

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**三江化工**  
SANJIANG CHEMICAL

**CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED**

**中國三江精細化工有限公司**

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

**(Stock code: 2198)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 29 January 2016 and the circular of the Company dated 16 March 2016 in relation to the Supply Agreements which constituted continuing connected transactions of the Company.

The Board announces that, on 23 January 2018, Sanjiang Chemical and Sanjiang New Material, each being a wholly-owned subsidiary of the Company, entered into the Renewed Supply Agreements with Jiahua Energy Chemical Co for a period of approximately three years from 23 January 2018 to 31 December 2020 to regulate the supplier and customer relationships of the transactions contemplated under the Renewed Supply Agreements.

### **LISTING RULES IMPLICATIONS**

As the Renewed Supply Agreements (i) were entered into between members of the Group, as purchaser, and a connected person (i.e. Jiahua Energy Chemical Co), as supplier; and (ii) are of similar nature such that the Renewed Supply Agreements relate to the purchase of steam by members of the Group from the connected person with the same pricing mechanism, the Renewed Supply Agreements are related and shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the aggregate proposed annual caps are more than 5%, the transactions contemplated under each of the Renewed Supply Agreements are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the independent shareholders' approval for (i) each of the Renewed Supply Agreements and (ii) the annual caps for the period between 23 January 2018 and 31 December 2018 and the two years ending 31 December 2020 for the transactions contemplated under each of the Renewed Supply Agreements at the EGM.

The Company has established an independent board committee (which comprise only and all the independent non-executive Directors) to advise the independent shareholders as to whether the terms of each of the Renewed Supply Agreements and the respective proposed annual caps contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

A circular containing, *inter alia*, (i) further information of each of the Renewed Supply Agreements and the proposed annual caps contemplated thereunder; (ii) the recommendation of the independent board committee to the independent shareholders; (iii) the advice from the independent financial adviser to the independent board committee and the independent shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or about 28 February 2018.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 29 January 2016 and the circular of the Company dated 16 March 2016 in relation to the Supply Agreements, which shall expire on 31 December 2018.

The Board announces that, on 23 January 2018, Sanjiang Chemical and Sanjiang New Material, each being a wholly-owned subsidiary of the Company, entered into the Renewed Supply Agreements with Jiahua Energy Chemical Co for a period of approximately three years from 23 January 2018 to 31 December 2020 to regulate the supplier and customer relationships of the transactions contemplated under the Renewed Supply Agreements.

Upon approval by the independent shareholders at the EGM, the Supply Agreements would be superseded by the Renewed Supply Agreements and will cease to be effective. Before the Renewed Supply Agreements are approved at the EGM, the Supply Agreements are still effective, governing the existing purchases of low pressure steam and medium pressure steam from Jiahua Energy Chemical Co..

## **CONTINUING CONNECTED TRANSACTIONS:**

### **1. The Sanjiang Chemical Steam Supply Agreement**

Date: 23 January 2018

- Parties: (1) Jiahua Energy Chemical Co, a connected person (as defined under the Listing Rules); and
- (2) Sanjiang Chemical, a wholly-owned subsidiary of the Company.

***Subject matter***

Jiahua Energy Chemical Co agreed to supply low pressure steam (0.8Mpa and 1.3Mpa) and medium pressure steam (3.4Mpa) to Sanjiang Chemical on an ongoing basis.

***Other principal terms of the Sanjiang Chemical Steam Supply Agreement***

1. The Sanjiang Chemical Steam Supply Agreements shall become effective on 23 January 2018 and has an initial term ending on 31 December 2020 which may be renewable upon further agreement by the parties (subject to compliance with the Listing Rules).
2. The purchase prices of low and medium pressure steam shall be the weighted average prices offered by Jiahua Energy Chemical Co to its independent purchaser(s) for such low and medium pressure steam of comparable quality during the same month of supply. After arm's length negotiation between Jiahua Energy Chemical Co and the Group, the following measures have been determined to ensure the prices of low and medium pressure steam offered by Jiahua Energy Chemical Co to Sanjiang Chemical are no less favourable than the prices of such steam of comparable quality to other independent purchaser(s):

