Ms. Han as to approximately 99%, 0.85% and 0.15% respectively.

In September 2009, Mr. Guan and Ms. Han sold and transferred their entire shareholding in Capitol International to our Company in consideration of and in exchange for which our Company allotted and issued 114,080 Old Shares to Sure Capital at the direction of Mr. Guan and Ms. Han. As a result, Capitol International became a wholly-owned subsidiary of our Company.

### Jianghao Property

We established Jianghao Property in June 2009 in Pinghu, Jiaying of the Zhejiang Province with a registered capital of RMB10,000,000 to engage in the business of property development. Jianghao Property was a wholly-owned subsidiary of Sanjiang Chemical. The registered capital of Jianghao Property was increased to RMB50,000,000 in July 2009 through an additional capital contribution of RMB40,000,000 by Sanjiang Chemical.

In order to concentrate resources and efforts on our core business, as part of our Reorganisation, we disposed of Jianghao Property in December 2009 to Jianghao Investment, a company entirely owned by Mr. Guan and Ms. Han at a consideration of RMB50,000,000. Such consideration was determined by reference to the registered capital of Jianghao Property. Please refer to the paragraph headed "Reorganisation" below in this section and the section headed "Further information about our Company – Group reorganisation" as set out in Appendix VII to this prospectus for further details on the disposal.

## HISTORY AND REORGANISATION

### Sanjiang Honam

Sanjiang Honam was established in May 2010 in Jiaxing of the Zhejiang Province with a registered capital of US\$12,000,000 to principally engage in the manufacture and sale of ethylene oxide, ethylene glycol, oxygen, nitrogen and argon. Sanjiang Honam is a sino-foreign joint venture company jointly controlled by Sanjiang Chemical and Honam Petrochemical Corp. (湖南石油化學株式會社) which is an Independent Third Party. Each of Sanjiang Chemical and Honam Petrochemical Corp. holds 50% of the shareholding interest in Sanjiang Honam. Please refer to the section headed “Business – Joint venture arrangement with Honam Petrochemical Corp.” in this prospectus for further details on the joint venture arrangement between Sanjiang Chemical and Honam Petrochemical Corp..

### INVESTMENT IN OUR GROUP

#### Investment by the Preference Shares Investors

On 16 May 2010, pursuant to a convertible preference shares subscription and shareholders’ agreement dated 8 September 2009 and entered into by and among Sure Capital, BOCOM Holdings, our Company (under its previous name of Full Wealth Limited (滿裕有限公司)), Capitol International and Mr. Guan, as supplemented and amended by (1) a supplemental agreement dated 27 November 2009 and entered into by and among the same parties (as for our Company, under its previous name of Full Wealth Limited (滿裕有限公司)); (2) a consent letter dated 27 November 2009 and entered into by and among the same parties (as for our Company, under its previous name of Full Wealth Limited (滿裕有限公司)); and (3) a supplemental agreement dated 8 April 2010 and entered into by and among the same parties (collectively as the “**Preference Shares Agreement**”), the Preference Shares Investors subscribed for an aggregate of 2,000 preference shares of US\$10,000 each in Sure Capital (the “**Convertible Preference Shares**”), which are convertible into Shares at a ratio of 2,000 Convertible Preference Shares to 18,000 Shares (or such number of Shares representing approximately 11.65% of the total issued share capital of the Company immediately prior to the completion of the Global Offering and the Capitalisation Issue) (the “**Conversion Ratio**”), for an aggregate consideration of US\$20 million, as to (1) 714 preference shares to BOCOM Holdings for a consideration of US\$7,132,575.76; (2) 460 preference shares to Chemwin Limited for a consideration of US\$4,600,757.58; (3) 400 preference shares to UVM Venture Investments Limited for a consideration of US\$4,000,000.00; (4) 233 preference shares to CITIC International Assets Management Limited (中信國際資產管理有限公司) for a consideration of US\$2,333,333.33; (5) 133 preference shares to Rich Honour Holdings Limited (諾信控股有限公司) for a consideration of US\$1,333,333.33; and (6) 60 preference shares to Central Harvest Holdings Company Limited (滙盛控股有限公司) for a consideration of US\$600,000.00.

The consideration payable by the Preference Shares Investors to Sure Capital for the Convertible Preference Shares was determined after arm’s length commercial negotiation between the parties with reference to the earnings of our Group for the year ended 31 December 2008, the future earnings potential of our Group and the trading multiples of industry comparables at the time of investment. The aggregate consideration of US\$20 million was paid in full as to US\$10 million on 11 September 2009, US\$7 million on 19 March 2010 and US\$3 million on 23 March 2010. As the Convertible Preference Shares were issued by Sure Capital to Preference Shares Investors, any fair value changes in the Convertible Preference Shares will only affect the accounts of Sure Capital and the Preference Shares Investors. The change in fair value of the Convertible Preference Shares would have no impact on the financial position or results of operations of our Group.

## HISTORY AND REORGANISATION

### Principal terms of the Preference Shares Agreement

The principal terms and conditions of the Preference Shares Agreement are as follows:

- (A) Total subscription amount: The Preference Shares Investors shall pay to Sure Capital an aggregate sum of US\$20,000,000 for subscription of the Convertible Preference Shares, of which (1) US\$10,000,000 (the “**First Installment**”) shall be deposited by the Preference Shares Investors into a designated bank account opened and maintained by Sure Capital within 5 business days of the signing of the convertible preference shares subscription and shareholders’ agreement dated 8 September 2009; and (2) US\$10,000,000 (the “**Balance**”) shall be paid by the Preference Shares Investors to Sure Capital upon satisfaction of all the conditions precedents set forth in the Preference Shares Agreement and upon completion in accordance with the terms and conditions of the Preference Shares Agreement.
- (B) Number of preference shares: 2,000 Convertible Preference Shares of US\$10,000 each, representing 100% of the total issued preference shares in Sure Capital.
- (C) Restriction on the use of the First Installment: Sure Capital shall not utilise the First Installment unless and until, among other conditions, receipt by the Preference Shares Investors of the Security Documents (as defined under (J) below).
- (D) Interests on the First Installment: Sure Capital shall pay interest on the First Installment to the Preference Shares Investors from the date on which Sure Capital has the right to utilise the First Installment in accordance with the Preference Shares Agreement up to the completion date as stipulated in the Preference Shares Agreement (or where relevant, the date on which Sure Capital becomes liquidated or such Convertible Preference Shares have been redeemed and cancelled in accordance with the Preference Shares Agreement) (both days inclusive), at the rate of 15% per annum; provided that Sure Capital shall have no obligations to pay the aforementioned interests if the Listing shall take place before 30 June 2011.

## HISTORY AND REORGANISATION

Such interests shall, notwithstanding the above, become payable by Sure Capital before the Listing if (1) Sure Capital shall become liquidated, or (2) there has occurred any event of default as set out in the Preference Shares Agreement.

- (E) Dividends on the Convertible Preference Shares:

Holders of the Convertible Preference Shares shall be entitled to a dividend at the rate of 15% per annum of the total subscription amount of US\$20,000,000, calculated on the basis of a 360-day year and the actual number of days elapsed, calculating from the completion date as stipulated in the Preference Shares Agreement up to the date when such Convertible Preference Shares are redeemed and cancelled in accordance with the Preference Shares Agreement (or where relevant, the date on which Sure Capital becomes liquidated) (both days inclusive); provided that Sure Capital shall have no obligations to pay the aforementioned dividends to the holders of the Convertible Preference Shares if the Listing shall take place before 30 June 2011, subject further to the condition that prior to the Listing such dividends shall, notwithstanding the above, become payable by Sure Capital only if (1) Sure Capital shall become liquidated, or (2) there has occurred any event of default as set out in the Preference Shares Agreement.

