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CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED
中國三江精細化工有限公司
(incorporated in the Cayman Islands with limited liability)
(stock code: 2198)

CONNECTED TRANSACTION – INSTALLATION OF STEAM PIPES

CONNECTED TRANSACTIONS

The Directors announce that a one-off connected transaction agreement was entered into by the Group regarding the installation of steam pipes by Jiahua Energy Chemical Co in relation to the upcoming supply of high pressure steam to the Group. As the transactions contemplated under the aforesaid agreement are on normal commercial terms and each of the applicable percentage ratios is less than 5%, the transactions under the aforesaid agreement constituted non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

CONNECTED TRANSACTION: INSTALLATION OF STEAM PIPES BY JIAHUA ENERGY CHEMICAL CO

The Directors announce that Xing Xing and Jiahua Energy Chemical Co entered into a one-off connected transaction agreement regarding the installation of steam pipes by Jiahua Energy Chemical Co in relation to the upcoming supply of high pressure steam to the Group. The principal terms of the aforesaid agreement are set out below:

THE AGREEMENT

Date: 22 August 2014 (a framework agreement dated 30 June 2014 and a supplemental agreement dated 22 August 2014 entered into between Xing Xing and Jiahua Energy Chemical Co)

Parties: (1) Jiahua Energy Chemical Co; and
(2) Xing Xing, a non-wholly owned subsidiary of the Company.

Subject matter

Jiahua Energy Chemical Co has agreed to install steam pipes for Xing Xing in relation to the upcoming supply of high pressure steam to the Group.

Consideration

The consideration for the installation of steam pipes is approximately RMB20,400,000, which was determined after arm's length negotiations among the parties with reference to the maximum output volume of high pressure steam with the installed steam pipes.

The Board considers that the consideration and the terms of the Agreement are fair and reasonable.

Other principal terms of the Agreement

Pursuant to the Agreement, Xing Xing is required to make a one-off payment of the consideration to Jiahua Energy Chemical Co and it is expected that the installation of steam pipes would be completed by the end of October 2014.

Xing Xing will enter into another supplemental agreement with Jiahua Energy Chemical Co in relation to the upcoming supply of high pressure steam after the installation of steam pipes is completed which may constitute continuing connected transactions for the Company. The Company will keep the Shareholders informed of the above matter by way of announcement(s) as and when appropriate.

REASONS FOR THE TRANSACTION

Jiahua Energy Chemical Co is the only company that provides high pressure steam in the Zhapu area of Jiaying City, the PRC. As the production base of the Group is situated close to that of Jiahua Energy Chemical Co, the cost-efficiency for transporting high pressure steam from Jiahua Energy Chemical Co to the Group can be maintained in an optimal level. Moreover, Jiahua Energy Chemical Co has been supplying steam to the Group since the year ended 31 December 2007 and the quality of goods and services provided by it has been considered by the Group to be satisfactory. In view of the geographical proximity and to secure a constant and stable supply of high pressure steam for production purposes in the future, the Group entered into the Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED PERSON

Jiahua Energy Chemical Co is a limited company established in the PRC and is principally engaged in the business of supply and trading of desalinated water and steam and the production and trading of chlorine gas and sulphuric acid. Mr. Guan and Ms. Han, being executive Directors of the Company are the controlling shareholders of Jiahua Energy Chemical Co on a beneficial ownership basis. Jiahua Energy Chemical Co is an associate of Mr. Guan and Ms. Han and is thus a Connected Person of the Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the Agreement constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules. As the transactions contemplated under the Agreement are on normal commercial terms and each of the applicable percentage ratios is less than 5%, they are subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Guan and Ms. Han was interested in the Agreement and they therefore abstained from voting on board resolutions of the Company approving such transactions. Save as disclosed, none of the Directors had a material interest in the Agreement and none of them were therefore required to abstain from voting on board resolutions of the Company in respect of such transactions.

GENERAL

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

DEFINITIONS

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

“associate(s)”	has meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Sanjiang Fine Chemicals Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiahua”	浙江嘉化集团股份有限公司 (Zhejiang Jiahua Group Co., Ltd.*), a joint stock company established in the PRC with limited liability on 15 March 2000

“Jiahua Energy Chemical Co”	浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co., Ltd.*) (formerly known as 浙江嘉化工業園投資發展有限公司 (Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.*)), a company established in the PRC with limited liability on 20 January 2001 and a non-wholly owned subsidiary of Jiahua
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guan”	Mr. Guan Jianzhong, an executive Director
“Ms. Han”	Ms. Han Jianzhong, an executive Director
“RMB”	Renminbi yuan, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“The Agreement”	the framework agreement dated 30 June 2014 and the supplemental agreement dated 22 August 2014 (collectively referred to as “The Agreement”), entered into between Xing Xing and Jiahua Energy Chemical Co
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xing Xing”	浙江興興新能源科技有限公司 (Zhejiang Xing Xing New Energy Technology Co., Ltd.*), a company established in the PRC with limited liability on 19 January 2011, which is owned as to 75% by the Group and 25% by Jiahua and other independent 3 rd parties
“%”	per cent.

As at the date of this announcement, the board of Directors comprises the following Directors:

Executive Directors:

Mr. GUAN Jianzhong
Ms. HAN Jianhong
Mr. NIU Yingshan
Mr. HAN Jianping

Independent non-executive Directors:

Mr. SHEN Kaijun
Mr. MUI Ho Cheung, Gary
Ms. PEI Yu

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

The PRC, 2 September August 2014

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