*Purchase price of low pressure steam (0.8Mpa)*

- a) Jiahua Energy Chemical Co shall set the prices regarding low pressure steam products (0.8Mpa) in accordance with the quarterly released notices regarding price recommendation issued by Jiaying Economy Development Bureau (嘉興港區經濟發展局) (the "**Bureau Price**"), which is operated by Jiaying Commodities Price Bureau (嘉興市物價局), a local government information provider for price references. Jiahua Energy Chemical Co would follow the Bureau Price when setting its own prices to its customers, including the Group and independent third parties. The finance department of the Group will obtain the Bureau Price and the monthly average price of low pressure steam stipulated by Jiaying Commodities Price Bureau (the "**Recommended Price**") and compare the same with the low pressure steam price that Jiahua Energy Chemical Co charges Sanjiang Chemical. By comparing the Recommended Price and the Bureau Price with low pressure steam prices that Jiahua Energy Chemical Co charges Sanjiang Chemical,

the Group ensures the purchase price being offered to the Group by Jiahua Energy Chemical Co should not be less favourable than the price offered to independent third parties by Jiahua Energy Chemical Co; and

- b) in the event that the prices of low pressure steam Jiahua Energy Chemical Co charges Sanjiang Chemical are 2% higher (i.e. a level of deviation that the Group considers material) than the latest Recommended Price, Sanjiang Chemical will negotiate with Jiahua Energy Chemical Co to adjust the proposed purchase prices of low pressure steam to price that is equal to or lower than the Recommended Price. If the price of low pressure steam which Jiahua Energy Chemical Co offers to Sanjiang Chemical is less favourable (i.e. being 2% higher) than the Recommended Price, the price will then be re-negotiated between Jiahua Energy Chemical Co and the Group until the revised price being offered by Jiahua Energy Chemical Co is satisfactory to the Group, i.e. being no less favourable than the Recommended Price. On the other hand, if the price of low pressure steam which Jiahua Energy Chemical Co offers to Sanjiang Chemical is no less favourable than the Recommended Price, the finance department of the Group will arrange for the approval of the prices offered by Jiahua Energy Chemical Co by each of the head of the finance department of the Group and the general manager of the Group.

As the information provided by Jiaying Economy Development Bureau is specifically issued and addressed to Jiahua Energy Chemical Co (as well as all chemical companies located at Zhapu area of Jiaying City, the PRC, that purchase similar low pressure steam (0.8Mpa) for their production), the Directors believe Jiahua Energy Chemical Co would follow the information provided by Jiaying Economy Development Bureau when setting its own prices. Thus, the Directors are of the view that the prices offered by Jiahua Energy Chemical Co to independent third parties should be similar to those offered to Sanjiang Chemical. If it is found that the prices charged by Jiahua Energy Chemical Co to the Group are less favourable than those charged by Jiahua Energy Chemical Co to independent third parties, Jiahua Energy Chemical Co would refund the price difference to the Group on a quarterly basis.

*Purchase prices of low (1.3Mpa) and medium pressure steam*

- a) the finance department of the Group will obtain (i) all monthly invoices issued by Jiahua Energy Chemical Co to its independent purchasers that purchase low and medium pressure steam of comparable quality; and (ii) all supply contracts regarding low and medium pressure steam of comparable quality entered into between Jiahua Energy Chemical Co and other independent purchasers on a quarterly basis, to ascertain the completeness of the calculation (to be provided by Jiahua Energy

Chemical Co) as to the weighted average purchase prices of low and medium pressure steam since the purchase prices of low and medium pressure steam payable by the Group is agreed to be the weighted average price of such steam of comparable quality offered by Jiahua Energy Chemical Co to its independent purchasers during the same month of supply; and

- b) in the event that the prices of low and medium pressure steam that Jiahua Energy Chemical Co charges Sanjiang Chemical are higher than the weighted average purchase prices of such steam of comparable quality offered by Jiahua Energy Chemical Co to its independent purchasers (in other words the prices of low and medium pressure steam that Jiahua Energy Chemical Co charges Sanjiang Chemical are less favourable than those charged by Jiahua Energy Chemical Co to independent third parties) during the same month of supply, Sanjiang Chemical will negotiate with Jiahua Energy Chemical Co to adjust the proposed purchase prices of low and medium pressure steam to a price that is equal to or lower than the weighted average purchase prices it offers to those independent purchasers. If the prices of low and medium pressure steam Jiahua Energy Chemical Co offers to Sanjiang Chemical is no less favourable than the weighted average of the purchase prices it offers to independent purchasers, the finance department of the Group will arrange for the approval of the prices offered by Jiahua Energy Chemical Co by each of the head of the finance department of the Group and the general manager of the Group.