- (F) Right to demand payment of interests and dividends and right of redemption in the event of late listing:

If the Company shall be unable to become listed (whether by way of the Listing or other qualified initial public offering as defined in the Preference Shares Agreement) prior to 30 June 2011 or there has occurred any event of default as set out in the Preference Shares Agreement, the Preference Shares Investors shall be entitled to require Sure Capital to:

- (1) pay the interests and dividends accrued under (D) and (E) above respectively; and
- (2) repay to the Preference Shares Investors the aggregate amount of US\$20,000,000, being the total subscription money paid by the Preference Shares Investors for the Convertible Preference Shares;

## HISTORY AND REORGANISATION

and in such event, Sure Capital shall be entitled to require the Preference Shares Investors to transfer all such Convertible Preference Shares to Sure Capital or its nominee.

The Preference Shares Investors have no intention to request Sure Capital to redeem the Convertible Preference Shares before the Listing.

(G) Conversion right:

The Preference Shares Investors may at any time prior to 8 a.m. on the Listing Date exercise their right to convert their Convertible Preference Shares into Shares at the Conversion Ratio by serving a conversion notice (the “**Conversion Notice**”) to Sure Capital. Within 10 business days (i.e. any day except Saturdays, Sundays and any day on which commercial banks in Hong Kong are not to open for business pursuant to the relevant laws and government regulations) of the receipt by Sure Capital of such Conversion Notice, Sure Capital shall redeem and cancel such number of the Convertible Preference Shares as stipulated in the Conversion Notice, and Sure Capital shall transfer to the relevant Preference Shares Investors the relevant number of Shares, at the Conversion Ratio.

(H) Mandatory conversion:

Unless all the issued Convertible Preference Shares shall have been redeemed and cancelled previously, all the outstanding issued Convertible Preference Shares shall, upon 8 a.m. on the Listing Date, be redeemed and cancelled by Sure Capital and Sure Capital shall procure the Company to allot and issue to the Preference Shares Investors an aggregate of 18,000 Shares, representing approximately 11.65% of the total issued share capital of the Company immediately prior to the completion of the Global Offering and the Capitalisation Issue.

## HISTORY AND REORGANISATION

- (I) Adjustment of the Conversion Ratio:
- Provided that there are outstanding issued Convertible Preference Shares capable of being converted into Shares pursuant to the Preference Shares Agreement, the Conversion Ratio may be adjusted, with reference to the opinion of the independent auditors (the “**Independent Auditors**”) as appointed by the Preference Shares Investors (at the costs and expenses of Sure Capital) whose certificate of opinion in respect thereof shall be final and conclusive, in the event that:
- (1) the Company allots and issues any new Shares by way of a capitalisation issue;
  - (2) there is consolidation or subdivision of the Shares;
  - (3) the Company declares any capital distribution (by means of dividend or distribution of capital profits or capital reserves) (as defined in the Preference Shares Agreement); or
  - (4) in the opinion of the Independent Auditors there is such other causes that the Conversion Ratio shall be adjusted.
- However, no adjustment will be made in case the allotment and issue of Shares by the Company are pursuant to (i) the exercise of options which may be granted by the Company under the Share Option Scheme or other similar share option scheme; or (ii) the Global Offering and the Capitalisation Issue.
- (J) Security documents:
- The performance by each of Sure Capital, the Company, Capitol International and Mr. Guan of their respective obligations under the Preference Shares Agreement are guaranteed or secured by (where relevant) the following security documents:
- (1) the deed of undertaking dated 27 November 2009 and executed by Mr. Guan in favour of BOCOM Holdings;
  - (2) the deed of undertaking dated 27 November 2009 and executed by Ms. Han in favour of BOCOM Holdings;



## HISTORY AND REORGANISATION

- (3) the deed of charge dated 27 November 2009 and executed by Mr. Guan in favour of BOCOM Holdings, pursuant to which Mr. Guan, by way of a first fixed charge, has charged his 49% shareholding interests in Sure Capital in favour of BOCOM Holdings;
- (4) the deed of charge dated 27 November 2009 and executed by Sure Capital in favour of BOCOM Holdings, pursuant to which Sure Capital, by way of a first fixed charge, has charged its 39.92% shareholding interest in the Company in favour of BOCOM Holdings;
- (5) a deed of charge dated 27 November 2009 and executed by the Company in favour of BOCOM Holdings, pursuant to which the Company, by way of a first fixed charge, has charged its 49% shareholding interests in Capitol International in favour of BOCOM Holdings;
- (6) a deed of undertaking dated 27 November 2009 and executed by Capitol International and Mr. Guan, Ms. Han and Mr. Han Jianping (in their respective capacity as directors of Sanjiang Chemical) in favour of BOCOM Holdings in relation to the shareholding interest in Sanjiang Chemical legally and beneficially held by Capitol International; and
- (7) a deed of undertaking dated 27 November 2009 and executed by Capitol International and Mr. Guan, Ms. Han and Mr. Han Jianping (in their respective capacity as directors of Yongming Petrochemical) in favour of BOCOM Holdings in relation to the shareholding interest in Yongming Petrochemical legally and beneficially held by Capitol International.

(collectively, as the “**Security Documents**”)

## HISTORY AND REORGANISATION

Certain other rights of the Preference Shares Investors under the terms of the Preference Shares Agreement are set out as follows:

- (A) Right of first refusal: Mr. Guan and the Preference Shares Investors shall have the first right of refusal in relation to any allotment and issue of new shares or any convertible securities by the Company prior to the Listing in proportion to their respective shareholding interests in the Company.
- (B) Tag-along right: At any time prior to the Listing, in the event that Mr. Guan proposes to dispose of his direct or indirect shareholding interests in the Company such that his effective shareholding interest in the Company shall fall below 10% of the total issued share capital of the Company, Mr. Guan shall forthwith notify the Preference Shares Investors of the identity of the intended transferee of such Shares; and after receipt of such notice, the Preference Shares Investors may elect to exercise their right to require Mr. Guan to procure such third party purchaser to acquire the entire shareholding interests in the Company held by the Preference Share Investors (including all such Convertible Preference Shares and ordinary shares) on the same terms and conditions and for completion of the sale simultaneously as Mr. Guan's disposal of his shareholding interests in the Company.
- (C) Right to appoint directors: The Preference Shares Investors shall have the right to appoint one director to the board of each of Sure Capital and each member of the Group (the "**Investors' Nominee Director(s)**"). If any of the Restricted Matters (as defined in (D) below) shall be put to voting at a board of directors' meeting of Sure Capital or any Group company, such resolutions may only be approved by all the directors (including the Investors' Nominee Directors) of the relevant board of directors unanimously.

## HISTORY AND REORGANISATION

- (D) Restricted matters: Prior to the Listing, without the prior approval of the Preference Shares Investors as Shareholders, the Company shall not, and shall procure other Group companies and their respective associated companies not to, pass resolutions or take any actions (save and except for the purposes of the Reorganisation and the Listing) in relation to the restricted matters set forth in the Preference Shares Agreement (the “**Restricted Matters**”). The Restricted Matters include, among others, change of principal business, merger and acquisition, liquidation or dissolution, adoption or amendment of constitutional documents, disposal of substantial part of the Shares or assets, revision of dividend policy, declaration of dividend, adoption of employee share option scheme and appointment of auditors, sponsors, global coordinator, bookrunner or underwriters.
- (E) Information rights: The Company and other Group companies shall provide to the Preference Shares Investors, on a regular basis, the relevant management accounts, audited annual results and other consolidated operational and financial information in relation to the Group.
- Within 7 days of receipt by the Company of any written enquiry from the Preference Shares Investors, the Company shall procure the relevant Group company(ies) to furnish to the Preference Shares Investors a copy of such information as required by the Preference Shares Investors.

The foregoing rights of the Preference Shares Investors and each of the Security Documents will lapse upon the Listing. Save as disclosed above, there were no other special rights granted to the Preference Shares Investors.

