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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Sanjiang Fine Chemicals Company Limited (the "**Company**"), I am pleased to announce the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012.

RESULTS HIGHLIGHTS

	2012	2011**	**Change**
	RMB'000	*RMB'000*	
Revenue	**2,521,448**	2,078,188	21.3%
Gross profit	**530,288**	433,344	22.4%
Net profit attributable to shareholders	**466,776**	405,020	15.2%
Earnings per share – Basic (RMB)	**46.58 cents**	39.77 cents	17.1%
Interim dividend per share (HK$)	**–**	5.50 cents	20.0%
Final dividend per share (HK$)	**18.0 cents**	9.50 cents	
Gross profit margin	**21.0%**	20.9%	0.1%
ROE – net profit for the year to total equity	**23.9%**	24.0%	-0.1%
Dividend payout ratio (Approximate %)	**31.0%**	30.4%	0.6%
Gearing – interesting-bearing borrowings to total asset basis	**33.5%**	39.2%	-5.7%
Sales volume of EO (MT)			
– own production facilities	**201,968MT**	166,814MT	21.1%
– 1st phase EO production facilities of JV	**14,760MT**	–	100.0%
– total	**216,728MT**	166,814MT	29.9%
Effective designed annual production capacity of EO (MT) during the year	**190,400MT**	156,000MT	22.1%
Designed annual production capacity of EO (MT) at year end	**230,000MT**	180,000MT	27.8%
Utilisation rate of EO production facilities, including both direct sales of EO to customers and those EO used for own production of downstream products (Approximate %)	**116%**	113%	3%

** *Certain 2011 figures have been restated to conform to the pooling of interest method adopted for the combination of the financial statements of Zhejiang Xingxing New Energy Technology Co., Ltd.* (浙江興興新能源科技有限公司) ("**Xingxing New Energy**") under common control business acquisition.*

It has been two and a half years since the success of the listing (the "**Listing**") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 September 2010 and this is the 3rd annual result announcement after the Listing. I am glad to report that, over the last two full-year operations since Listing, our Group has been growing at a rapid pace with an average increment of 37.7% on an annual basis in terms of net profit attributable to shareholders and, in the meantime, our Group has achieved an average increment of 45.8% on an annual basis in terms of designed annual production capacity of ethylene oxide ("**EO**"), our Group's dominant product, as at respective year ends. On this basis, I believe our management team has fulfilled and delivered what we originally committed to our shareholders at the time of our initial public offerings, in spite of challenging economic environment including but not limited to, credit tightening, moderation of economy growth momentum and volatility of global commodities' prices since 2011 in the People's Republic of China ("**PRC**").

Going forward, our management team will continue to pursue our established well-formulated strategies including but not limited to continuous expansion of our EO production capacity with an aim to maintain and further strengthen our position as the largest privately-owned manufacturer and supplier of EO in PRC and focusing on vertical integration which enables us to secure the supply of ethylene, the core feedstock of EO, on a long term basis at a relatively reasonable and controllable material cost and, in turn, support our EO production capacity expansion plan.

During the year under review, revenue of our Group improved by approximately 21.3% reaching approximately RMB2,521.4 million as compared to revenue of approximately RMB2,078.2 million for last year. The increase in revenue is primarily due to the increase in sale volume of EO (from own production facilities) by approximately 21.1% primarily due to the first full-year operation of the 3rd phase EO production facilities, the commencement of commercial operation of which was on 24 May 2011. Net profit attributable to shareholders was approximately RMB466.8 million and basic earnings per share was approximately RMB46.58 cents for the year ended 31 December 2012, representing increases of approximately 15.2% and 17.1% respectively as compared with last year.

The Board has recommended a final dividend of HK$18.0 cents per share, representing a total payout of approximately RMB144.8 million and a dividend payout ratio of approximately 31.0% on an annual basis for the year ended 31 December 2012. I would like to take this opportunity to emphasise that the Board will stick to the established dividend policy of making not less than 30% in terms of dividend payout ratio in the foreseeable future.

BUSINESS REVIEW AND OUTLOOK

2012 is definitely a milestone for our Group as we made a number of strategic decisions and grew rapidly throughout the year. During the year, we initiated a vertical integration to build an upstream production facility to produce ethylene, the core feedstock of EO, through the acquisition of a connected limited liability company established in the PRC namely Xingxing New Energy. Furthermore, we have planned to shift the focus of our Group's future growth after 2014 to propylene derivative products from ethylene derivative products. We had a new ramp-up of production facilities for EO – the 1st phase EO production facilities (the "**1st**

phase EO production facilities of JV") of Sanjiang Honam Chemical Co., Ltd.* (三江湖石化工有限公司) ("**Sanjiang Honam**"), a sino-foreign joint venture company which the Group established in 2010 on a 50:50 basis with Honam Petrochemical Corp ("**Honam**"), an independent third party, in October 2012. We had another new ramp-up of production facilities for EO – the 4th phase EO production facilities, in February 2013, which means that our aggregate designed annual production capacity of EO has achieved an increment of more than 80% as at the date of this announcement when comparing to our position a year earlier.

