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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)

**REVISED ANNUAL CAPS IN RESPECT OF
(1) SANJIANG CHEMICAL ETHYLENE STORAGE SERVICES
AGREEMENT
(2) DESALINATED WATER AND MISCELLANEOUS MATERIALS
SUPPLY AGREEMENTS
AND
(3) SANJIANG CHEMICAL GAS AND MISCELLANEOUS
MATERIALS SALES AGREEMENT
FOR THE YEARS ENDING 31 DECEMBER 2022 AND 2023**

Reference is made to the announcement of the Company dated 11 December 2020 (“Announcement”) in relation to, among other things, the transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement and the respective Annual Caps for the three years ending 31 December 2023.

On 11 December 2020, members of the Group entered into the following (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement with Jiahua Energy Chemical Co. for a period of 3 years ending 31 December 2023, with terms and conditions that are no less favourable than the terms offered to other independent third parties by Jiahua Energy Chemical Co. with details as follows:

Parties	Term	Services/products
<p>(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as service provider; and</p> <p>(2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)</p>	From 1 January 2020 to 31 December 2023	Provision of ethylene storage services to Jiahua Energy Chemical Co.
<p>(1) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules), as supplier; and</p> <p>(2) Each of:</p> <p>(i) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company;</p> <p>(ii) Sanjiang New Material, an indirectly wholly-owned subsidiary of the Company; and</p> <p>(iii) Xing Xing, an indirectly non wholly-owned subsidiary of the Company.</p>	From 1 January 2020 to 31 December 2023	Provision of desalinated water and miscellaneous materials by Jiahua Energy Chemical Co.

Parties	Term	Services/products
(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as supplier; and	From 1 January 2020 to 31 December 2023	Provision of oxygen gas and nitrogen gas together with other miscellaneous materials to Jiahua Energy Chemical Co.
(2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)		

(1) Sanjiang Chemical Ethylene Storage Services Agreement

The consideration for the provision of ethylene storage services by Sanjiang Chemical shall be calculated by multiplying the tonnage of goods to be stored and handled at a range between RMB200 per tonne and RMB300 per tonne, which is in turn determined by taking into account the weighted average of unit storage fee offered by Sanjiang Chemical to its independent customers for the relevant service of comparable quality during the same month of supply and after arm's length negotiation among the parties concerned based on the prevailing market rate. The relevant purchase price shall be tallied on the end of each calendar month, and shall be payable on or before the end of the following months.

In order to ensure that the storage services fee per tonne is no less favourable than those offered by Sanjiang Chemical to its independent customers, the Group would compare quotations given to the other independent ethylene storage service customers and analyse market information, and the price for the provision of ethylene storage services by the Group will be agreed after arm's length negotiation with Jiahua Energy Chemical Co.. Accordingly, the Board considers that such methods and procedures can ensure that the provision of ethylene storage services by the Group will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

(2) Desalinated Water and Miscellaneous Materials Supply Agreements

Pursuant to the Desalinated Water and Miscellaneous Materials Supply Agreements, Jiahua Energy Chemical Co. has agreed to supply desalinated water and miscellaneous materials to each of Sanjiang Chemical, Sanjiang New Material and Xing Xing at a price which is the weighted average of those offered by Jiahua Energy Chemical Co. to its independent purchasers for desalinated water and miscellaneous materials of comparable quality during the same month of supply. The relevant purchase price shall be tallied on the end of each calendar month, and shall be payable on or before the end of the following months.

The Group would employ the following measures to ensure the price of desalinated water and miscellaneous materials offered by Jiahua Energy Chemical Co. to Sanjiang Chemical, Sanjiang New Material and Xing Xing is no less favourable than the price of supplying desalinated water and such miscellaneous materials of comparable quality to other independent third party(ies) by Jiahua Energy Chemical Co.. The following measures, which would be employed by the Group and Jiahua Energy Chemical Co., are determined after arm's length negotiations between the Group and Jiahua Energy Chemical Co.:

- (1) the finance department of the Group will obtain (i) all monthly invoices issued by Jiahua Energy Chemical Co. to its independent purchaser(s) that require desalinated water and miscellaneous materials of comparable quality; and (ii) all supply contracts for desalinated water and miscellaneous materials of comparable quality entered into between Jiahua Energy Chemical Co. and its independent purchaser(s) on a quarterly basis, to ascertain the completeness of the calculation (to be provided by Jiahua Energy Chemical Co.) for the weighted average purchase price of desalinated water and miscellaneous materials since the purchase price of desalinated water and miscellaneous materials payable by the Group is agreed to be the weighted average price of the relevant product of comparable quality offered by Jiahua Energy Chemical Co. to its independent purchaser(s) during the same month of supply; and
- (2) in the event that the prices of desalinated water and miscellaneous materials prices that Jiahua Energy Chemical Co. charges Sanjiang Chemical, Sanjiang New Material and Xing Xing are higher than the weighted average purchase prices offered by Jiahua Energy Chemical Co. to its independent purchaser(s) for the relevant products of comparable quality during the same month of supply, Sanjiang Chemical, Sanjiang New Material and Xing Xing will negotiate with Jiahua Energy Chemical Co. to adjust the proposed purchase prices to prices that are equal to or lower than the weighted average purchase prices it offers to those independent purchaser(s). If the prices of desalinated water and miscellaneous materials which Jiahua Energy Chemical Co. offers to Sanjiang Chemical, Sanjiang New Material and Xing Xing are no less favourable than the weighted average purchase prices Jiahua Energy Chemical Co. offers to independent purchaser(s), 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 general manager of the Group.

(3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement

Pursuant to the Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement, the purchase price for oxygen gas and nitrogen gas together with other miscellaneous materials shall be at a price which is the weighted average of those obtained by Jiahua Energy Chemical Co. from its independent suppliers for the relevant product of comparable quality during the same month of supply. The relevant purchase price shall be tallied on the end of each calendar month, and shall be payable on or before the end of the following months.

In order to ensure that the selling price for relevant product of comparable quality is no less favourable than the prevailing market price, the Group would compare quotations given by Sanjiang Chemical to other independent purchasers for oxygen gas and nitrogen gas together with other miscellaneous materials of comparable quality after taking into account the additional transportation costs that may be incurred and analyse such market information, and the unit selling price for oxygen gas and nitrogen gas together with other miscellaneous materials will be agreed after arm's length negotiation with Jiahua Energy Chemical Co.. Accordingly, the Board considers that such methods and procedures can ensure that the supply of oxygen gas and nitrogen gas together with other miscellaneous materials will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

REVISED ANNUAL CAPS IN RESPECT OF (1) SANJIANG CHEMICAL ETHYLENE STORAGE SERVICES AGREEMENT; (2) DESALINATED WATER AND MISCELLANEOUS MATERIALS SUPPLY AGREEMENTS; AND (3) SANJIANG CHEMICAL GAS AND MISCELLANEOUS MATERIALS SALES AGREEMENT FOR THE YEARS ENDING 31 DECEMBER 2022 AND 2023

(1) Sanjiang Chemical Ethylene Storage Services Agreement

As stated in the Announcement, the previously announced Annual Caps for the continuing connected transactions contemplated under the Sanjiang Chemical Ethylene Storage Services Agreement were determined based on the following:

- (1) the expected unit of services to be required by Jiahua Energy Chemical Co. from Sanjiang Chemical for ethylene storage services for the three years ending 31 December 2023 as a result of the ramp up of a new production facility by Jiahua Energy Chemical Co., which requires ethylene as feedstock;
- (2) the expected unit fees to be paid by Jiahua Energy Chemical Co. to Sanjiang Chemical for the three years ending 31 December 2023;
- (3) the expected market conditions and increase in demand for ethylene storage services from Jiahua Energy Chemical Co..

Due to the following reasons, the 2022 and 2023 Revised Annual Caps are revised:

- (a) Jiahua Energy Chemical Co. completed its ramp-up of a new production facility, which requires either gaseous ethylene or liquid ethylene as feedstock, in Q4 of 2021 and Jiahua Energy Chemical requires Sanjiang Chemical to provide ethylene storage services during the course of its procurement of liquid ethylene. In 2022, in view of the market condition of gaseous ethylene, Jiahua Energy Chemical Co. adjusted its procurement plan for ethylene substantially and has decided to procure more liquid ethylene to substitute gaseous ethylene and in turn requires more ethylene storage services from Sanjiang Chemical.
- (b) The unit cost of industrial electricity that Sanjiang Chemical uses for the provision of ethylene storage services increased by more than 20% in 2022 when comparing to 2021, representing the fact that, according to the pricing mechanism, the quotations given by the Group to the other independent ethylene storage service customers would increase and the price for the provision of ethylene storage services by the Group would increase accordingly. As such, the expected unit fees to be paid by Jiahua Energy Chemical Co. to Sanjiang Chemical are expected to increase in a certain extent in 2022 and 2023 when comparing to 2021.