### Investment by the Ordinary Shares Investors

On 7 December 2009, pursuant to an ordinary shares subscription agreement dated 24 November 2009 and entered into between Sure Capital, Galaxy Century International Investment Limited (銀河世紀國際投資有限公司) and 北京博馬凱睿投資有限公司 (Beijing Boma Carret Investment Co., Ltd.\*), and a deed of confirmation dated 7 December 2009 and executed by and among Sure Capital, our Company (under its previous name of Full Wealth Limited (滿裕有限公司)), Capitol International, 北京博馬凱睿投資有限公司 (Beijing Boma Carret Investment Co., Ltd.\*) and Mr. Guan in favour of the Ordinary Shares Investors (collectively as the “**Ordinary Shares Agreement**”), the Company allotted and issued an aggregate of 7,920 Old Shares to the Ordinary Shares Investors for an aggregate consideration of US\$10 million, as to (1) 924 Old Shares to CITIC International Assets Management Limited (中信國際資產管理有限公司) for a consideration of US\$1,166,666.67; (2) 2,376 Old Shares to Creation One International Limited (創一國際有限公司) for a consideration of US\$3,000,000; (3) 1,821 Old Shares to Chemwin Limited for a consideration of US\$2,299,242.42; (4) 528 Old Shares to Rich Honour Holdings Limited (諾信控股有限公司) for a consideration of US\$666,666.67; and (5) 2,271 Old Shares to BOCOM Holdings for a consideration of US\$2,867,424.24.

## HISTORY AND REORGANISATION

The consideration payable by the Ordinary Shares Investors to the Company for the 7,920 Old Shares was determined after arm's length commercial negotiation between the parties with reference to the earnings of our Group for the year ended 31 December 2008, the future earnings potential of our Group and the trading multiples of industry comparables at the time of investment. The aggregate consideration of US\$10 million was paid in full on 7 December 2009.

The other major terms of the Ordinary Shares Agreement are set out as follows:

- (A) Right to require Sure Capital to purchase Shares held by the Ordinary Shares Investors:
- In the event that the Company could not complete a qualified initial public offering (i.e. an initial public offering (by way of allotment of new Shares) and the permission to deal in the Shares on an international stock exchange, for which the market capitalisation of the Company shall be not less than HK\$2,000,000,000 (or any other market capitalisation as agreed by BOCOM Holdings in writing) upon listing and raising proceeds of not less than HK\$500,000,000) (“Qualified IPO”) by 30 June 2011, the Ordinary Shares Investors shall be entitled to require Sure Capital to purchase all the Old Shares held by the Ordinary Shares Investors at the aggregate consideration of US\$10 million plus interests at the rate of 15% per annum accrued and calculated on the basis of a 360-day year.

The Global Offering will be regarded as a “Qualified IPO” under the Ordinary Shares Agreement. The Ordinary Shares Investors have no intention to request Sure Capital to purchase the Old Shares held by them before the Listing.

- (B) Anti-dilution:
- If the Company issues any new Shares prior to completion of the Qualified IPO such that the shareholding interests of the Ordinary Shares Investors in the Company shall be diluted and fall below 6%, Sure Capital shall transfer to the Ordinary Shares Investors such number of Shares so that the Ordinary Shares Investors shall hold not less than 6% of the enlarged total issued share capital in the Company, except where any such dilution is as a result of the investment in the Company by Tengfei Gongmao.

The above special rights to the Ordinary Shares Investors shall lapse upon the Listing. Save as disclosed above, there were no other special rights granted to the Ordinary Shares Investors.

## HISTORY AND REORGANISATION

### Investment by the New Investors

On 8 January 2010, pursuant to certain agreement between Sure Capital and Boma Carret China Investment Company Limited (博馬凱睿中國投資有限公司) (“**Boma Carret**”), as confirmed by a confirmatory deed dated 5 May 2010 and executed by Sure Capital and Boma Carret (in both cases as agent and for and on behalf of each of Global Fortune Muster Investment Ltd. (祥聚投資有限公司) (“**Global Fortune**”), Hanbest Investment Limited (凱佳投資有限公司) (“**Hanbest**”), Strength High Group Limited (“**Strength High**”), Million Wisdom International Limited (萬聰國際有限公司) (“**Million Wisdom**”) and Ever Raise International Limited (常展國際有限公司) (“**Ever Raise**”), as supplemented by a supplemental deed dated 9 August 2010 and executed by Sure Capital and Boma Carret (as agent and for and on behalf of the above-mentioned investors) varying certain terms of the agreement regarding the manner of payment of the consideration, Sure Capital transferred an aggregate of 17,820 Old Shares for an aggregate consideration of US\$22.5 million (based on a consideration of US\$1,262.626 per Old Share) to each of Global Fortune, Hanbest, Strength High, Million Wisdom and Ever Raise as designated by Boma Carret, as to (1) 1,320 Old Shares to Global Fortune at a total consideration of US\$1,666,666.67; (2) 1,320 Old Shares to Hanbest at a total consideration of US\$1,666,666.67; (3) 3,960 Old Shares to Strength High at a total consideration of US\$5,000,000.00; (4) 4,884 Old Shares to Million Wisdom at a total consideration of US\$6,166,666.67; and (5) 6,336 Old Shares to Ever Raise at a total consideration of US\$8,000,000.00.

On 8 January 2010, pursuant to certain agreement between Sure Capital and Gold Dynamic Asia Limited (金動力亞洲有限公司) (“**Gold Dynamic**”), as confirmed by a confirmatory deed dated 5 May 2010 and executed by and between the Company and Gold Dynamic, as supplemented by a supplemental deed dated 5 August 2010 and executed by Sure Capital and Gold Dynamic varying certain terms of the agreement regarding the manner of payment of the consideration, Sure Capital transferred 6,072 Old Shares to Gold Dynamic for a total consideration of US\$7,666,666.67 (based on a consideration of US\$1,262.626 per Old Share).

On 8 January 2010, pursuant to certain agreement between Sure Capital and Supra Grade Holdings Limited (越級控股有限公司) (“**Supra Grade**”), as confirmed by a confirmatory deed dated 5 May 2010 and executed by and between the Company and Supra Grade, as supplemented by a supplemental deed dated 5 August 2010 and executed by Sure Capital and Supra Grade varying certain terms of the agreement regarding the manner of payment of the consideration, Sure Capital transferred 5,940 Old Shares to Supra Grade for a total consideration of US\$7,500,000.00 (based on a consideration of US\$1,262.626 per Old Share).

The consideration of US\$1,262.626 per Old Share payable by each of the New Investors was determined after arm’s length commercial negotiation among the relevant parties and also with reference to the consideration per Old Share payable by the Ordinary Shares Investors under the Ordinary Shares Agreement of approximately US\$1,262.626 per Old Share (without taking into account the number of Shares to be transferred from Sure Capital to the Ordinary Share Investors pursuant to the anti-dilution provision of the Ordinary Shares Agreement).

## HISTORY AND REORGANISATION

The consideration payable by each of the New Investors in respect of the relevant Old Shares under the respective agreements (as amended and supplemented) is set forth in the table below:

Name	Number of Old Shares	Total consideration (US\$)	Consideration payable on or before 8 January 2010 (US\$)	Consideration payable on or before 12 May 2010 (US\$)	Consideration payable on or before 5 August 2010 (US\$)
Global Fortune	1,320	1,666,666.67	108,276.43	108,284.35	1,450,105.89
Hanbest	1,320	1,666,666.67	108,276.43	108,284.35	1,450,105.89
Strength High	3,960	5,000,000.00	324,829.30	324,853.04	4,350,317.66
Million Wisdom	4,884	6,166,666.67	400,622.81	400,652.09	5,365,391.77
Ever Raise	6,336	8,000,000.00	519,726.88	519,764.87	6,960,508.25
Gold Dynamic	6,072	7,666,666.67	2,923,463.72	2,923,677.40	1,819,525.55
Supra Grade	5,940	7,500,000.00	2,923,463.72	2,923,677.40	1,652,858.88
<b>Total:</b>	<b>29,832</b>	<b>37,666,666.68</b>	<b>7,308,659.29</b>	<b>7,309,193.50</b>	<b>23,048,813.89</b>

The consideration payable by each of the New Investors has been paid in full on 5 August 2010.

No special right was granted to the New Investors under their respective agreements entered into with Sure Capital.

### Investment by Pasicue

On 6 May 2010, pursuant to a share subscription agreement dated 6 May 2010 and entered into between Sure Capital and the Company, Sure Capital subscribed for an aggregate of 4,470 Old Shares of US\$1 each at par.