During the first half of 2012, we initiated the vertical integration for EO business for the purpose of securing the supply of ethylene on a long term basis at a relatively reasonable and controllable material cost and, in turn, supporting our EO production capacity expansion plan, through acquiring Xingxing New Energy, which controls the right to use MTO Technology i.e. Methanol-to-Olefin-based technology and related ancillary technologies. The MTO Technology enables us to build a MTO production facility to produce ethylene and propylene and we have commenced the construction of the production facility in October 2012 and expect the commercial operation will take place by the end of 2014. As at the date of this announcement, the Group holds 75% of the equity interest of Xingxing New Energy. We expect the major outputs of the MTO production facility on an annual basis will be approximately 300,000 MT for ethylene, approximately 400,000 MT for propylene, approximately 23,000 MT for C4 and approximately 26,000 MT for C5 while the major inputs during the production process on an annual basis will be the feedstock of approximately 1,800,000 MT for methanol and the processing costs including, among others, electricity expenses, nitrogen, steam costs and water expenses which are required approximately 175 kWh, 90 Nm^3/h, 1.5 tone/h and 4 tone/h respectively for each MT of methanol processed.

In view of the enormous feedstock requirement of the MTO production facility (i.e. approximately 1,800,000 MT of methanol), we fully understand whether we can procure methanol in a supply-stable and cost-effective manner is very critical and we have been taking a number of initiatives to tackle this issue. We are planning to choose transportation by sea for both domestic and overseas procurement of methanol to fulfill the production requirement of the MTO production facility. There are a number of reasons behind: 1) The production base of MTO production facility is only a few miles away from the port area of Jiaxing City of Zhejiang Province, PRC – the Zhapu Port; 2) There will be a high level of procurement volume required and transportation by vessel is more easy and effective to manage than transportation by truck; 3) we expect high land transportation costs of methanol from inland areas where most of the domestic methanol producers locate; 4) we expect international methanol price will be in a downward trend due to shale gas advantage; and 5) we have been noticing a number of international methanol producers increasing their methanol production capacities substantially through new ramp-up or restart-up of production facilities due to increasing methanol demand in PRC. Furthermore, in view of the upcoming enormous import requirement of methanol, in February 2013, we took an initiative to acquire a local port runner – Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd.* (浙江乍浦美福碼頭倉儲有限公司) ("**Mei Fu Port**"), which owns the biggest port in Zhapu, for the purpose of ensuring the smooth and cost-effective import of methanol. The acquisition of Mei Fu Port is yet to complete pending the shareholder approval and any other requirements as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The aggregate capital expenditure of the MTO production facility is expected to be approximately RMB2.2 billion, around 2/3 of which will be funded by way of bank or debt financing and the remaining will be funded by way of internal resources of the Group. As at the date of this announcement, we have obtained a number of offers from various banks in respect of credit line of term loan available to the MTO production facility of an aggregate amount up to RMB1.6 billion with an average interest rate offered of around 8% per annum. We have a gearing guidance for the MTO production facility as well as the overall position for our Group. We will stick to a gearing ratio of not more than 66.7% on total interest-bearing borrowings to total assets basis, which we consider is a better measure when comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities. Based on our assessment when comparing the current market prices of all the outputs and inputs after taking into account the expected processing costs and finance costs, we expect the MTO production facility can generate a ROE of around 20% on a yearly basis, which we believe can be maintained in long run, primarily due to our planned adoption of transportation by sea for the procurement of methanol and the expected downward trend of international methanol price due to shale gas advantage.

Apart from the aforesaid direct financial contribution to the Group by the MTO production facility, our Group will also be benefited from synergy effect through: 1) the sharing of infrastructure as we can get enormous amount of nitrogen from air separation facilities during the EO production process and we have no use for certain amount of nitrogen except for supplying to MTO production facility, the benefit of which is expected to be approximately RMB50 million per annum; and 2) the procurement cost saving in respect of the 2% import duty and transportation cost charged for every MT of ethylene imported from overseas into China as the MTO production facility will supply 300,000 MT of ethylene to our EO production facilities, the benefit of which is expected to be approximately RMB90 million per annum.

Our Group's EO capacity expansion plan will finish after the completion of the 5th phase EO/EG production facilities by the end of 2014, details of which have been set out in separate paragraphs below, and we have planned to shift the focus of our Group's future growth after 2014 to propylene derivative products from ethylene derivative products. In view of the expected output of approximately 400,000 MT of propylene from the operation of the MTO production facility from 2015, we are planning to build propylene-downstream production facilities for the purpose of diversifying our product mix to support our Group's growth after 2014. Given that producing propylene derivative products is a new business line to our Group, we take a more conservative approach in this area and as a result, in February 2013, we took an initiative to acquire a local propylene and propylene derivative products producer – Zhejiang Mei Fu Petrochemical Co. Ltd.* (浙江美福石油化工有限責任公司) ("**Mei Fu Petrochemical**") for the purpose of equipping relevant know-how from a existing player. The acquisition of Mei Fu Petrochemical is yet to complete pending the shareholder approval and any other requirements as required by the Listing Rules.