Given (i) there are no public information regarding sale price of low and medium pressure steam in the Zhapu area of Jiaying City, the PRC; and (ii) Jiahua Energy Chemical Co is the only company that provides such low and medium pressure steam in the Zhapu area of Jiaying City, the PRC, the Group is not able to obtain a quotation from any independent third party in the same area regarding sale of low and medium pressure steam and there are no other available source to compare price. As such, the Directors are of the view that the prices offered by Jiahua Energy Chemical Co to independent third parties are fair representation of normal commercial terms for price checking purposes. If it is found that the prices charged by Jiahua Energy Chemical Co to the Group are less favourable than those charged by Jiahua Energy Chemical Co to independent third parties, Jiahua Energy Chemical Co would refund the price difference to the Group on a quarterly basis.

3. The purchase prices payable by Sanjiang Chemical in respect of purchases contemplated under the Sanjiang Chemical Steam Supply Agreements shall be tallied on the 25th day of each calendar month, together with an extra 2% of the

tallied usage amount of low pressure steam (0.8Mpa) by Sanjiang Chemical billed to Sanjiang Chemical to cover the loss in transmission, and be payable by Sanjiang Chemical on or before the 10th calendar day of the following month.

During the transmission of low pressure steam (0.8Mpa) through pipelines there is inevitably a certain amount of steam loss over distance which happens as a result of heat loss from the pipelines, which causes steam to condense thereby reducing the steam volume. As a result the volume of such low pressure steam supplied to the Group as shown by the steam meter, not having taken into account the amount of steam loss through transmission, would be smaller than the volume of steam actually supplied from the source. To cover such loss in transmission and in accordance with general market practice, an extra 2% of the tallied usage amount as shown by the steam meter will be charged, the percentage of which was determined with reference to the fees for loss in transmission charged by Jiahua Energy Chemical Co to independent third parties and the distance between Jiahua Energy Chemical Co and the steam meter which is located at the production site of Sanjiang Chemical.

The Company will comply with the relevant Listing Rules requirements when the term of the Sanjiang Chemical Steam Supply Agreement is renewed.

## **2. The Sanjiang New Material Steam Supply Agreement**

Date: 23 January 2018

Parties: (1) Jiahua Energy Chemical Co, a connected person (as defined under the Listing Rules); and  
(2) Sanjiang New Material, a wholly-owned subsidiary of the Company.

### ***Subject matter***

Jiahua Energy Chemical Co agreed to supply low pressure steam (1.3Mpa) and medium pressure steam (3.4Mpa) to Sanjiang New Material on an ongoing basis.

### ***Other principal terms of the Sanjiang New Material Steam Supply Agreement***

1. The Sanjiang New Material Steam Supply Agreement shall become effective on 23 January 2018 and has an initial term ending on 31 December 2020 which may be renewable upon further agreement by the parties (subject to compliance with the Listing Rules).
2. The purchase prices of low and medium pressure steam shall be the weighted average prices offered by Jiahua Energy Chemical Co to its independent purchasers for such low and medium pressure steam of comparable quality during the same month of supply. After arm's length negotiation between Jiahua Energy Chemical Co and the Group, the following measures have been



determined to ensure the prices of low and medium pressure steam offered by Jiahua Energy Chemical Co to Sanjiang New Material are no less favourable than the prices of low and medium pressure steam of comparable quality to other independent purchasers:

- a) the finance department of the Group will obtain (i) all monthly invoices issued by Jiahua Energy Chemical Co to its independent purchasers that purchases low and medium pressure steam of comparable quality; and (ii) all supply contracts regarding low and medium pressure steam of comparable quality entered into between Jiahua Energy Chemical Co and other independent purchasers on a quarterly basis, to ascertain the completeness of the calculation (to be provided by Jiahua Energy Chemical Co) as to the weighted average purchase prices of low and medium pressure steam since the purchase prices of low and medium pressure steam payable by Sanjiang New Material are agreed to be the weighted average prices of such steam of comparable quality offered by Jiahua Energy Chemical Co to its independent purchasers during the same month of supply; and
- b) in the event that the prices of low and medium pressure steam that Jiahua Energy Chemical Co charges Sanjiang New Material are higher than the weighted average purchase prices of such low and medium pressure steam of comparable quality offered by Jiahua Energy Chemical Co to its independent purchasers (in other words the prices of low and medium pressure steam that Jiahua Energy Chemical Co charges Sanjiang New Material are less favourable than those charged by Jiahua Energy Chemical Co to independent third parties) during the same month of supply, Sanjiang New Material will negotiate with Jiahua Energy Chemical Co to adjust the proposed purchase prices of low and medium pressure steam to prices that are equal to or lower than the weighted average purchase prices it offers to those independent purchasers. If the prices of low and medium pressure steam Jiahua Energy Chemical Co offers to Sanjiang New Material are no less favourable than the weighted average of the purchase prices it offers to independent purchasers, the finance department of the Group will arrange for the approval of the prices offered by Jiahua Energy Chemical Co by each of the head of the finance department of the Group and the general manager of the Group.

