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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)

**CONNECTED TRANSACTION —
LAND USE RIGHT TRANSFER AGREEMENT**

CONNECTED TRANSACTION

The Directors announce that, on 20 January 2021, Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Land Use Right Transfer Agreement with Mei Fu Petrochemical pursuant to which, Mei Fu Petrochemical has agreed to transfer one land parcel (the “**Subject Land**”) at a consideration of RMB44,000,000 to Sanjiang Chemical.

IMPLICATIONS OF THE LISTING RULES

As the relevant applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the Land Use Right Transfer Agreement and the transaction are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LAND USE RIGHT TRANSFER AGREEMENT

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Date: 20 January 2021

Parties: (1) Transferor — Mei Fu Petrochemical, a Connected Person;
and
(2) Transferee — Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company).

Subject matter

Pursuant to the Land Use Right Transfer Agreement, Mei Fu Petrochemical has agreed to transfer one land parcel (the “**Subject Land**”) at a consideration of RMB44,000,000 to Sanjiang Chemical.

Subject Land

Mei Fu Petrochemical owns a land parcel located in Zhejiang Haiyan Economic Development Zone* (浙江省海鹽經濟開發區) and right next to the production base of Xing Xing (an indirectly non wholly-owned subsidiary of the Company), with an area of 61,952 sq.m of land use right for industrial use. Mei Fu Petrochemical has exclusive right to dispose of the Subject Land and there is no other right to mortgage under the Subject Land. As of the effective date of the Land Use Right Transfer Agreement, the Subject Land has not been subject to enforcement measures such as seizure, freezing, auction, or sale by judicial, administrative and other state agencies.

The term of use of the Subject Land is from 13 April 2017 to 12 April 2067. The Subject Land was granted land, and the aggregate amount of the preferential land premium and the prepaid land use tax was RMB34.5 million as at the date of this announcement.

Consideration and terms of payment

The Consideration for the transaction is RMB44,000,000 (equivalent to approximately HK\$52,257,000), which will be paid by the transferee to the transferor within twenty calendar days from the date of the Land Use Right Transfer Agreement (or such other date as may be agreed by the parties) by way of bank transfer to the transferor’s designated PRC bank account. The Consideration will be funded by internal resources of the Group.

Completion

Within twenty calendar days from the date of the Land Use Right Transfer Agreement, Mei Fu Petrochemical will deliver the Subject Land to Sanjiang Chemical on an “as-is” basis so that Sanjiang Chemical is able to commence its construction of its waste water processing facilities on the Subject Land and Sanjiang Chemical will bear all the costs as to the ownership of the Subject Land (including but not limited to the land use tax

imposed by the local land/tax authority) since then. After Mei Fu Petrochemical delivers the Subject Land to Sanjiang Chemical, Sanjiang Chemical will pay the consideration of RMB44,000,000 to Mei Fu Petrochemical.

According to the land use right title transfer requirement imposed by the local land authority on the Subject Land, the transfer of land title is only acceptable until the construction of the planned facilities (i.e. the aforesaid waste water processing facilities) is up to 25% completion, which, Sanjiang Chemical expects, will be on or around the end of 2021.

According to the Land Use Right Transfer Agreement, if the land use right title transfer cannot be completed successfully, Mei Fu Petrochemical will reimburse all the costs incurred by Sanjiang Chemical as to the Subject Land (including the construction costs for the aforesaid waste water processing facilities) plus RMB88,000,000 to Sanjiang Chemical, representing the refund of the consideration of RMB44,000,000 plus interest part and any other costs.

Basis of the Consideration

The Directors (including the independent non-executive Directors, but excluding Ms. Han who is required to abstain from voting) confirm that the Consideration was arrived at after arm's length negotiations and on normal commercial terms between Sanjiang Chemical (i.e. the transferee) and Mei Fu Petrochemical (i.e. the transferor) with reference to the valuation of the market value of the Subject Land of approximately RMB45.2 million as at the valuation date of 31 December 2020 prepared by the Independent Valuer using direct comparison method under market approach.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal activities of the Group are the manufacture and supply of ethylene oxide, ethylene glycol, polypropylene, methyl tert-butyl ether and surfactants in the PRC. The Group was also engaged in the provision of processing services for polypropylene, methyl tert-butyl ether and surfactants to its customers and the production and supply of other chemical products such as C4, pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC.