During the year under review and up to the date of this announcement, we have two new ramp-ups of EO production facilities. We finished the construction of the 1st phase EO production facilities of JV with effective EO contribution to the Group of 50,000 MT in a designed annual production capacity basis in September and the commercial operation has taken place on 18 October 2012. The 1st phase EO production facilities of JV contributed approximately 14,760 MT for EO production/sales during the year ended 31 December 2012 and we expect the 1st phase EO production facilities of JV will contribute approximately 55,000 MT for EO production/sales in 2013. We also finished the construction of the 4th phase EO production facilities with designed annual production capacity of approximately 100,000 MT of EO in January 2013 and the commercial operation has taken place on 24 February 2013. We expect the 4th phase EO production facilities will contribute approximately 92,000 MT for EO production/sales in 2013. Thereafter, together with the additional EO production capacity contributed by the 1st phase EO production facilities of JV, the Group's aggregate designed annual production capacity of EO has increased by approximately 83.3% from 180,000 MT to 330,000 MT in around one year's time and we expect the actual production/sales volume of EO (for both own production facilities and the 1st phase EO production facilities of JV) will increase by approximately 60.8% from approximately 217,000 MT in 2012 to approximately 349,000 MT in 2013. As at the date of this announcement, we have entered into new sales contracts either with existing customers or new customers for aggregate sales order of approximately 80,000 MT on a yearly basis in respect of additional EO outputs from the 4th phase EO production facilities.

After the ramp-up of the 4th phase EO production facilities, we have initiated the construction of our Group's last phase of EO capacity expansion – the 5th phase EO/EG production facilities. The Group is planning to use and purchase, for the 5th phase EO/EG production facilities, the production technology from Scientific Design Company Inc. ("**SD Company**"), which is the same supplier of the production technologies used for the 1st phase to the 4th phase EO production facilities, under which, EO is regarded as the main product while ethylene glycol ("**EG**") is regarded as the by-product, representing the fact that the 1st phase to the 4th phase EO production facilities can only deliver industrial-grade EG, which is a secondary EG in terms of quality and market selling price when comparing with polyester-grade EG. Instead of adopting the same production technologies used for the 1st phase to the 4th phase EO production facilities, we have decided to use and purchase a more advanced production technology from SD Company for the 5th phase EO/EG production facilities, which allows shifting the production capacity in certain extent between the production of EO and the production of EG and, in turn, marking it more flexible for the Group to adjust the product mix in response to the market conditions of EO, EG and AEO surfactants. Furthermore, under the aforesaid production technology, both EO and EG are regarded as the main products and the output of EG will be at polyester-grade. The expected output of the 5th phase EO/EG production facilities on an annual production capacity basis will be in between: 1) EO output at a maximum level of 240,000 MT and EG output at a minimum level of 130,000 MT; and 2) EO output at a minimum level of 100,000 MT and EG output at a maximum level of 250,000 MT. Moreover, the 5th phase EO/EG production facilities is equipped with reprocessing function for EG and able to convert industrial-grade EG into polyester-grade EG and the Group expects it will be benefited by approximately RMB15.0 million additionally through the reprocessing of the industrial-grade EG expected to be delivered by the 1st phase to 4th phase EO production facilities. We expect the commercial operation of the 5th phase EO/EG production facilities will take place by the end of 2014. The aggregate capital expenditure of the 5th phase EO/EG production facilities is expected to be RMB1.3 billion, around 2/3 of which will be funded by way of bank or debt financing and the remaining will be funded by way of internal resources of the Group. As at the date of this announcement, we have obtained a number of offers from various banks in respect of credit line of term loan available to the 5th phase EO/EG production facilities of an aggregate amount up to RMB1 billion with an average interest rate offered of around 8% per annum.

FINANCIAL REVIEW

During the year under review, revenue of our Group improved by approximately 21.3%, primarily due to the increase in sale volume of EO (from own production facilities) by approximately 21.1% in light of the first full-year operation of the 3rd phase EO production facilities, the commencement of commercial operation of which was on 24 May 2011.

Although the 1st phase EO production facilities of JV contributed approximately 14,760 MT for EO production/sales during the year ended 31 December 2012, instead of reflecting such in the accounting captions – revenue, cost of sales and gross profit, the financial impact is only reflected in the accounting caption – share of gain/(loss) of a jointly-controlled entity on a net basis, which is primarily due to the accounting policy choice decided in previous years. Furthermore, given the fact that the Group closely involves in the operation of Sanjiang Honam and procures ethylene, the feedstock from suppliers and resells EO, the finished goods to customers for Sanjiang Honam, the aforesaid accounting policy choice also drags down the overall gross profit margin of our Group by approximately 2.0% due to the inclusion of trading transactions of ethylene and EO with Sanjiang Honam which only has an average gross profit margin of less than 4%. We will revisit this account policy for the financial statement ending 31 December 2013 when relevant new account standard namely *Hong Kong Financial Reporting Standard 11 – Joint Arrangement* has become effective, which allows combining the results of joint operation line by line with reference to the joint operator's shares held jointly and elimination of inter-transactions subject to the fulfillment of certain conditions. We will consider the appropriateness and relevant requirements of the adoption of the aforesaid new accounting standard on Sanjiang Honam.

Our Group's overall gross profit margin maintained at a similar level in 2012 when compared to 2011 (2012: 21.0%; 2011: 20.9%) which is primarily due to the combined effects of: 1) the inclusion of low-GP margin transactions with Sanjiang Honam as mentioned in the above paragraph; and 2) the improvement in gross profit margin of EO sales by 2.3% from 20.5% of 2011 to 22.8% of 2012, primarily due to the changeout of catalyst for two of the EO production facilities in Q1 and Q3 of 2012 respectively, which led to better output ratio of EO versus ethylene, despite the average selling price of EO decreased by 4.5% from RMB12,183/MT (VAT-inclusive) of 2011 to RMB11,629/MT (VAT-inclusive) of 2012 resulted from the impact of price fluctuation of ethylene during the year with the first price peak and then price bottom and the second price peak at a level of approximately USD1,402/MT, USD942/MT and USD1,368/MT in April, June and September 2012 respectively.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my thanks to our shareholders, banks, customers and vendors for their support and trust as well as our management and all staffs for their hard workings and commitments during the year.