(2) Desalinated Water and Miscellaneous Materials Supply Agreements

As stated in the Announcement, the previously announced Annual Caps for the continuing connected transactions contemplated under the Desalinated Water and Miscellaneous Materials Supply Agreements were determined based on the following:

- (1) the growth of the production capacities of ethylene oxide (“EO”), ethylene glycol (“EG”) and polypropylene (“PP”) of the Group for the period of three years ending 31 December 2023 as a result of the ramp up of the new production facilities with 1,000,000MT output of EO/EG as middle stream level capacity increment and 1,250,000MT output of ethylene as upstream level capacity increment on a yearly basis which led to an increase in the Group’s demand for desalinated water and miscellaneous materials for production purposes;
- (2) the expected amount of purchases to be made by Sanjiang Chemical, Sanjiang New Material and Xing Xing for desalinated water and miscellaneous materials for the three years ending 31 December 2023; and
- (3) the estimated market price of desalinated water and miscellaneous materials for the three years ending 31 December 2023.

Due to the following reasons, the 2022 and 2023 Revised Annual Caps are revised:

- (a) The market price of desalinated water and miscellaneous materials increased by more than 25% in 2022 when comparing to 2021 and the estimated market prices of desalinated water and miscellaneous materials are expected to be further increased in 2023, representing the fact that, according to the pricing mechanism, Jiahua Energy Chemical Co. would charge each of Sanjiang Chemical, Sanjiang New Material and Xing Xing more for desalinated water and miscellaneous materials as the prices that Jiahua Energy Chemical Co. would charge each of Sanjiang Chemical, Sanjiang New Material and Xing Xing are based on a price which is the weighted average of those offered by Jiahua Energy Chemical Co. to its independent purchasers for desalinated water and miscellaneous materials of comparable quality during the same month of supply.
- (b) The Group expects its new production facilities with 1,000,000MT output of EO/EG as middle stream level capacity increment and 1,250,000MT output of ethylene as upstream level capacity will be a position to operate on a full load basis in 2023 and as such, it is expected the Group's demand for desalinated water and miscellaneous materials will increase substantially in 2023 when comparing to 2021 and 2022.

(3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement

As stated in the Announcement, the previously announced Annual Caps for the continuing connected transactions contemplated under the Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement were determined based on the following:

- (1) the expected amount of purchases to be made by Jiahua Energy Chemical Co. from Sanjiang Chemical for the three years ending 31 December 2023; and
- (2) the estimated market price of relevant goods for the three years ending 31 December 2023.

Due to the following reasons, the 2022 and 2023 Revised Annual Caps are revised:

- (a) The unit cost of industrial electricity that Sanjiang Chemical uses in its air separation facilities for the production of oxygen gas and nitrogen gas, increased by more than 20% in 2022 when comparing to 2021. As such, the expected unit price to be paid by Jiahua Energy Chemical Co. to Sanjiang Chemical are expected to increase in a certain extent in 2022 and 2023 when comparing to 2021.
- (b) The Group expects the market condition and demand for oxygen gas and nitrogen gas will substantially increase from Q4 of 2022 as the Group expects the energy prices in general will substantially increase from Q4 of 2022.