Currently, the Group has a number of production facilities located in Zhejiang Haiyan Economic Development Zone* (浙江省海鹽經濟開發區) and the Group always looks for ways to increase its land reserve in Zhejiang Haiyan Economic Development Zone* (浙江省海鹽經濟開發區) for the purpose of preparing for production capacity expansion as to the new production facilities with 1,000,000 MT output of ethylene oxide/ethylene glycol.

As the Subject Land is located in Zhejiang Haiyan Economic Development Zone* (浙江省海鹽經濟開發區) and right next to the production base of Xing Xing (an indirectly non wholly-owned subsidiary of the Company), the Directors consider the Subject Land is a good fit for the Group to build/extend its capacity in terms of waste water processing, which will serve as ancillary facilities for both the new production facilities with 1,000,000 MT output of ethylene oxide/ethylene glycol and Xing Xing's existing production facilities, on the Subject Land, which will bring synergies to the Group given the geographical proximity with the Group's other production facilities and Xing Xing. Moreover, having taken into account the market value of the Subject Land as at 31 December 2020 of approximately RMB45.2 million under the Valuation Report, the Directors (including the independent non-executive Directors, but excluding Ms. Han who is required to abstain from voting) are of the view the Consideration is a good bargain for the Group. Therefore, Sanjiang Chemical entered into the Land Use Right Transfer Agreement with Mei Fu Petrochemical.

Since Ms. Han has a material interest in the Land Use Right Transfer Agreement, she therefore abstained from voting on board resolutions of the Company approving the Land Use Right Transfer Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Land Use Right Transfer Agreement, which were arrived at after arm's length negotiations between Sanjiang Chemical and Mei Fu Petrochemical, are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

CONNECTED PERSON

Mei Fu Petrochemical is owned as to 33.00% by Sure Capital, 21.85% by Hangzhou Haoming, 18.00% by Jianghao Investment, 17.15% by Weiyu Industrial and 10.00% by Jiaxing Guanbao and is controlled by Mr. Guan. Mr. Guan is a controlling Shareholder of the Company and the spouse of Ms. Han, an executive Director of the Company. As Ms. Han is an executive Director and Mr. Guan is a controlling Shareholder of the Company, Mei Fu Petrochemical is therefore an associate of Mr. Guan and Ms. Han and are thus a connected person of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the Land Use Right Transfer Agreement and the transaction are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
“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
“Completion”	completion of the Land Use Right Transfer Agreement
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration to be payable by the transferee to the transferor pursuant to the Land Use Right Transfer Agreement dated 20 January 2021
“Director(s)”	the director(s) of the Company
“Hangzhou Haoming”	杭州浩明投資有限公司 (Hangzhou Haoming Investment Co., Ltd.*), a company established in the PRC with limited liability on 26 March 1998, is owned as to 75% by Mr. Guan, 20% by Ms. Han and 5% by Mr. Han
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	CHFT Advisory and Appraisal Ltd, a qualified valuer registered in Hong Kong
“Jianghao Investment”	嘉興港區江浩投資發展有限公司 (Jiaying Gangqu Jianghao Investment Development Company Limited*), a company established in PRC with limited liability, and a company which is owned by Mr. Guan and Ms. Han as to 80.00% and 20.00% respectively as at the date of this announcement, a Connected Person of the Company