GUAN Jianzhong
Chairman

People's Republic of China, 19 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 (restated) (note) RMB'000
REVENUE	4	**2,521,448**	2,078,188
Cost of sales	6	**(1,991,160)**	(1,644,844)
Gross profit		**530,288**	433,344
Other income and gains	4	**244,155**	149,312
Selling and distribution costs		**(1,845)**	(4,576)
Administrative expenses		**(91,849)**	(74,688)
Other expenses		**(69,837)**	(3,009)
Finance costs	5	**(64,361)**	(32,438)
Share of gain/(loss) of a jointly-controlled entity	7	**10,383**	(4,057)
PROFIT BEFORE TAX	6	**556,934**	463,888
Income tax expense	8	**(89,924)**	(58,369)
PROFIT FOR THE YEAR		**467,010**	405,519
Attributable to:			
Equity holders of the parent		**466,776**	405,020
Non-controlling interests		**234**	499
		467,010	405,519
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9		
Basic		**46.58 cents**	39.77 cents
Diluted		**46.55 cents**	39.76 cents
FINAL DIVIDEND DECLARED DURING THE YEAR	10	**144,818**	77,705

Note: Certain 2011 figures have been restated to conform to the pooling of interest method adopted for the combination of the financial statements of Xingxing New Energy under common control business acquisition.

CONSOLIDATED STATEMENT OF FINANCE POSITION
At 31 December 2012

	Notes	2012 RMB'000	2011 (restated) (note) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,452,588**	1,135,436
Prepaid land lease payments		**79,389**	52,185
Intangible assets		**26,496**	26,970
Advance payments for property, plant and equipment		**49,975**	71,636
Investment in a jointly-controlled entity	7	**147,251**	92,105
Deferred tax assets		**3,160**	476
Total non-current assets		**1,758,859**	1,378,808
CURRENT ASSETS			
Inventories	12	**396,443**	222,335
Trade and notes receivables	13	**92,085**	203,135
Prepayments, deposits and other receivables		**259,571**	44,047
Due from related parties		**94,270**	44,132
Derivative financial instruments		**607**	–
Available-for-sale investments	11	**587,307**	478,263
Pledged deposits	14	**1,139,102**	1,001,640
Cash and cash equivalents	14	**233,585**	290,691
Total current assets		**2,802,970**	2,284,243
CURRENT LIABILITIES			
Trade and notes payables	15	**701,437**	335,430
Other payables and accruals		**264,798**	125,883
Derivative financial instruments		**4,576**	–
Interest-bearing bank borrowings	16	**1,528,817**	1,435,829
Due to directors		**–**	4,052
Due to related parties		**21,508**	1,954
Tax payable		**62,355**	25,305
Total current liabilities		**2,583,491**	1,928,453
NET CURRENT ASSETS		**219,479**	355,790
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,978,338**	1,734,598

	Notes	2012 RMB'000	2011 (restated) (note) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**27,571**	47,053
Total non-current liabilities		**27,571**	47,053
Net assets		**1,950,767**	1,687,545
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*17*	**87,144**	87,308
Shares repurchased but not yet cancelled	*17*	**(6,356)**	–
Reserves		**1,697,392**	1,494,997
Proposed final dividend	*10*	**144,818**	77,705
		1,922,998	1,660,010
Non-controlling interests		**27,769**	27,535
Total equity		**1,950,767**	1,687,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the "**Group**") are principally engaged in the manufacturing and supplying of ethylene oxide ("**EO**") and surfactants. The Group is also engaged in the provision of processing service for surfactants to customers and the production and supply of other chemical products such as ethylene glycol, polymer grade ethylene and industrial gases, namely oxygen, nitrogen and argon. Ethylene oxide is a key intermediary component for the production of ethylene derivative products such as ethylene glycol, ethanolamines and glycol ethers and a wide range of surfactants. Surfactants are widely applied in different industries as scouring agent, moisturising agent, emulsifier and solubiliser.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

These financial statements have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

3 SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Entity-wide disclosures

Information about products and services

The following table sets forth the revenue from external customers by product and service during the years:

	2012	2011
	RMB'000	*RMB'000*
EO	**2,007,444**	1,736,970
Surfactants	**85,961**	185,396
Processing services	**23,920**	21,972
EO trading for EO acquired from a jointly-controlled entity	**152,991**	–
Ethylene procurement for a jointly-controlled entity	**110,347**	–
Other chemical products	**133,725**	127,783
Others	**7,060**	6,067
Total	**2,521,448**	2,078,188

Geographical information

All external revenue of the Group during each of the year is attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC. Therefore, no further geographical information is presented.

4 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; the value of services rendered; and gross rental income received.