The 2022 and 2023 Revised Annual Caps are revised as follows:

Parties	Services/products	Original Annual Caps for the years ending 31 December 2022 and 2023	Revised Annual Caps for the years ending 31 December 2022 and 2023
<p>(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as service provider; and</p> <p>(2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)</p>	<p>Provision of ethylene storage services to Jiahua Energy Chemical Co.</p>	<p>RMB28,900,000 and RMB28,900,000</p>	<p>RMB49,000,000 and RMB49,000,000</p>
<p>(1) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules), as supplier; and</p> <p>(2) Each of:</p> <p>(i) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company;</p> <p>(ii) Sanjiang New Material, an indirectly wholly-owned subsidiary of the Company; and</p> <p>(iii) Xing Xing, an indirectly non wholly-owned subsidiary of the Company.</p>	<p>Provision of desalinated water and miscellaneous materials by Jiahua Energy Chemical Co.</p>	<p>RMB61,600,000 and RMB61,600,000</p>	<p>RMB61,600,000 and RMB82,900,000</p>
<p>(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as supplier; and</p> <p>(2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)</p>	<p>Provision of oxygen gas and nitrogen gas together with other miscellaneous materials to Jiahua Energy Chemical Co.</p>	<p>RMB30,000,000 and RMB30,000,000</p>	<p>RMB46,000,000 and RMB51,000,000</p>

The 2022 and 2023 Revised Annual Caps have been determined based on the estimated activity levels between the parties, taking into account the historical values of the relevant transactions for the year ended 31 December 2021 and during the period from 1 January 2022 to 31 August 2022.

A summary of each of the historical amounts regarding the continuing connected transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement, their existing Annual Caps as set out in the Announcement and the 2022 and 2023 Revised Annual Caps is set out in the table below.

Parties	Services/products	Actual transaction amount for the year ended 31 December 2021	Actual transaction amount for the period from 1 January 2022 to 31 August 2022	Existing Annual Caps for the year ending 31 December			Revised Annual Caps for the year ending 31 December	
				2021	2022	2023	2022	2023
		RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)
(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as service provider; and (2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)	Provision of ethylene storage services to Jiahua Energy Chemical Co.	24.5	26.1	28.9	28.9	28.9	49.0	49.0
(1) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules), as supplier; and (2) Each of: (i) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company; (ii) Sanjiang New Material, an indirectly wholly-owned subsidiary of the Company; and (iii) Xing Xing, an indirectly non wholly-owned subsidiary of the Company.	Provision of desalinated water and miscellaneous materials by Jiahua Energy Chemical Co.	20.0	13.8	44.3	61.6	61.6	61.6	82.9
(1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as supplier; and (2) Jiahua Energy Chemical Co., a connected person (as defined under the Listing Rules)	Provision of oxygen gas and nitrogen gas together with other miscellaneous materials to Jiahua Energy Chemical Co.	24.7	18.1	30.0	30.0	30.0	46.0	51.0

Such projection is assumed solely for determining the Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group.

The Independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i)(1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement; (ii) agreements entered into between each of the Group and Jiahua Energy Chemical Co. and independent third parties for the provision of the services/products of comparable quality; and (iii) quotations given to the other independent ethylene storage service customers/monthly invoices issued by Jiahua Energy Chemical Co. to its independent purchaser(s) that require desalinated water and miscellaneous materials of comparable quality/quotations given by Sanjiang Chemical to other independent purchasers for oxygen gas and nitrogen gas for the provision of the services/products for review and comparison purpose. The Independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement are conducted in accordance with the terms and conditions of (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement.

REASONS FOR AND BENEFITS OF (1) SANJIANG CHEMICAL ETHYLENE STORAGE SERVICES AGREEMENT; (2) DESALINATED WATER AND MISCELLANEOUS MATERIALS SUPPLY AGREEMENTS; AND (3) SANJIANG CHEMICAL GAS AND MISCELLANEOUS MATERIALS SALES AGREEMENT

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.

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, chlor-alkali, ortho-para, fatty alcohol and sulfuric acid. Jiahua Energy Chemical

Co. is currently listed on the Shanghai Stock Exchange (stock code: 600273). Other than Jiahua, there are no other shareholders who individually hold more than 10% or above interests in Jiahua Energy Chemical Co..

(1) Reasons for entering into the Sanjiang Chemical Ethylene Storage Services Agreement

As the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the transportation costs of ethylene to Jiahua Energy Chemical Co. from the Group can be reduced. It is also uneconomical for Jiahua Energy Chemical Co. to look for other ethylene storage service providers given the geographic proximity of the Group and Jiahua Energy Chemical Co.. The Sanjiang Chemical Ethylene Storage Services Agreement is non-exclusive and non-compulsory in nature, which allows the Group to maximize the usage of ethylene storage capacity at the time of having spare capacity. In view of the foregoing reasons, the Group entered into the Sanjiang Chemical Ethylene Storage Services Agreement with Jiahua Energy Chemical Co..

