

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Immediately following completion of the Global Offering and the Capitalisation Issue, Sure Capital, which is beneficially controlled by Mr. Guan, will be beneficially interested in approximately 45.51% of our issued share capital (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme). Sure Capital and Mr. Guan will be our controlling shareholders.

Neither Sure Capital nor Mr. Guan controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business. Moreover, as confirmed by our Directors, we will not obtain any financial assistance from our controlling shareholders in any form after the Listing. Accordingly, we do not consider that there will be any independence issues, and we are satisfied that we are capable of carrying on our business independent of our controlling shareholders and their associates after Listing. Accordingly, the Joint Sponsors are satisfied as to the Company's independence from its controlling shareholders after the Listing.

HANGZHOU HAOMING

Hangzhou Haoming is a company owned as to 60% by Mr. Guan and 20% by Ms. Han. As part of the Reorganisation, Hangzhou Sangjiang 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. Following completion of the said acquisition by Hangzhou Sanjiang, Hangzhou Haoming ceased the businesses of ethylene oxide trading and manufacture and sale of surfactants and is only an investment holding company of its subsidiaries which are principally engaged in the businesses of supply and trading of desalinated water and steam and the production and trading of chlorine gas, sulfuric acid, magnesium sulphate and synthetic materials. Pursuant to an agreement dated 1 April 2010 and entered into between Hangzhou Sanjiang as tenant and Hangzhou Haoming as landlord, Hangzhou Haoming has agreed to lease and Hangzhou Sanjiang has agreed to take the lease of two industrial buildings for production of surfactants in Xiaoshan District. Please refer to the section headed "Connected transactions" in this prospectus for further details.

JIAHUA INDUSTRIAL PARK CO

Jiahua Industrial Park Co is a company owned as to approximately 87.86% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han. Jiahua Industrial Park Co is principally engaged in the businesses of supply and trading of desalinated water and steam and the production and trading of chlorine gas and sulfuric acid. During the Track Record Period, Sanjiang Chemical purchased desalinated water, low pressure steam and high pressure steam from Jiahua Industrial Park Co for production of ethylene oxide or surfactants. These transactions are expected to continue after Listing. Please refer to the section headed "Connected transactions" in this prospectus for further details.

Jiaxing Rewang is a company owned as to 40% by Jiahua Industrial Park Co. During the Track Record Period, Jiaxing Rewang supplied low pressure steam to Sanjiang Chemical for the vapourisation of liquid ethylene stored in our ethylene storage tank and be transported to our production plant. These transactions are expected to continue after Listing. For further details, please refer to the section headed "Connected transactions" in this prospectus.

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NON-COMPETITION UNDERTAKING

In order to ensure that our controlling shareholders will not engage in any business undertaking in competition with our Group, Mr. Guan and Sure Capital (the “**Covenantors**”) have given an irrevocable non-competition undertaking in favour of our Company (for itself and as trustee for its subsidiaries from time to time) pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with our Company on a joint and several basis that, among others, at any time during the Relevant Period (as defined below), each Covenantor shall, and shall procure that his/its associates (excluding the Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (the “**Restricted Business**”), including but not limited to the manufacture and sales of ethylene oxide and AEO surfactants, the provision of ethylene oxide and surfactants processing services and the manufacture and sales of other products of our Group from time to time (the “**Restricted Products**”);
- (ii) not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates;
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our controlling shareholder for any purpose including competing with the Restricted Business; and
- (iv) in respect of any order or any part of it undertaken or proposed to be undertaken by him/it or his/its associates for the sales, distribution, and/or supply of any Restricted Products, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the sales and supply of the Restricted Products under the relevant order.

For the above purposes:

- (A) the “**Relevant Period**” means the period commencing from the Listing Date and shall expire upon the earlier of the dates below:
 - (a) the date on which the relevant Covenantor ceases to be our controlling shareholder for the purpose of the Listing Rules; or
 - (b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “**Excluded Business**” means any of the following business:
 - (a) the direct or indirect investments of the Covenantor and/or his/its associates in any member of our Group; or
 - (b) the production of the Restricted Products by the Covenantor and/or his/its associates for supply and/or provision of the Restricted Products to any member of our Group.

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Under the non-competition undertaking, the Covenantors have also jointly and severally undertaken to our Group to allow the Directors, their representative and the auditors of our Group to have sufficient access to the records of the Covenantors and/or the subsidiaries of Sure Capital to ensure their compliance with the terms and conditions of the non-competition undertaking.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from our controlling shareholders and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantors under the non-competition undertaking set out in the paragraph headed “Non-competition undertaking” in this section;
- (ii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking;
- (iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the non-competition undertaking set out in the paragraph headed “Non-competition undertaking” in this section, in the annual reports of our Company; and
- (iv) the Covenantors will make an annual declaration in compliance with their undertaking under the non-competition undertaking in the annual reports of our Company.