An analysis of revenue, other income and gains is as follows:

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,490,468**	2,050,149
Provision of services	**23,920**	21,972
Others	**7,060**	6,067
	2,521,448	2,078,188
Other income		
Bank interest income	**106,846**	32,461
Sales of raw materials	**6,942**	-
Sales of cooling water*	**47,016**	-
Interest income from available-for-sale investments	**23,194**	32,327
Project management**	**21,186**	-
Government subsidies***	**18,140**	18,875
Gross rental income	**6,359**	3,088
Others	**4,131**	4,932
	233,814	91,683
Gains		
Foreign exchange gains, net	**598**	45,557
Fair value gains on derivative instruments	**1,469**	-
Gain on disposal of catalysts****	**8,274**	12,072
	10,341	57,629

Notes

* Cooling water sales income mainly represents the income from selling cooling water to a jointly-controlled entity which started the commercial production of EO in 2012.

** Management service income represents the income from the project management services provided to a jointly-controlled entity.

*** Government subsidies mainly represent incentives provided by the local government to the Group for its operation in Jiaxing, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these government grants.

**** Gain on disposal of catalysts represents the gain from disposal of silver catalysts used in production which were replaced during overhaul for the EO production line.

5 FINANCE COSTS

An analysis of finance costs is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Interest on bank loans wholly repayable within five years	**66,055**	34,080
Less: interest capitalised	**(1,694)**	(1,642)
	64,361	32,438

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2012 *RMB'000*	2011 *RMB'000*
Cost of inventories sold	**1,983,420**	1,634,306
Cost of service provided	**5,516**	8,661
Depreciation	**99,772**	88,199
Amortisation of prepaid land lease payments	**1,536**	1,038
Amortisation of intangible assets	**5,106**	3,882
Loss on disposal of property, plant and equipment	**1,300**	2
Write-down of inventories to net realisable value	**15,448**	3,168
Auditors' remuneration	**1,465**	1,458
Minimum lease payments under operating leases	**2,570**	2,423
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**57,871**	51,415
Pension scheme contributions	**1,640**	1,653
Staff welfare expenses	**3,445**	2,188
Equity-settled share award plan expense	**651**	350
	63,607	55,606

7 INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2012 *RMB'000*	2011 *RMB'000*
Share of net assets	**147,251**	92,105

Particulars of the jointly-controlled entity are as follows:

Name	**Place and date of incorporation/ registration and operations**	**Nominal value of issued ordinary share/ registered paid-up capital**	**Percentage of equity interest attributable to the Group**	**Principal activities**
Sanjiang Honam	PRC 11 May 2010	US$44,000,000	50%	Manufacture of EO

The above investment in a jointly-controlled entity is indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2012	2011
	RMB'000	*RMB'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**168,591**	77,469
Non-current assets	**254,625**	39,761
Current liabilities	**(207,702)**	(1,052)
Non-current liabilities	**(68,263)**	(24,073)
Net assets	**147,251**	92,105
Share of the jointly-controlled entity's results:		
Sale	**162,621**	–
Total expenses	**(147,523)**	(4,057)
Tax	**(4,715)**	–
Profit/(loss) after tax	**10,383**	(4,057)

8 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the year is analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**74,457**	45,174
Deferred	**15,467**	13,195
Total tax charge for the year	**89,924**	58,369

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2011: Nil).

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operated in Mainland China is generally 25% in accordance with the PRC corporate income Tax Law which was approved and become effective on 1 January 2008, except for following entities who are entitle to favourable tax rates.

Pursuant to the approval of the tax bureau, Sanjiang Chemical was qualified as a high-new technology company since 2010 and enjoyed a favourable CIT tax rate of 15% from year 2010 to year 2012. Therefore, Sanjiang Chemical was subject to CIT at a rate of 15% for the year ended 31 December 2012 (2011: 15%).

Pursuant to the approval of the tax bureau, Jiaxing Yongming Petrochemical Co., Ltd. ("Yongming Petrochemical") was exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and was entitled to a 50% tax reduction for the succeeding three years. In accordance with the Corporate Income Tax Law, the tax concession would be deemed to commence from 1 January 2008 even if the company did not have taxable profits at that time. Although Yongming Petrochemical was in an accumulative loss position as of 1 January 2008, its tax concession was deemed to have started in 2008. Therefore, Yongming Petrochemical was subject to CIT at a rate of 12.5% for the year ended 31 December 2012 (2011: 12.5%).

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Profit before tax	**556,934**	463,888
Tax at the statutory tax rate	**139,233**	115,972
Lower tax rates enacted by local authority	**(54,590)**	(44,964)
Acceleration deduction for research and development activities	**(8,843)**	(4,953)
Adjustments in respect of current tax of previous periods	**(2,672)**	(1,363)
Expenses not deductible for tax	**805**	236
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**18,042**	13,626
Tax credit in respect of purchases of property, plant and equipment from domestic vendors*	**–**	(21,107)
(Profit)/loss attributable to a jointly-controlled entity	**(2,596)**	1,014
Tax losses utilised from previous years	**(126)**	(677)
Tax losses not recognised	**671**	585
Tax charge at the Group's effective rate	**89,924**	58,369

* The amount represents a tax credit in respect of the purchase of certain manufacturing plant, machinery and equipment made in Mainland China. The tax credit was calculated at 40% of the purchase consideration of such manufacturing plant, machinery and equipment and the tax credit was fully recognised in 2011 upon approval of the Jiaxing City local tax bureau.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award plan.