On 6 May 2010, pursuant to a share transfer agreement dated 6 May 2010 and entered into between Sure Capital as vendor and Pasicue as purchaser (the “**Pasicue Investment Agreement**”), Sure Capital transferred an aggregate of 3,888 Old Shares to Pasicue for a consideration of US\$1,464,301.9 which has been paid in full. At the relevant time, Pasicue was nominated by Tengfei Gongmao to hold the Old Shares for and on behalf of Tengfei Gongmao. Tengfei Gongmao is a former minority shareholder of Sanjiang Chemical. It is a limited liability company established in the PRC which is owned as to 90% by Mr. Teng Guoping (滕國平) (“**Mr. Teng**”), 5% by Mr. Ren Jianmin (任建民) and 5% by Mr. Ma Qianming (馬遷明), each an Independent Third Party. Tengfei Gongmao is principally engaged in the production of cotton yarn, printing and dyeing products, knitted products, chemical fiber cloth and handcraft products. Under the PRC laws and regulations, a company established in the PRC has to obtain prior approval from the Ministry of Commerce before making direct investment in an offshore company for investment purpose or setting up an offshore company for the purpose of investment. As Tengfei Gongmao had not established any offshore company for investment purpose nor made any application to the Ministry of Commerce for direct investment in such offshore company at the time of its investment in the Shares, in the interest of time, Tengfei Gongmao nominated Pasicue, an offshore company already established, to hold the Shares for and on its behalf at the relevant time. Such consideration was based on a consideration of US\$376.62 per Old Share, which was determined after arm’s length commercial negotiation between Sure Capital and Tengfei Gongmao and having taken into consideration, among others, the price at which

## HISTORY AND REORGANISATION

Tengfei Gongmao transferred its 4.44% equity interests in Sanjiang Chemical to Capitol International in November 2009 (i.e., RMB9,995,071.69 which was equivalent of approximately HK\$11,421,555 under the RMB to HKD exchange rate at the relevant time); and the scale of operation, revenue and earnings of Sanjiang Chemical and other members of our Group. It was then agreed between Sure Capital and Tengfei Gongmao that 4.44% interest in Sanjiang Chemical would translate into an approximate 2.52% interest in our Group. The consideration was payable to Sure Capital within 7 days of the date of the agreement. No special right was granted to Pasicue under the Pasicue Investment Agreement.

Pursuant to a share transfer agreement dated 10 July 2010 and entered into between Tengfei Gongmao, Mr. Teng and Pasicue (“**Pasicue Transfer Agreement**”), Tengfei Gongmao transferred its interests in the 3,888 Old Shares (which was then held by Pasicue on trust for and on behalf of Tengfei Gongmao) to Mr. Teng at a consideration of RMB9,996,600 (which was determined with reference to the consideration paid by Tengfei Gongmao under the Pasicue Investment Agreement). Upon the above transfer, the 3,888 Old Shares were held by Pasicue as Mr. Teng’s investment vehicle on trust for and on behalf of Mr. Teng.

As advised by the PRC Legal Advisers, as the Old Shares were no longer held (directly or indirectly) by Tengfei Gongmao, the holding of the Old Shares by Pasicue on behalf of Tengfei Gongmao prior to the transfer of such Old Shares to Mr. Teng would not result in any adverse implication on the Company under the applicable laws and regulations of the PRC.

### **Lock-up period of the Shares**

The Shares allotted and issued and/or to be allotted and issued to each of the Preference Shares Investors and the Ordinary Shares Investors held by them as of the Listing Date will be subject to a lock-up period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date, during which it will not dispose of the Shares or other securities of our Company held by it as of the Listing Date. Thereafter, the Preference Shares Investors and the Ordinary Shares Investors will be entitled to freely dispose of the Shares.

The Shares transferred to and/or to be allotted and issued to each of the New Investors and Pasicue held by them as of the Listing Date will be subject to a lock-up period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date, during which it will not dispose of the Shares or other securities of our Company held by it as of the Listing Date. In the period of six months commencing from the date which is six months from the Listing Date, unless with the prior written consent of the Sole Global Coordinator, each of the New Investors and Pasicue will not dispose of the Shares or other securities of our Company held by it as of the Listing Date.

The different length of lock-up period between (i) the Preference Shares Investors and the Ordinary Shares Investors and (ii) the New Investors and Pasicue was arrived at after arm’s length commercial negotiations reached between the relevant parties and the Company, having considered that the New Investors and Pasicue invested in the Company at a later stage than the Preference Shares Investors and the Ordinary Share Investors.

Please refer to the sections headed “Underwriting – Undertakings pursuant to the Underwriting Agreement” and “Underwriting – Undertakings by the Independent Investors” in this prospectus for details on the lock-up undertakings.



## HISTORY AND REORGANISATION

### Shareholding interests of the Independent Investors in the Company and the relevant consideration paid

The table below sets forth the number of Shares and Convertible Preference Shares held by the Independent Investors (where appropriate) and the consideration paid by each of them:

Name	Number of Shares held as at the Latest Practicable Date (a)	Number of Convertible Preference Shares held as at the Latest Practicable Date (b)	Maximum number of Shares to be allotted and issued upon conversion of the Convertible Preference Shares (c)	Number of Shares to be transferred from Sure Capital to the Ordinary Investors pursuant to the anti-dilution provision of the Ordinary Shares Agreement (a) + (b)+(c) (Note 1)	Total Number of Shares held immediately before completion of the Global Offering and the Capitalisation Issue (Note 1)	Approximate percentage of shareholding in the Company immediately before completion of the Global Offering and the Capitalisation Issue (Note 1)	Number of Shares held immediately upon completion of the Global Offering and the Capitalisation Issue (d) (Note 1)	Approximate percentage of shareholding in the Company immediately upon completion of the Global Offering and the Capitalisation Issue (Note 1)	Approximate total consideration paid (HK\$) (Note 2) (e)	Approximate cost per Share paid by the Independent Investors (HK\$) (Note 2) (e) ÷ (d)	Approximate discount to the Offer Price based on		
											the low end of the Offer Price of HK\$2.38	the mid-point of the Offer Price of HK\$2.88	the high end of the Offer Price of HK\$3.38
BOCOM Holdings	2,271	714	6,419	310	9,000	5.83%	44,100,000	4.37%	78,057,909	1.77	25.63%	38.54%	47.63%
Chemwin Limited	1,821	460	4,141	248	6,210	4.02%	30,429,000	3.01%	53,814,091	1.77	25.63%	38.54%	47.63%
UVM Venture Investments Limited	Nil	400	3,600	Nil	3,600	2.33%	17,640,000	1.75%	31,200,000	1.77	25.63%	38.54%	47.63%
CITIC International Assets Management Limited	924	233	2,100	126	3,150	2.04%	15,435,000	1.53%	27,274,000	1.77	25.63%	38.54%	47.63%
Rich Honour Holdings Limited	528	133	1,200	72	1,800	1.17%	8,820,000	0.87%	15,574,000	1.77	25.63%	38.54%	47.63%
Central Harvest Holdings Company Limited	Nil	60	540	Nil	540	0.35%	2,646,000	0.26%	4,680,000	1.77	25.63%	38.54%	47.63%
Creation One International Limited	2,376	Nil	Nil	324	2,700	1.75%	13,230,000	1.31%	23,400,000	1.77	25.63%	38.54%	47.63%
Global Fortune	1,320	Nil	Nil	Nil	1,320	0.85%	6,468,000	0.64%	13,000,000	2.01	15.55%	30.21%	40.53%
Hanbest	1,320	Nil	Nil	Nil	1,320	0.85%	6,468,000	0.64%	13,000,000	2.01	15.55%	30.21%	40.53%
Strength High	3,960	Nil	Nil	Nil	3,960	2.56%	19,404,000	1.92%	39,000,000	2.01	15.55%	30.21%	40.53%
Million Wisdom	4,884	Nil	Nil	Nil	4,884	3.16%	23,931,600	2.37%	48,100,000	2.01	15.55%	30.21%	40.53%
Ever Raise	6,336	Nil	Nil	Nil	6,336	4.10%	31,046,400	3.08%	62,400,000	2.01	15.55%	30.21%	40.53%
Gold Dynamic	6,072	Nil	Nil	Nil	6,072	3.93%	29,752,800	2.95%	59,800,000	2.01	15.55%	30.21%	40.53%
Supra Grade	5,940	Nil	Nil	Nil	5,940	3.85%	29,106,000	2.88%	58,500,000	2.01	15.55%	30.21%	40.53%
Pasicue	3,888	Nil	Nil	Nil	3,888	2.52%	19,051,200	1.89%	11,421,555	0.60	74.49%	79.17%	82.25%
<b>Total:</b>	<b>41,640</b>	<b>2,000</b>	<b>18,000</b>	<b>1,080</b>	<b>60,720</b>	<b>39.31%</b>	<b>297,528,000</b>	<b>29.48%</b>	<b>539,221,555</b>				