(2) Reasons for entering into the Desalinated water and Miscellaneous Materials Supply Agreements

Desalinated water and miscellaneous materials are used during the process of the absorption of ethylene and propylene in the production process. Given Jiahua Energy Chemical Co. is the only company that provides desalinated water and miscellaneous materials in the Zhapu area of Jiading City, the PRC, which is the same economic development zone where Sanjiang Chemical, Sanjiang New Material and Xing Xing are located, it is not economical for Sanjiang Chemical, Sanjiang New Material and Xing Xing to source desalinated water and miscellaneous materials from other suppliers. As the production base of Sanjiang Chemical, Sanjiang New Material and Xing Xing is situated close to that of Jiahua Energy Chemical Co., transportation costs of desalinated water and miscellaneous materials from Jiahua Energy Chemical Co. to Sanjiang Chemical, Sanjiang New Material and Xing Xing can be reduced. Moreover, Jiahua Energy Chemical Co. has been supplying desalinated water and miscellaneous materials 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. Further, as Sanjiang Chemical, Sanjiang New Material and Xing Xing have an existing transmission network for desalinated water and miscellaneous materials in place for transmission of desalinated water and miscellaneous materials from Jiahua Energy Chemical Co., Sanjiang Chemical, Sanjiang New Material and Xing Xing can accordingly procure the supply of desalinated water and miscellaneous materials from Jiahua Energy Chemical Co. without incurring additional fixed costs. In view of the foregoing reasons, Sanjiang Chemical, Sanjiang New Material and Xing Xing entered into the Desalinated Water and Miscellaneous Materials Supply Agreements with Jiahua Energy Chemical Co..

(3) Reasons for entering into Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement

The entering into of the Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement will enable the Group to extend its business relationships between the Group and Jiahua Energy Chemical Co. and further bring synergies to the parties. In addition, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the delivery costs of goods to be borne by the Group can be reduced. The Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement is non-exclusive and non-compulsory in nature, which allows the Group to maximize the usage of its relevant production facilities for gas and miscellaneous material production at the time of having spare capacity. In view of the foregoing reasons, the Group entered into the Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement with Jiahua Energy Chemical Co..

LISTING RULES IMPLICATIONS

Jiahua Energy Chemical Co. is owned as to approximately 36.77% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han. As Ms. Han is an executive Director and Mr. Guan is the controlling Shareholder of the Company, Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable ratios in respect of the considerations under each of (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement are less than 5%, the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Guan is an executive Director and the daughter of Mr. Guan and Ms. Han. Ms. Han and Ms. Guan were interested in the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement and they therefore abstained from voting on the board resolutions of the Company approving the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement and the transactions contemplated

thereunder. Save as disclosed, none of the Directors had any material interest in the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect thereof.

The Directors (including the Independent non-executive Directors but excluding the Directors who have abstained from voting) consider that the continuing connected transactions contemplated under the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Board (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are also of the opinion that the 2022 and 2023 Revised Annual Caps are fair and reasonable.

DEFINITIONS

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

“2022 and 2023 Revised Annual Caps” the revised annual caps for the continuing connected transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement for the years ending 31 December 2022 and 2023, as set out under the section headed “Revised Annual Caps in respect of the (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement for the years ending 31 December 2022 and 2023” in this announcement

“Annual Caps” the annual caps for the continuing connected transactions contemplated under (1) Sanjiang Chemical Ethylene Storage Services Agreement, (2) Desalinated Water and Miscellaneous Materials Supply Agreements and (3) Sanjiang Chemical Gas and Miscellaneous Materials Sales Agreement for each of the three years ending 31 December 2023 in this announcement

“associate(s)” has the meaning ascribed thereto 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 same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Party(ies) independent of the Group and its connected persons
“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
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company, and the spouse of Ms. Han
“Ms. Guan”	Ms. Guan Siyi, an executive Director and the daughter of Mr. Guan and Ms. Han
“Ms. Han”	Ms. Han Jianhong, an executive Director
“PRC”	the People’s Republic of China
“RMB”	Renminbi, 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 and an wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

The PRC, 23 September 2022

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

In this announcement, if there is any discrepancy 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.*