The calculations of basic and diluted earnings per share are based on:

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**466,776**	405,020

	Number of shares	
	2012	2011
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year	**1,002,077**	1,018,377
Effect of dilution – weighted average number of ordinary shares:		
Share award plan	**601**	266
	1,002,678	1,018,643

10 DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
No interim dividend was declared (2011: HK$5.5 cents per ordinary share)	**–**	46,169
Proposed final – HK$18.0 cents per ordinary share (2011: HK9.5 cents)	**144,818**	77,705
	144,818	123,874

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The exchange rate adopted for conversion is the average closing exchange rate published by the People's Bank of China of the five business days prior to the declaration of dividends.

11 AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Current		
Available-for-sale investment, at fair value	**587,307**	478,263

The Group has investments in trust financial products provided by certain financial institutions. These trust financial products have been accounted for as available-for-sale investment and have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

12 INVENTORIES

	2012	2011
	RMB'000	*RMB'000*
Raw materials	**382,641**	213,718
Finished goods	**13,802**	8,617
	396,443	222,335

13 TRADE AND NOTES RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**10,401**	15,463
Notes receivable	**81,684**	187,672
	92,085	203,135

The credit period is generally 15 to 30 days, extending up to three months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2012, note receivables were neither past due nor impaired.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
1 to 30 days	**8,045**	7,664
31 to 60 days	**917**	6,050
61 to 90 days	**328**	330
91 to 360 days	**1,024**	1,332
Over 360 days	**87**	87
	10,401	15,463

An aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Neither past due nor impaired	**8,045**	7,664
Less than 30 days past due	**917**	6,050
31 to 60 days past due	**328**	330
61 to 90 days past due	**798**	600
91 to 360 days past due	**226**	732
Over 360 days past due	**87**	87
	10,401	15,463

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that has a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2012, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade and bills payables due to such suppliers with a carrying amount in aggregate of RMB176,395,000. The Derecognized Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade and bills payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

14 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2012 *RMB'000*	2011 *RMB'000*
Cash and bank balances	**233,585**	290,691
Time deposits	**1,139,102**	1,001,640
	1,372,687	1,292,331
Less:		
Pledged for letter of credit	**–**	3,350
Pledged for notes payable	**115,025**	–
Pledged for bank loans	**1,024,077**	998,290
Cash and cash equivalents	**233,585**	290,691

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between two and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15 TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Within 3 months	**535,258**	329,740
3 to 6 months	**108,885**	3,907
6 to 12 months	**55,634**	357
12 to 24 months	**1,011**	787
24 to 36 months	**649**	247
Over 36 months	**–**	392
	701,437	335,430

The trade payables are non-interest-bearing and have an average credit term of within three months.

16 INTEREST-BEARING BANK BORROWINGS

	Effective Interest rate *(%)*	**Maturity**	**2012** *RMB'000*	2011 *RMB'000*
Current				
Bank loans – secured*	1.110-4.253	Within 1 year	**1,478,547**	–
	2.988-5.076	Within 1 year	**–**	1,050,021
Bank loans – unsecured	3.860	Within 1 year	**50,270**	–
	3.393-4.627	Within 1 year	**–**	385,808
			1,528,817	1,435,829

* *Certain of the Group's bank borrowings are secured by the pledge of certain of the Group's time deposits amounting to RMB1,024,077,000 as at 31 December 2012 (31 December 2011: RMB998,290,000).*

17 SHARE CAPITAL

The movements in the authorised and issued share capital of the Company are as follows:

	Notes	Number of shares	Amount *RMB'000*
Authorised ordinary shares of HK$0.1 each:			
At 31 December 2011 and 31 December 2012		5,000,000,000	432,465
Issued and fully paid ordinary shares of HK$0.1 each:			
At 1 January 2011		1,022,303,000	88,419
Repurchase and cancellation of ordinary shares	*(i)*	(13,648,000)	(1,111)
At 31 December 2011 and 1 January 2012		1,008,655,000	87,308
Repurchase and cancellation of ordinary shares	*(ii)*	(2,015,000)	(164)
At 31 December 2012		1,006,640,000	87,144

Notes:

(i) 13,648,000 of ordinary shares were repurchased and cancelled during the year ended 31 December 2011, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased and cancelled ordinary shares. The premium and related expenses paid on the repurchase of the 13,648,000 of ordinary shares, of HK$27,840,000 (equivalent to approximately RMB22,670,000) were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

(ii) 2,015,000 of ordinary shares were repurchased and cancelled during the year ended 31 December 2012, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased and cancelled ordinary shares. The premium and related expenses paid on the repurchase of the 2,015,000 of ordinary shares, of HK$3,546,000 (equivalent to approximately RMB2,877,000) were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

2,576,000 of ordinary shares were repurchased during the year ended 31 December 2012, and cancelled on 24 January 2013. The premium and related expenses paid on the repurchase of the 2,576,000 of ordinary shares, of HK$7,839,000 (equivalent to approximately RMB6,356,000) were charged to treasury shares.