“Jiaying Guanhao”	嘉興管浩怡投資合夥企業（有限合夥）（Jiaying Guanhaoyi Investment Partnership Limited (Limited Partnership)*), a limited liability partnership established in the PRC, is owned as to 50% by Mr. Guan and 50% by Ms. Han
“Land Use Right Transfer Agreement”	the land use right transfer agreement entered into between Sanjiang Chemical and Mei Fu Petrochemical dated 20 January 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mei Fu Petrochemical”	浙江美福石油化工有限責任公司 (Zhejiang Mei Fu Petrochemical Co., Ltd*), a company established in the PRC with limited liability, is owned as to 33.00% by Sure Capital, 21.85% by Hangzhou Haoming, 18.00% by Jianghao Investment, 17.15% by Weiyu Industrial and 10.00% by Jiaying Guan hao and is controlled by Mr. Guan. Mr. Guan is a controlling Shareholder of the Company and the spouse of Ms. Han, an executive Director of the Company. As Ms. Han is an executive Director and Mr. Guan is a controlling Shareholder of the Company, Mei Fu Petrochemical is therefore an associate of Mr. Guan and Ms. Han and are thus a connected person of the Company
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company and the spouse of Ms. Han
“Mr. Han”	Mr. Han Jianping, the brother of Ms. Han and the brother-in-law of Mr. Guan
“Ms. Han”	Ms. Han Jianhong, an executive Director and the spouse of Mr. Guan
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subject Land”	the land parcel, that was owned by Mei Fu Petrochemical immediately before the completion of the Land Use Right Transfer Agreement, is located in Zhejiang Haiyan Economic Development Zone* (浙江省海鹽經濟開發區) and right next to the production base of Xing Xing (an indirectly non wholly-owned subsidiary of the Company), with an area of 61,952 sq.m of land use right for industrial use
“Sure Capital”	Sure Capital Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a company wholly-owned by Yihao Development Limited which is held under the Yihao Trust, the trustee of which is Vistra Trust (Singapore) Pte. Ltd. whereas the Yihao Trust was established by Mr. Guan and Ms. Han as settlors, therefore a connected person of the Company as at the date of this announcement
“Valuation Report”	the valuation report in relation to the Subject Land as at the valuation date of 31 December 2020 prepared by the Independent Valuer
“Weiyu Industrial”	杭州煒宇實業投資有限公司 (Hangzhou Weiyu Industrial Investment Co., Ltd.*), a company established in PRC with limited liability, is owned as to 85.50% by 杭州明光印染化工有限公司 (Hangzhou Mingguang Printing and Dyeing Chemical Co., Ltd.*) and 14.50% by 杭州偉達化工有限公司 (Hangzhou Weida Chemical Co., Ltd.*), all of whom are third parties independent of the Company and its connected person. 杭州明光印染化工有限公司 (Hangzhou Mingguang Printing and Dyeing Chemical Co., Ltd.*), a company established in PRC with limited liability, is owned as to 51.00% by Weng Yuzhen* (翁玉珍), 43.00% by Guo Mingliang* (郭明良) and 6.00% by Guo Mingdong* (郭明東) and 杭州偉達化工有限公司 (Hangzhou Weida Chemical Co., Ltd.*), a company established in PRC with limited liability, is owned as to 60.00% by Xin Zhangwei* (殷張偉), 30.00% by Yin Lili* (殷麗麗) and 10.00% by Yin Linan* (殷莉楠), all of whom are third parties independent of the Company and its connected person

“Xing Xing”

浙江興興新能源科技有限公司 (Zhejiang Xingxing New Energy Technology Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company, which is owned as to 87% by Sanjiang Chemical and as to 6%, 3%, 2% and 2% respectively by each of Mr. Guo Jinzong* (郭勁松), Mr. Guo Mingliang* (郭明良), Mr. Guo Mingdong* (郭明東) and Mr. Xin Zhangwei* (殷張偉), all of whom are third parties independent of the Company and its connected persons

“%”

per cent.

An exchange note of HK1.00 to RMB0.842 has been adopted in this announcement for illustration purpose.

By order of the Board
China Sanjiang Fine Chemicals Company Limited
HAN Jianhong
Chairlady and executive Director

The PRC, 20 January 2021

As at the date of this announcement, the Board comprises two executive Directors: Ms. HAN Jianhong 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 individuals and 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.*