Given (i) there are no public information regarding sale price of low and medium pressure steam in the Zhapu area of Jiaying City, the PRC; and (ii) Jiahua Energy Chemical Co is the only company that provides such low and medium pressure steam in the Zhapu area of Jiaying City, the PRC, the Group is not able to obtain a quotation from any independent third party in the same area regarding sale of low and medium pressure steam and there are no other available source to compare price. As such, the Directors are of the view that the

prices offered by Jiahua Energy Chemical Co to independent third parties are fair representation of normal commercial terms for price checking purposes. If it is found that the prices charged by Jiahua Energy Chemical Co to the Group are less favourable than those charged by Jiahua Energy Chemical Co to independent third parties, Jiahua Energy Chemical Co would refund the price difference to the Group on a quarterly basis.

3. The purchase prices payable by Sanjiang New Material in respect of purchases contemplated under the Sanjiang New Material Steam Supply Agreement shall be tallied on the 25th day of each calendar month and be payable by Sanjiang New Material on or before the 10th calendar day of the following month.

The Company will comply with the relevant Listing Rules requirements when the term of the Sanjiang New Material Steam Supply Agreement is renewed.

### HISTORICAL FIGURES, EXISTING CAPS AND ANNUAL PROPOSED CAPS

Set out below are the historical figures for each of the years ended 31 December 2015 and 2016 and 10-month period ended 31 October 2017, and the proposed annual caps for a period of approximately three years ending 31 December 2020 in respect of the transactions contemplated under the Renewed Supply Agreements:

Nature of transaction	Historical amount			Proposed cap amount			
	For the year ended		For the 10-	For the	For the year ending		
	31 December	31 December	month	period	23 January	31 December	
	2015	2016	ended	between	and	2019	2020
	RMB	RMB	31 October	23 January	31 December	RMB	RMB
	(million)	(million)	2017	and	2018	(million)	(million)
			RMB	31 December	RMB		
			(million)	2018	(million)		
1. Purchase of low and medium pressure steam by Sanjiang Chemical from Jiahua Energy Chemical Co	63	31	71	118	123	128	
Existing Cap amount (all figures are on a whole year basis)		87	87	87			



Nature of transaction	Historical amount			Proposed cap amount		
	For the year ended		For the 10-month period ended	For the period between 23 January and	For the year ending	
	31 December				31 December	31 December
	2015	2016	2017	2018	2019	2020
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
2. Purchase of low and medium pressure steam by Sanjiang New Material from Jiahua Energy Chemical Co	61	89	94	90	96	99
Existing Cap amount (all figures are on a whole year basis)		128	128	128		

### **Basis for the proposed caps for the period of approximately three years ending 31 December 2020**

The proposed caps for the Renewed Supply Agreements for the period of approximately three years ending 31 December 2020 are based on:

- 1) the expected future growth of the production capacities of ethylene oxide (“EO”), ethylene glycol (“EG”) and polypropylene (“PP”) of the Group for the period of approximately three years ending 31 December 2020 as a result of a) the completion of production process improvement measures in Q2 of 2018 for the 5th Phases EO/EG production facilities which will increase the total output of the 5th Phase EO/EG production facilities by more than 20% on a yearly basis and b) the ramp up of the 2nd Phase PP production facility with 300,000MT production capacity on a yearly basis in Q1 of 2018, and in turn, the expected increase in the Group’s demand for steam for production purpose (with the estimated annual quantity of low and medium pressure steam demanded by Sanjiang Chemical and Sanjiang New Material for the period of approximately three years ending 31 December 2020 being estimated to be approximately 1,065,000MT, 1,143,000MT and 1,179,000MT).
- 2) the Group’s latest production estimation based on the latest catalyst changeout plan that the steam usage requirement of Sanjing Chemical would increase when comparing with the existing cap amount in 2018 while the steam usage requirement of Sanjiang New Material would decrease by the similar increment of Sanjiang Chemical’s steam usage amount when comparing with the existing cap

amount in 2018, which is due to the fact that the input/output ratio changes over the catalyst life cycle for EO/EG production, where, for the production of same amount of EO/EG, the Group uses more amount of ethylene and in the same time uses less amount of steam at the final stage of catalyst life cycle while, after changeout of catalysts, this situation will reverse and for the production of same amount of EO/EG, the Group uses less amount of ethylene and in the same time uses more amount of steam at the initial stage of catalyst life cycle;