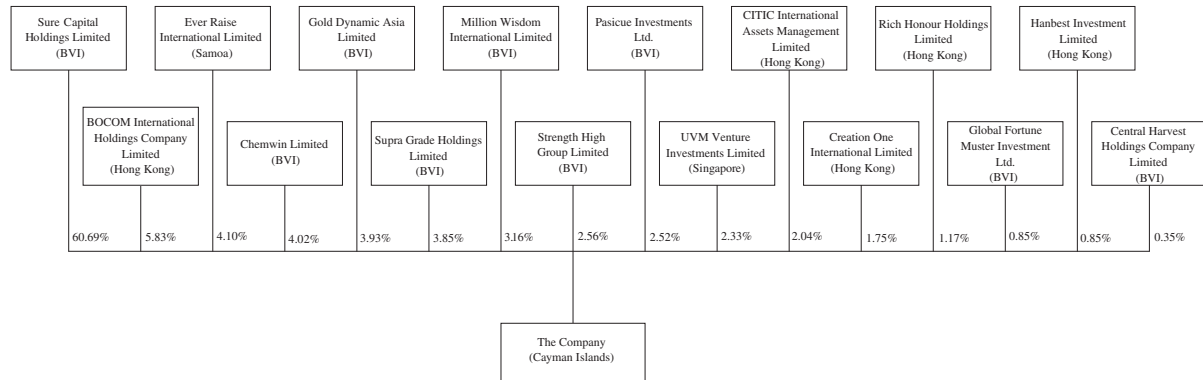
*Notes:*

- Assuming all the Convertible Preference Shares are converted into Shares immediately prior to the Listing, and excluding the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme.
- Converted into HK\$ for illustration purposes at the rate of HK\$7.8 to US\$1.

## HISTORY AND REORGANISATION

### Shareholding structure of the Company upon completion of the pre-IPO investments

The following chart sets forth the shareholding structure of the Company immediately after completion of the investments by the Independent Investors (assuming that all Convertible Preference Shares have been converted into Shares):



### PRE-IPO INVESTMENTS AND THE INDEPENDENT INVESTORS

At the relevant time, our Group was looking for financial investors to invest into our Group to improve its capital structure, broaden our shareholder base and enhance our financial resources for the expansion and development of our ethylene oxide and surfactant businesses and production capacity as well as the funding for the internal restructuring of our Group.

CITIC International Assets Management Limited (中信國際資產管理有限公司), Chemwin Limited, UVM Venture Investments Limited, Creation One International Limited (創一國際有限公司), Rich Honour Holdings Limited (諾信控股有限公司) and Central Harvest Holdings Company Limited (滙盛控股有限公司) were co-investors of BOCOM Holdings, which lead managed the investments in our Group.

Boma Carret is wholly owned by Mr. Zheng Suyi (鄭蘇毅) who is the director of Boma Carret and also the beneficial owner of Ever Raise, one of the New Investors. Boma Carret is a consultant to Mr. Guan and has assisted our Group's pre-IPO financing by introducing investors to our Group.

The New Investors were also interested in investing in our Group. However, in order not to further dilute the interests of the Ordinary Share Investors and the Preference Shares Investors in our Company and as the New Investors were willing to invest at a price similar to that of the Ordinary Shares Investors, Sure Capital, as our major shareholder, agreed to sell certain of its Old Shares to the New Investors.

Among the New Investors, Global Fortune, Hanbest, Strength High and Million Wisdom were introduced by Boma Carret. Each of the beneficial owners of Global Fortune, Hanbest, Strength High and Million Wisdom were friends of Mr. Zheng Suyi (鄭蘇毅) with long-term business relationship with him.

The beneficial owners of Gold Dynamic and Supra Grade were friends of Mr. Guan for over 10 years.

## HISTORY AND REORGANISATION

Prior to the transfer of the interest in the 3,888 Old Shares (which was then held by Pasicue on trust for and on behalf of Tengfei Gongmao) from Tengfei Gongmao to Mr. Teng in July 2010, Pasicue was nominated by Tengfei Gongmao to hold the Old Shares on its behalf. Tengfei Gongmao was a former minority shareholder of Sanjiang Chemical. In view of the long term business relationship between our Group and Tengfei Gongmao, Sure Capital agreed to sell certain Old Shares to Tengfei Gongmao. The number and the consideration for Old Shares were determined after arm's length commercial negotiations between Sure Capital and Tengfei Gongmao and having taken into consideration, among others, the price at which Tengfei Gongmao transferred its 4.44% equity interests in Sanjiang Chemical to Capitol International in November 2009 (i.e., RMB9,995,071.69 which was equivalent of approximately HK\$11,421,555 under the RMB to HKD exchange rate at the relevant time); and the scale of operation, revenue and earnings of Sanjiang Chemical and other members of our Group. It was then agreed between Sure Capital and Tengfei Gongmao that 4.44% interest in Sanjiang Chemical would translate into an approximate 2.52% interest in our Group.

In July 2010, Tengfei Gongmao transferred its interests in the 3,888 Old Shares (which was then held by Pasicue on trust for and on behalf of Tengfei Gongmao) to Mr. Teng. Upon completion of the above transfer, such Shares were held by Pasicue on trust for and on behalf of Mr. Teng.

The proceeds from the investment in our Company by the Preference Shares Investors and the Ordinary Shares Investors are used to provide funding for the Reorganisation, whereas the proceeds from the investment in our Company by the New Investors and Pasicue are used by Sure Capital for investment in the companies (other than the Company and its subsidiaries) held by Sure Capital.

### **Ordinary Shares Investors and Preference Shares Investors**

BOCOM Holdings is a company incorporated in Hong Kong in 1998 and a wholly-owned subsidiary of 交通銀行股份有限公司 (Bank of Communications Co., Ltd.), whose H shares are listed on the Main Board of the Stock Exchange. Through its subsidiaries, namely BOCOM Asia, BOCOM Securities and BOCOM International Asset Management Limited, BOCOM Holdings provides investment banking, securities brokerage and asset management services in Hong Kong. It is an independent investor of the Company.

Chemwin Limited is a company incorporated in BVI in 2009 and is beneficially owned by 中國中信集團公司 (the CITIC Group\*). CITIC Group is a state-authorised investment institution and a large state-owned multinational conglomerate with a full range of financial businesses, including banking, securities, insurance, trust, fund, asset management and futures. It is also involved in other business areas such as real estate and regional development, project contracting, infrastructure, resources and energy, manufacturing, information technology and high-tech industries.

CITIC International Assets Management Limited (中信國際資產管理有限公司) is a company incorporated in Hong Kong in 1982 and is owned as to 40% by CITIC International Financial Holdings Limited (which is in turn beneficially owned by the CITIC Group, the beneficial owner of Chemwin Limited), 25% by Asset Managers Holdings Co., Ltd., 20% by Ithmaar Bank B.S.C., and 15% by Mega Rider Offshore Ltd., all being Independent Third Parties. It is principally engaged in the management and recovery of non-performing loans and fund management and explores China related assets management business through venture capital and direct investments.