Details of the repurchases in 2012 are summarised as follows:

Month of repurchased	Number of ordinary shares repurchased	Price per ordinary share Highest *HK$*	Lowest *HK$*	Aggregate consideration paid *HK$'000*	*RMB'000*
January 2012	2,015,000	1.95	1.81	3,759	3,041
December 2012	2,576,000	3.12	2.92	7,839	6,356
	4,591,000			11,598	9,397

The repurchase and cancellation of ordinary shares were effected by the directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

Revenue of our Group improved by approximately 21.3% reaching approximately RMB2,521.4 million as compared to revenue of approximately RMB2,078.2 million for last year. The increase in revenue is primarily due to the increase in sale volume of EO (from own production facilities) by approximately 21.1% primarily due to the first full-year operation of the 3rd phase EO production facilities, the commencement of commercial operation of which was on 24 May 2011.

The breakdown of revenue by products and sales volume, average selling price and gross profit margin of our products during the years under review are set forth below:

	Full year 2012	***% of revenue***	Full year 2011	*% of revenue*	**Variance** *+/(-)*
REVENUE (RMB'000)					
Ethylene oxide	**2,007,444**	80%	1,736,970	84%	15.6%
Surfactants	**85,961**	3%	185,396	9%	-53.6%
Surfactants processing services	**23,920**	1%	21,972	1%	8.9%
Others	**404,123**	16%	133,850	6%	201.9%
	2,521,448	100%	2,078,188	100%	21.3%
SALES VOLUME (MT)					
Ethylene oxide	**201,968**		166,814		21.1%
Surfactants	**7,163**		13,238		-45.9%
Surfactants processing services	**53,895**		49,053		9.9%
AVERAGE SELLING PRICE (RMB)					
Ethylene oxide	**9,939**		10,413		-4.5%
Surfactants	**12,001**		14,005		-14.3%
Surfactants processing services	**445**		448		-0.7%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	**22.8%**		20.5%		2.3%
Surfactants	**19.1%**		18.3%		0.8%
Surfactants processing services	**76.0%**		61.0%		15.0%

Ethylene oxide sales

During the year under review, the revenue from EO sales increased by 15.6% when compared to 2011 which was primarily resulted from the combined effects of: 1) the first full-year operation of the 3rd phase EO production facilities, the commencement of commercial operation of which was on 24 May 2011, which led to 21.1% increment in the production/sales volume of EO in 2012; and 2) the decrease in the average selling price of EO by 4.5% from RMB10,413/MT of 2011 to RMB9,939/MT of 2012 resulted from the impact of price fluctuation of ethylene during the year with the first price peak and then price bottom and the second price peak at a level of approximately USD1,402/MT, USD942/MT and USD1,368/MT in April, June and September 2012 respectively.

The utilisation rate (measured as actual output divided by designed capacity) in 2012 of our ethylene oxide production facilities reached 116% (2011: 113%), representing the fact that the Group's ethylene oxide production facilities were operated in a full capacity in 2012 and 2011.

Surfactants sales

The revenue of surfactants sales decreased by 53.6% in 2012 when compared to 2011, primarily due to the delay of ramp-up of the 1st phase EO production facilities of JV by approximately two and a half months resulted from the uncertain weather condition and the delay of receipts of certain key parts/components during the construction period, which led to more EO allocated for direct sales in view of the committed new EO sales contacts. The Group expects the sales volume of surfactants in 2013 will improve after the ramp-ups of both the 1st phase EO production facilities of JV and the 4th phase EO production facilities, which will give the Group more flexibility to allocate EO for surfactant production/sales purpose. The decrease in average selling price of surfactants by 14.3% in 2012 when comparing to 2011 was primarily due to the significant price fluctuation of fatty alcohol, another feedstock of surfactants, except for EO, during 2011.

Income from provision of surfactant processing service

Revenue of surfactant processing services increased by approximately 8.9%, which was primarily due to the increase in the surfactant processing volume where we entered into surfactants processing service contracts with a number of customers on a yearly basis.

Others

Others mainly represent sales of other chemical products such as ethylene glycol, polymer grade ethylene, industrial gases, namely oxygen, nitrogen and argon and rental income. The significant increase in revenue from others during the year under review was primarily due to the inclusion of revenue from EO selling for Sanjiang Honam and revenue from ethylene procurement for Sanjiang Honam of approximately RMB153.0 million and approximately RMB110.3 million respectively.

Gross profit and gross margin

Overall gross profit margin maintained at a similar level in 2012 when compared to 2011 (2012: 21.0%; 2011: 20.9%) which is primarily due to the combined effects of: 1) the inclusion of low-GP margin transactions with Sanjiang Honam as mentioned in the **Chairman's statement**; and 2) the improvement in gross profit margin of EO sales by 2.3% from 20.5% of 2011 to 22.8% of 2012, primarily due to the changeout of catalyst for two of the EO production facilities in Q1 and Q3 of 2012 respectively, which led to better output ratio of EO versus ethylene.

Other income and gains

Other income and gains increased by approximately RMB94.9 million from approximately RMB149.3 million for the year ended 31 December 2011 to RMB244.2 million for the year ended 31 December 2012 which was primarily due to: 1) the increase in bank interest income (2012: approximately RMB106.8 million; 2011: approximately RMB32.5 million) as a result of entering into a financial arrangement for the purpose of actively managing internal financial resources of the Group; 2) increase in project management income by RMB21.2 million and 3) increase in income from selling circular water to Sanjiang Honam. Under the aforesaid financial arrangement, the Group places amounts denominated in RMB as pledged deposits and obtains loans denominated in USD with values equivalent to corresponding RMB deposits for the purpose of earning potential appreciation of RMB against USD and the interest spread between pledged deposits and loans.