- 3) the historical amount of purchases made by Sanjiang Chemical and Sanjiang New Material from Jiahua Energy Chemical Co for low and medium pressure steam as set out above;
- 4) the expected amount of purchases to be made by Sanjiang Chemical and Sanjiang New Material from Jiahua Energy Chemical Co for low and medium pressure steam for the period of approximately three years ending 31 December 2020;
- 5) the estimated market prices of coal (which in turn affects the market price of steam) for the period of approximately three years ending 31 December 2020.

## **REASONS FOR THE TRANSACTIONS**

The Group is principally engaged in the manufacturing and supplying of ethylene, propylene, ethylene oxide, ethylene glycol and surfactants and the provision of surfactants processing service. Jiahua Energy Chemical Co is a limited company established in the PRC and is principally engaged in the businesses of production and trading of desalinated water, steam, chlorine gas and sulfuric acid.

Low pressure steam is used by the Group for vapourisation of liquid ethylene, whereas medium pressure steam is used for heating reactants in the production of ethylene oxide.

Given Jiahua Energy Chemical Co is the only company that provides low (0.8Mpa and 1.3Mpa) and medium pressure steam in the Zhapu area of Jiaying City, the PRC, which is the same economic development zone which Sanjiang Chemical and Sanjiang New Material locate, it is impractical for Sanjiang Chemical and/or Sanjiang New Material to source steam from another area as both steam pressure and steam heat would be lost substantially during the transmission of steam through long-distant pipelines. In addition, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co, transport cost of steam from Jiahua Energy Chemical Co to the Group can be reduced. Moreover, Jiahua Energy Chemical Co have been supplying steam to the Group since the year ended 31 December 2007 and the quality of goods and services provided by them have been considered by the Group to be satisfactory. Based on past operational convenience and benefits brought to the Group and extended business relationships between the Group and Jiahua Energy Chemical Co, such continuing relationships are expected to bring synergies to the parties. Further, as the Group has an existing transmission network for steam in place for transmission of steam from Jiahua Energy Chemical Co, the Group can procure supply of steam from Jiahua Energy

Chemical Co without incurring additional fixed cost. Each of the Renewed Supply Agreements is on normal commercial terms given that the pricing and terms are no more favourable for Jiahua Energy Chemical Co to all other independent purchasers. In view of the geographical proximity and to secure a constant and stable supply of steam for its production purposes at fair commercial terms and reasonable price, the Group entered into the Renewed Supply Agreements.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice to be obtained from an independent financial adviser) are of the view that the (i) terms and conditions of the each of the Renewed Supply Agreements are fair and reasonable and the transactions contemplated under the Renewed Supply Agreements are on normal commercial terms and in the ordinary course of business of the Group; and (ii) it is in the interests of the Group and the Shareholders as a whole to enter into the Renewed Supply Agreements.

### **CONNECTED PERSON**

Jiahua Energy Chemical Co is a limited company established in the PRC and is principally engaged in the business of production and trading of desalinated water, steam, chlorine gas and sulphuric acid. It is owned as to approximately 61.047% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han, being executive Directors. Jiahua Energy Chemical Co is an associate of Mr. Guan and Ms. Han and is thus a Connected Person of the Company.

### **LISTING RULES IMPLICATION**

As the Renewed Supply Agreements (i) were entered into between members of the Group, as purchaser, and a connected persons (i.e. Jiahua Energy Chemical Co), as supplier; and (ii) are of similar nature such that the Renewed Supply Agreements relate to the purchase of steam by members of the Group from the connected person with the same pricing mechanism, the Renewed Supply Agreements are related and shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the aggregate proposed annual caps for the period between 23 January 2018 and 31 December 2018 and the two years ending 31 December 2020 are more than 5%, the transactions contemplated under each of the Renewed Supply Agreements constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

The Company will seek the independent shareholders' approval for (i) each of the Renewed Supply Agreements and (ii) the annual caps for the period between 23 January 2018 and 31 December 2018 and the two years ending 31 December 2020 for the transactions contemplated under each of the Renewed Supply Agreements at the EGM.