UVM Venture Investments Limited is a fund management company incorporated in Singapore in 2006 and is owned by over 70 shareholders.

## HISTORY AND REORGANISATION

Creation One International Limited (創一國際有限公司) is a company incorporated in Hong Kong in 1997 and is owned in equal shares by Mr. Wang Feng (王鋒) and Mr. Shen Hong Chun (申洪淳), both being Independent Third Parties. It is principally engaged in international trading of machinery.

Rich Honour Holdings Limited (諾信控股有限公司) is a company incorporated in Hong Kong in 2007 and is owned by Mr. Chung Keng (鍾鏗), an Independent Third Party. It is a company principally engaged in investment holding. In addition to its investment in the Shares, it also holds other pre-IPO investments.

Central Harvest Holdings Company Limited (滙盛控股有限公司) is a company incorporated in BVI in 2003 and is owned by Mr. Liu Youhui (劉友輝), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

### **New Investors**

Global Fortune Muster Investment Ltd. (祥聚投資有限公司) is a company incorporated in BVI in 2004 and is wholly-owned by Mr. Zhu Ming (朱明), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Hanbest Investment Limited (凱佳投資有限公司) is a company incorporated in Hong Kong in 2009 and is wholly-owned by Ms. Leung Wai Sheung (梁懷湘), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Strength High Group Limited is a company incorporated in BVI in 2004 and is wholly-owned by Mr. Huang Ye (黃野), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Million Wisdom International Limited (萬聰國際有限公司) is a company incorporated in BVI in 2009 and is wholly-owned by Mr. Lai Kwing Chin (黎炯前), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Ever Raise International Limited (常展國際有限公司) is a company incorporated in Samoa in 2008 and is wholly-owned by Mr. Zheng Suyi (鄭蘇毅), the director and 100% beneficial owner of Boma Carret and an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Gold Dynamic Asia Limited (金動力亞洲有限公司) is a company incorporated in BVI in 2009 and is wholly-owned by Mr. Yan Zhongbo (嚴中鉞), an Independent Third Party. It is an investment holding company and has no assets or investments other than the Shares.

Supra Grade Holdings Limited (越級控股有限公司) is a company incorporated in BVI in 2009 and is wholly-owned by Mr. Xie Guorong (謝國榮), an Independent Third Party. It is an investment holding company and has no assets or investment other than the Shares.

# HISTORY AND REORGANISATION

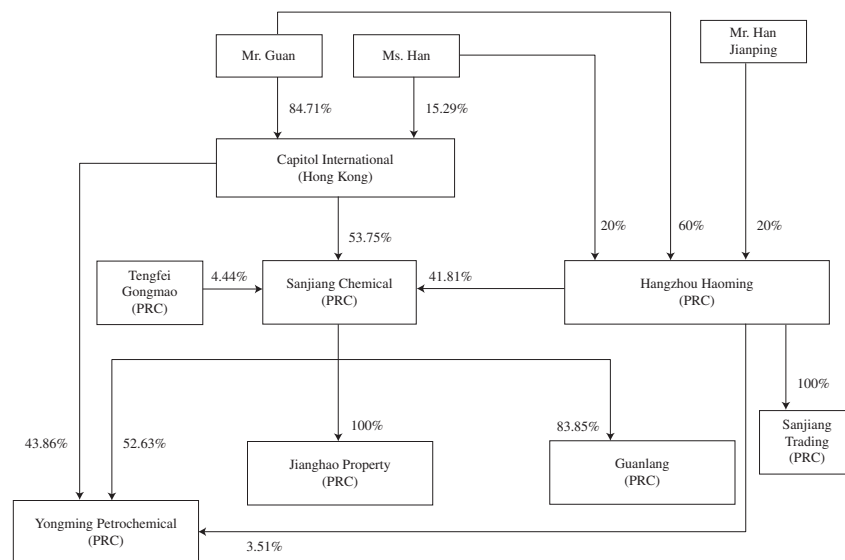
## Pasicue

Pasicue Investments Ltd. (百時吉投資有限公司) is a company incorporated in BVI in 2009 and is wholly-owned by Ms. Wan King Ping Isabelle (尹景蘋), an Independent Third Party. Prior to the transfer of the interest in the 3,888 Old Shares (which was then held by Pasicue on trust for and on behalf of Tengfei Gongmao) from Tengfei Gongmao to Mr. Teng Guoping (滕國平) (“**Mr. Teng**”) in July 2010, Pasicue was nominated by Tengfei Gongmao to hold the Old Shares for and on behalf of Tengfei Gongmao. Tengfei Gongmao, a former minority shareholder of Sanjiang Chemical, is a limited liability company established in the PRC and principally engaged in the production of cotton yarn, printing and dyeing products, knitted products, chemical fiber cloth and handcraft products. Tengfei Gongmao is owned as to 90% by Mr. Teng, 5% by Mr. Ren Jianmin (任建民) and 5% by Mr. Ma Qianming (馬遷明), each an Independent Third Party. Upon the transfer of the interest in the Shares from Tengfei Gongmao (which was then held by Pasicue on trust for and on behalf of Tengfei Gongmao) to Mr. Teng in July 2010, Pasicue was nominated by Mr. Teng to hold the Shares on trust for and on behalf of Mr. Teng.

Each of the Independent Investors is an Independent Third Party and will be regarded as a member of the public after the Listing pursuant to Rule 8.24 of the Listing Rules. Save as disclosed above, each of the Independent Investors has confirmed to the Company that it is independent of (i) our Group, our Directors, the controlling shareholders and their respective associates; and (ii) other Independent Investors. Therefore, the shareholdings of the Independent Investors should not be aggregated and they should not be treated as substantial shareholders of our Company after the Listing for the purpose of Rule 8.24 of the Listing Rules.

## REORGANISATION

The following chart sets forth our corporate and shareholding structure prior to our Reorganisation:



## HISTORY AND REORGANISATION

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent a corporate reorganisation. Please refer to the section headed “Further information about our Company – Group reorganisation” as set out in Appendix VII to this prospectus for details on our Reorganisation. The main steps of our Reorganisation were:

- (A) Our Company was incorporated in the Cayman Islands on 30 January 2009, with one Old Share of US\$1.00 subscribed by an Independent Third Party. On 4 August 2009, such subscriber Old Share was transferred to Sure Capital at par. On the same day, the Company allotted and issued 9,999 Old Shares of US\$1.00 each to Sure Capital at par;
- (B) Capitol International allotted and issued an aggregate of 990,000 shares of HK\$1 each in Capitol International to our Company in September 2009;
- (C) Our Company acquired an aggregate of 10,000 shares of HK\$1 each in Capitol International from Mr. Guan and Ms. Han in September 2009;
- (D) Capitol International acquired 41.81% shareholding interest in Sanjiang Chemical from Hangzhou Haoming at a consideration of RMB94,120,258.39 in November 2009;
- (E) Capitol International acquired 4.44% shareholding interest in Sanjiang Chemical from Tengfei Gongmao at a consideration of RMB9,995,071.69 in November 2009;
- (F) Our Company allotted and issued an aggregate of 7,920 Old Shares to the Ordinary Shares Investors, as to (1) 924 Old Shares to CITIC International Assets Management Limited (中信國際資產管理有限公司); (2) 2,376 Old Shares to Creation One International Limited (創一國際有限公司); (3) 1,821 Old Shares to Chemwin Limited; (4) 528 Old Shares to Rich Honour Holdings Limited (諾信控股有限公司); and (5) 2,271 Old Shares to BOCOM Holdings, for an aggregate consideration of US\$10 million in December 2009;
- (G) Sanjiang Chemical disposed of its entire shareholding interest in Jianghao Property to Jianghao Investment at a consideration of RMB50,000,000 in December 2009;
- (H) Sure Capital transferred an aggregate of 29,832 Old Shares to the New Investors for an aggregate consideration of US\$37,666,666.67 in January 2010, as to (1) 1,320 Old Shares to Global Fortune Muster Investment Ltd. (祥聚投資有限公司); (2) 1,320 Old Shares to Hanbest Investment Limited (凱佳投資有限公司); (3) 3,960 Old Shares to Strength High Group Limited; (4) 4,884 Old Shares to Million Wisdom International Limited (萬聰國際有限公司); (5) 6,336 Old Shares to Ever Raise International Limited (常展國際有限公司); (6) 6,072 Old Shares to Gold Dynamic Asia Limited (金動力亞洲有限公司); and (7) 5,940 Old Shares to Supra Grade Holdings Limited (越級控股有限公司) in January 2010;
- (I) Sanjiang Chemical acquired 3.51% shareholding interest in Yongming Petrochemical from Hangzhou Haoming at a consideration of RMB11,518,262 in January 2010;