Administrative and other expenses

Administrative and other expenses consist mainly of staff related costs, various local taxes and educational surcharge, depreciation, amortization of land use rights, operating lease rental expenses, audit fee and miscellaneous expenses. The increase in administrative and other expenses for the year ended 31 December 2013 was mainly due to the increase in salaries, allowance and benefits in kind (2012: approximately RMB44.1 million; 2011: approximately RMB36.2 million) and increase in write-down of silver catalysts to net realisable value of approximately RMB15.4 million resulted from the decrease in internal sliver price as at year end.

Finance costs

The Group borrows loans from banking institutions in the PRC for financing its working capital and its overseas procurement. The increase in finance costs for the year ended 31 December 2012 was mainly due to the increase in average balance of interest-bearing bank borrowings.

Liquidity and Financial Resources

Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB233.6 million (2011: approximately RMB290.7 million), most of which were denominated in Renminbi. The Group had interest-bearing bank borrowings of approximately RMB1,528.8 million as at 31 December 2012 (2011: approximately RMB1,435.8 million). Please refer to note 16 to the consolidated financial statements of this announcement for the details of borrowings and the respective charge of assets.

The Group's gearing, expressed as a percentage of total interest-bearing bank borrowings to total assets, was 33.5% as at 31 December 2012 as compared to 39.2% as at 31 December 2011. The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which management considers is a better measure when comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

Working capital

The inventory turnover days increased by approximately 20.5 days in 2012 (2012: 56.7 days; 2011: 36.2 days), primarily due to the ramp-up of the 1st phase EO production facilities of JV in October 2012 and the Group maintains a relatively high level of ethylene as buffer stock for production.

The trade and notes receivables turnover days maintained at a similar level in 2012 when comparing to 2011 (2012: 21.4 days; 2011: 21.0 days).

The trade and notes payables turnover days increased by approximately 35.3 days in 2012 (2012: 95.0 days; 2011: 59.7 days), primarily due to the ramp-up of the 1st phase EO production facilities of JV in October 2012 and the Group procures more ethylene as buffer stock for production.

Capital Commitments

As at 31 December 2012, the Group has capital commitments amounted to approximately RMB486.7 million which was primarily related to the procurement of plant and machinery for the constructions of additional production capacities.

Contingent Liabilities

As at 31 December 2012, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

Employees and Remuneration Policy

As at 31 December 2012, the Group employed a total of 518 full time employees. For the year ended 31 December 2012, the employee benefit expense was approximately RMB63.6 million. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

Dividend

The Board recommends the payment of a final dividend of HK$18.0 cents per share in respect of the year, representing a dividend payout of RMB144.8 million and dividend payout ratio of 31.0% for the year ended 31 December 2012.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be distributed on or about Wednesday, 15 May 2013 to the shareholders whose names appear on the register of members of the Company as at Tuesday, 7 May 2013.

OTHER INFORMATION

Corporate Governance

The Company has adopted the code provisions in the Code of Corporate Governance Practices (to be renamed as the Corporate Governance Code effective from 1st April 2012) ("**CG Code**"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2012 and up to the date of this annual results announcement.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2012 and up to the date of this annual results announcement.

Audit Committee

As at the date of this announcement, the Audit Committee consists of three members, namely Messrs. Shen Kaijun, Wang Wanxu and Mui Ho Cheung, Gary, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Shen Kaijun. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

During the year ended 31 December 2012 and up to the date of this annual results announcement, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2012 and the annual results of the Group for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

Remuneration Committee

As at the date of this announcement, the Remuneration Committee consists of three members, namely Messrs. Wang Wanxu, Mui Ho Cheung, Gary and Guan Jianzhong, of whom Messrs. Wang Wanxu and Mui Ho Cheung, Gary are independent non-executive Directors and Mr. Guan is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Mr. Wang Wanxu. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

Nomination Committee

As at the date of this announcement, the Nomination Committee consists of three members, namely Messrs. Guan Jianzhong, Wang Wanxu and Shen Kaijun, of whom Messrs. Wang Wanxu and Shen Kaijun are independent non-executive Directors and Mr. Guan is the Chairman of the Board and an executive Director. The chairman of the Nomination Committee is Mr. Guan Jianzhong. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

Purchase, Sales or Redemption of Listed Securities

During the year under view, the Company repurchased a total of 4,591,000 of its ordinary shares of HK$0.10 each on the Stock Exchange of Hong Kong Limited at prices ranging from HK$1.81 to HK$3.12 per share, for a total consideration of HK$11,562,000. Out of the aforesaid 4,591,000 shares, 2,576,000 shares have not been cancelled as at 31 December 2012.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

Annual General Meeting

The forthcoming 2013 annual general meeting ("**AGM**") of the Company will be held at Hong Kong on Monday, 29 April 2013. Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 23 April 2013 to Monday, 29 April 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 April 2013. In addition, the register of members of the Company will be closed from Monday, 6 May 2013 to Tuesday, 7 May 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Friday, 3 May 2013.

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

People's Republic of China, 19 March 2013

As at the date of this announcement, the board of the Directors comprises four executive Directors: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. NIU Yingshan and Mr. HAN Jianping and three independent non-executive Directors: Mr. WANG Wanxu, Mr. SHEN Kaijun and Mr. MUI Ho Cheung, Gary.

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.*