The Company has established an independent board committee (which comprises only and all the independent non-executive Directors) to advise the independent shareholders as to whether the terms of each of the Renewed Supply Agreements and the respective proposed annual caps contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Each of Mr. Guan and Ms. Han was interested in each of the Renewed Supply Agreements 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 each of the Renewed Supply Agreements and none of them were therefore required to abstain from voting on board resolutions of the Company in respect of such transactions.

A circular containing, among other things, (i) further information on the Renewed Supply Agreements and the proposed annual caps contemplated thereunder, (ii) the recommendation from the independent board committee to the independent shareholders, (iii) the advice from the independent financial adviser to the independent board committee and the independent shareholders; and (iv) a notice of the EGM, will be dispatched to the Shareholders on or before 28 February 2018.

As at the date of this announcement, Sure Capital Holdings Limited, a company beneficially controlled by Mr. Guan who is an executive Director, together with Mr. Guan as the beneficial owner own as to 41.97% of the entire issued share capital of the Company. Sure Capital Holdings Limited, its associates and those who are involved or interested in the Renewed Supply Agreements are required to abstain from voting on the resolutions to approve the Renewed Supply Agreements, transactions contemplated thereunder and the relevant annual caps proposed to be passed at the EGM.

Upon approval by the independent shareholders at the EGM, the Supply Agreements would be superseded by the Renewed Supply Agreements and will cease to be effective.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Sanjiang Fine Chemicals Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Renewed Supply Agreements, the transactions contemplated thereunder and the relevant proposed annual caps thereof by the independent shareholders
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiahua”	浙江嘉化集團股份有限公司(Zhejiang Jiahua Group Co., Ltd.*), a joint stock company established in the PRC with limited liability on 15 March 2000 and a company which is ultimately controlled by Mr. Guan and Ms. Han
“Jiahua Energy Chemical Co”	浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co., Ltd.*) (formerly known as 浙江嘉化工業園投資發展有限公司 (Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.*)), a company established in the PRC with limited liability on 20 January 2001 and a non-wholly owned subsidiary of Jiahua
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“low pressure steam”	for the purpose of this announcement, refers to low pressure steam with a pressure of approximately 1.3 MPa or below
“medium pressure steam”	for the purpose of this announcement, refers to medium pressure steam with a pressure of approximately 3.5 MPa
“MPa”	a metric unit of pressure
“Mr. Guan”	Mr. Guan Jianzhong, an executive Director
“Ms. Han”	Ms. Han Jianhong, an executive Director
“PRC”	the People’s Republic of China
“Renewed Supply Agreements”	collectively, the Sanjiang Chemical Steam Supply Agreement and the Sanjiang New Material Steam Supply Agreement
“RMB”	Renminbi yuan, the lawful currency of the PRC

“Sanjiang Chemical”	三江化工有限公司(Sanjiang Chemical Co. Ltd.*), a company established in the PRC with limited liability on 9 December 2003, which is an indirect wholly-owned subsidiary of the Company
“Sanjiang Chemical Steam Supply Agreement”	the steam supply agreement entered into between Sanjiang Chemical and Jiahua Energy Chemical Co dated 23 January 2018
“Sanjiang New Material”	浙江三江化工新材料有限公司(Zhejiang Sanjiang New Material Co., Ltd.*), a company established in the PRC with limited liability on 23 December 2011, which is an indirect wholly-owned subsidiary of the Company
“Sanjiang New Material Steam Supply Agreement”	the steam supply agreement entered into between Sanjiang New Material and Jiahua Energy Chemical Co dated 23 January 2018
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreements”	collectively, the (i) medium pressure steam supply agreement entered into between Sanjiang Chemical and Jiahua Energy Chemical Co dated 28 January 2016; (ii) the medium pressure steam supply agreement entered into between Sanjiang New Material and Jiahua Energy Chemical Co dated 28 January 2016; (iii) the low pressure steam supply agreement entered into between Sanjiang Chemical and Jiahua Energy Chemical Co dated 28 January 2016; and (iv) the low pressure steam supply agreement entered into between Sanjiang New Material and Jiahua Energy Chemical Co dated 28 January 2016, each with an annual cap until 31 December 2018 as approved in the extraordinary meeting of the Company dated 8 April 2016
“%”	per cent.

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

The PRC, 23 January 2018



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

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