## HISTORY AND REORGANISATION

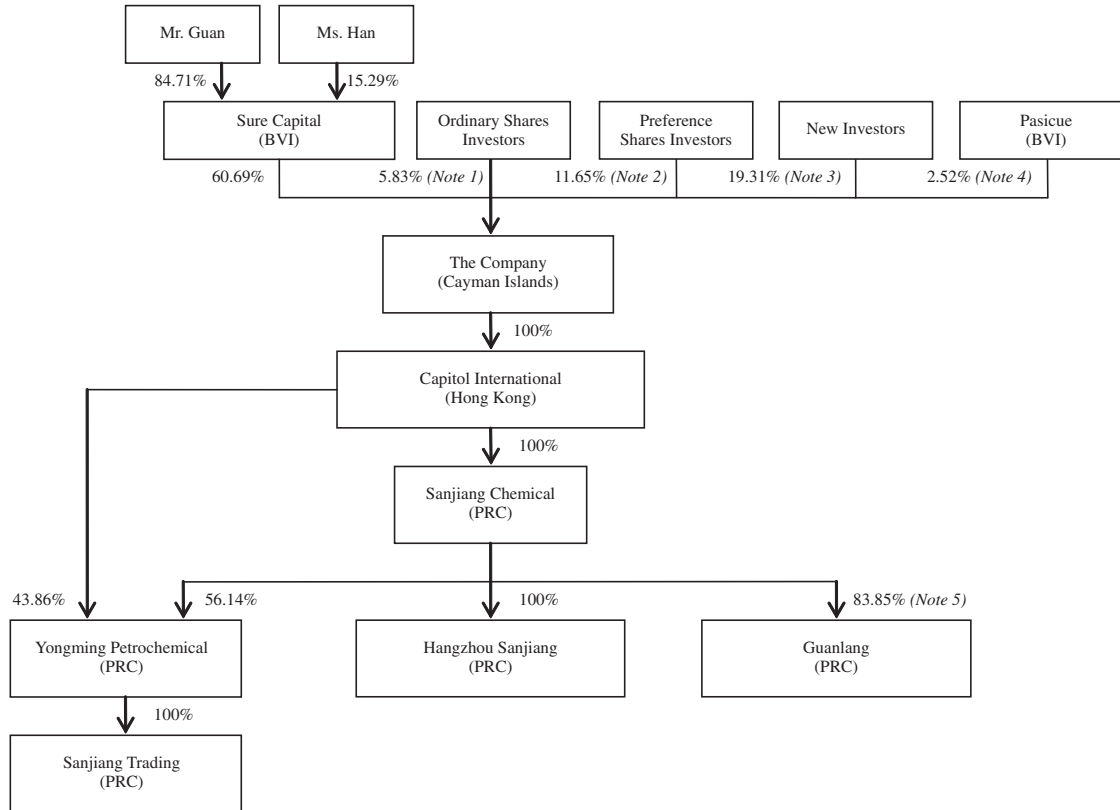
- (J) Yongming Petrochemical acquired the entire 100% shareholding interest in Sanjiang Trading from Hangzhou Haoming at a consideration of RMB5,000,000 in January 2010;
- (K) Hangzhou Sanjiang was established in April 2010 to engage in the ethylene oxide trading and surfactant manufacture and sale businesses acquired from Hangzhou Haoming;
- (L) Hangzhou Sanjiang acquired the ethylene oxide trading and surfactant manufacture and sale businesses from Hangzhou Haoming at a consideration of RMB6,369,852.08 in April 2010.
- (M) Hangzhou Haoming assigned all its rights and liabilities for its trade debts and receivables in relation to its ethylene oxide trading and surfactant manufacture and sale businesses (being a net liability of RMB874,458.80) as at 31 March 2010 to Hangzhou Sanjiang for a consideration of RMB874,458.80 payable by Hangzhou Haoming to Hangzhou Sanjiang in April 2010;
- (N) Sure Capital subscribed for an aggregate of 4,470 Old Shares of par value of US\$1 each in the Company at par in May 2010;
- (O) Sure Capital transferred an aggregate of 3,888 Old Shares to Pasicue for a consideration of US\$1,464,301.94 in May 2010;
- (P) The Preference Shares Investors subscribed for an aggregate of 2,000 preference shares of US\$10,000 each in Sure Capital, which are convertible into Shares at the ratio of approximately 1 preference share in Sure Capital to 9 Shares, as to (i) 714 preference shares to BOCOM Holdings; (ii) 460 preference shares to Chemwin Limited; (iii) 400 preference shares to UVM Venture Investments Limited; (iv) 233 preference shares to CITIC International Assets Management Limited (中信國際資產管理有限公司); (v) 133 preference shares to Rich Honour Holdings Limited (諾信控股有限公司); and (vi) 60 preference shares to Central Harvest Holdings Company Limited (滙盛控股有限公司), for an aggregate consideration of US\$20 million, in May 2010;
- (Q) Immediately prior to completion of the Global Offering and the Capitalisation Issue, the 2,000 preference shares of US\$10,000 each in Sure Capital as held by the Preference Shares Investors will be redeemed and subsequently cancelled (if not already redeemed and cancelled before then), in consideration of and in exchange for which Sure Capital will procure our Company to allot and issue to the Preference Shares Investors in aggregate 18,000 Shares, as to (1) 6,419 Shares to BOCOM Holdings; (2) 4,141 Shares to Chemwin Limited; (3) 3,600 Shares to UVM Venture Investments Limited; (4) 2,100 Shares to CITIC International Assets Management Limited (中信國際資產管理有限公司); (5) 1,200 Shares to Rich Honour Holdings Limited (諾信控股有限公司); and (6) 540 Shares to Central Harvest Holdings Company Limited (滙盛控股有限公司); and
- (R) In accordance with the anti-dilution provisions in favour of the Ordinary Shares Investors set out in the Ordinary Shares Agreement in the subsection headed “Investment in our Group – Investment by the Ordinary Shares Investors” in this section, Sure Capital will upon completion of the allotment and issue of Shares set out in paragraph (Q) above transfer in aggregate 1,080 Shares to the Ordinary Shares Investors, as to (1) 310 Shares to BOCOM



## HISTORY AND REORGANISATION

Holdings; (2) 324 Shares to Creation One International Limited (創一國際有限公司); (3) 248 Shares to Chemwin Limited; (4) 126 Shares to CITIC International Assets Management Limited (中信國際資產管理有限公司); and (5) 72 Shares to Rich Honour Holdings Limited (諾信控股有限公司).

The following chart sets forth our corporate and shareholding structure immediately following our Reorganisation and is prepared on the assumption that steps (Q) and (R) of our Reorganisation have been completed:



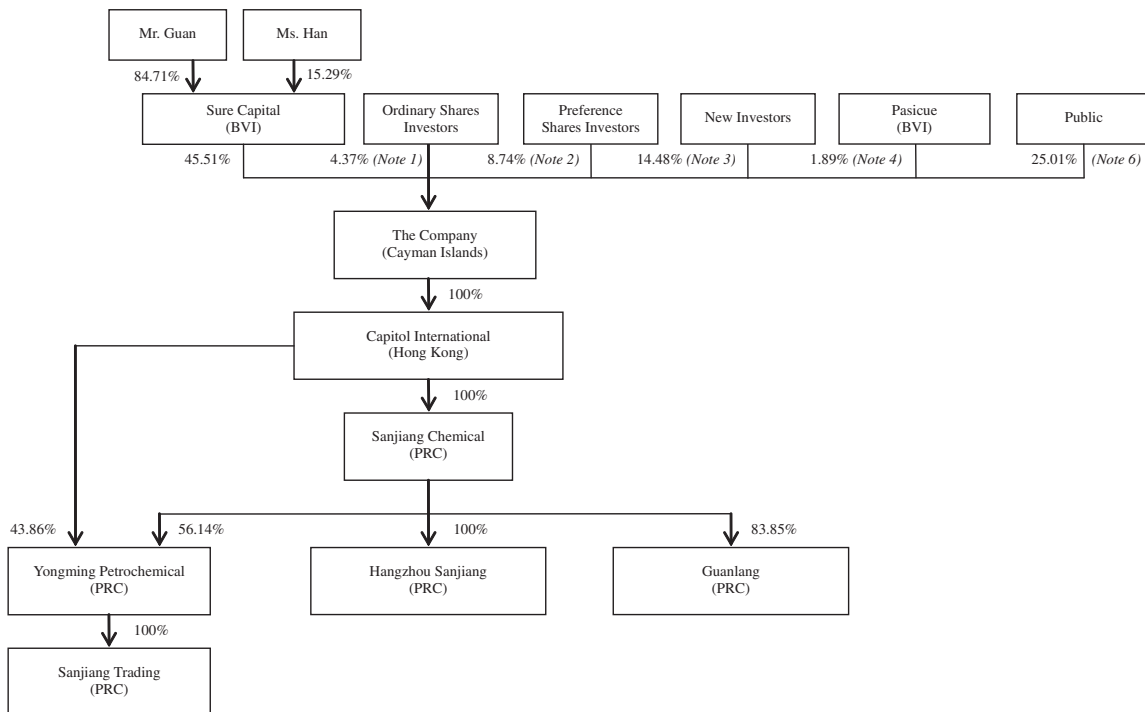
*Notes:*

- (1) These 9,000 Shares will be held as to 1,050 Shares by CITIC International Assets Management Limited (中信國際資產管理有限公司), 2,700 Shares by Creation One International Limited (創一國際有限公司), 2,069 Shares by Chemwin Limited, 600 Shares by Rich Honour Holdings Limited (諾信控股有限公司) and 2,581 Shares by BOCOM Holdings, representing approximately 0.68%, 1.75%, 1.34%, 0.39% and 1.67% of the issued share capital of our Company immediately before completion of the Global Offering and the Capitalisation Issue.
- (2) These 18,000 Shares will be held as to 6,419 Shares by BOCOM Holdings, 4,141 Shares by Chemwin Limited, 3,600 Shares by UVM Venture Investments Limited, 2,100 Shares by CITIC International Assets Management Limited (中信國際資產管理有限公司), 1,200 Shares by Rich Honour Holdings Limited (諾信控股有限公司), and 540 Shares by Central Harvest Holdings Company Limited (滙盛控股有限公司), representing approximately 4.16%, 2.68%, 2.33%, 1.36%, 0.78%, and 0.35% of the issued share capital of our Company immediately before completion of the Global Offering and the Capitalisation Issue.

## HISTORY AND REORGANISATION

- (3) These 29,832 Shares will be held as to (1) 1,320 Shares by Global Fortune Muster Investment Ltd. (祥聚投資有限公司); (2) 1,320 Shares by Hanbest Investment Limited (凱佳投資有限公司); (3) 3,960 Shares by Strength High Group Limited; (4) 4,884 Shares by Million Wisdom International Limited (萬聰國際有限公司); (5) 6,336 Shares by Ever Raise International Limited (常展國際有限公司); (6) 6,072 Shares by Gold Dynamic Asia Limited (金動力亞洲有限公司); and (7) 5,940 Shares by Supra Grade Holdings Limited (越級控股有限公司), representing approximately 0.85%, 0.85%, 2.56%, 3.16%, 4.10%, 3.93% and 3.85% of the issued share capital of our Company immediately before completion of the Global Offering and the Capitalisation Issue.
- (4) These 3,888 Shares will be held by Pasicue.
- (5) The remaining 16.15% shareholding interest in Guanlang is held by Zhapu Construction.

The following chart sets forth our corporate and shareholding structure immediately following completion of the Global Offering and the Capitalisation Issue, taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme:



*Notes:*

- (1) These 44,100,000 Shares will be held as to 5,145,000 Shares by CITIC International Assets Management Limited (中信國際資產管理有限公司), 13,230,000 Shares by Creation One International Limited (創一國際有限公司), 10,138,100 Shares by Chemwin Limited, 2,940,000 Shares by Rich Honour Holdings Limited (諾信控股有限公司) and 12,646,900 Shares by BOCOM Holdings, representing approximately 0.51%, 1.31%, 1.00%, 0.29% and 1.25% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue (and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).

## HISTORY AND REORGANISATION

- (2) These 88,200,000 Shares will be held as to 31,453,100 Shares by BOCOM Holdings, 20,290,900 Shares by Chemwin Limited, 10,290,000 Shares by CITIC International Assets Management Limited (中信國際資產管理有限公司), 5,880,000 Shares by Rich Honour Holdings Limited (諾信控股有限公司), 17,640,000 Shares by UVM Venture Investments Limited and 2,646,000 Shares by Central Harvest Holdings Company Limited (滙盛控股有限公司), representing approximately 3.12%, 2.01%, 1.02%, 0.58%, 1.75% and 0.26% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue (and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).
- (3) These 146,176,800 Shares will be held as to (1) 6,468,000 Shares by Global Fortune Muster Investment Ltd. (祥聚投資有限公司); (2) 6,468,000 Shares by Hanbest Investment Limited (凱佳投資有限公司); (3) 19,404,000 Shares by Strength High Group Limited; (4) 23,931,600 Shares by Million Wisdom International Limited (萬聰國際有限公司); (5) 31,046,400 Shares by Ever Raise International Limited (常展國際有限公司); (6) 29,752,800 Shares by Gold Dynamic Asia Limited (金動力亞洲有限公司); and (7) 29,106,000 Shares by Supra Grade Holdings Limited (越級控股有限公司), representing approximately 0.64%, 0.64%, 1.92%, 2.37%, 3.08%, 2.95% and 2.88% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue (and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme).
- (4) These 19,051,200 Shares will be held by Pasicue.
- (5) The remaining 16.15% shareholding interest in Guanlang is held by Zhapu Construction.
- (6) Public Shareholders other than the Ordinary Shares Investors, Preference Shares Investors, New Investors and Pasicue.

### M&A Rules

According to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (the “M&A Rules”) (《關於外國投資者併購境內企業的規定》), which were promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and became effective on 8 September 2006, where a domestic natural person intends to takeover his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC. Our PRC Legal Advisers have advised that the M&A Rules are not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC and the Ministry of Commerce because the foreign invested enterprises involved in the Listing, namely Sanjiang Chemical and Yongming Petrochemical were set up as sino-foreign equity joint ventures before 8 September 2006.

Our Directors are of the view that, based on the advice of our PRC Legal Advisers, the M&A Rules are not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC and the Ministry of Commerce.

### Circular 75

According to the Notice of SAFE on Relevant Issues Relating to Foreign Exchange Control on Financing and Round-trip Investments by Domestic Residents Through Offshore Special Purpose Vehicles (the “Circular 75”) (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on 21 October 2005 and effective on 1 November

## HISTORY AND REORGANISATION

2005, domestic residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by domestic residents are required to effect foreign exchange registration with the local foreign exchange bureau.

Our PRC Legal Advisers have advised that Circular 75 applies to our Listing as our ultimate controlling shareholder, Mr. Guan, is a domestic resident. In accordance with Circular 75, Mr. Guan completed all formalities for the registration and filing of an overseas investment by a PRC resident with SAFE in respect of his offshore investment, financing and round-trip investment in 2008. As at the Latest Practicable Date, the revision of the aforesaid registration and filing has been filed and our PRC Legal Advisers have advised that there should not be any legal obstacle for Mr. Guan to complete the formalities required under Circular 75.