
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

CONTINUING CONNECTED TRANSACTIONS

- (1) PROPYLENE SALE AND PURCHASE AGREEMENT**
 - (2) PROPANE SALE AND PURCHASE AGREEMENT**
 - (3) NAPHTHA SALE AND PURCHASE AGREEMENT**
 - (4) COMMISSIONED PROCESSING AND RENTAL AGREEMENT**
 - (5) LIQUEFIED PETROLEUM GAS SALE AND PURCHASE AGREEMENT**
 - (6) MIXED C4 SUPPLY AGREEMENT**
 - (7) INDUSTRIAL CRACKING C9 SUPPLY AGREEMENT**
- AND**
NOTICE OF EGM

Independent Financial Adviser



PRECAUTIONARY MEASURES FOR THE EGM

As a courtesy to other Shareholders, it is recommended that Shareholder(s) do not attend the EGM in person if he/she is tested COVID-19 positive or display symptoms of COVID-19. As a precautionary measure, it is recommended that Shareholders first submit a form of proxy appointing the Chairman of the EGM to vote on their behalf. In the event that Shareholders can attend the EGM in person on the day, their forms of proxy will be cancelled and Shareholders can vote in person.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong on 15 May 2023 at 10:30 a.m. (or, if later, immediately following the conclusion of the annual general meeting of the Company convened pursuant to the notice of annual general meeting of the Company dated 11 April 2023 and to be held at 10:00 a.m. at the same location and on the same date as the EGM) is set out on pages 62 to 67 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the proxy form shall be deemed to be revoked.

28 April 2023

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DEFINITIONS

For the purposes of this Circular, the following definitions apply throughout where the context admits unless otherwise stated:

“Announcement”	the announcement of the Company dated 4 April 2023 in relation to the entering into of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors of the Company
“Commissioned Processing and Rental Agreement”	the commissioned processing and rental agreement entered into between Mei Fu Petrochemical and Sanjiang Chemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics for the approximately three years ending 31 December 2025
“Company”	China Sanjiang Fine Chemicals Company Limited (中國三江精細化工有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EG”	ethylene glycol
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder by the Independent Shareholders
“EO”	ethylene oxide
“Group”	the Company and its subsidiaries, from time to time

DEFINITIONS

“Hangzhou Haoming”	杭州浩明投资有限公司 (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 Jianping, the brother of Ms. Han, respectively and is therefore a connected person of the Company as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors established to advise the Independent Shareholders on the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder
“Independent Shareholders”	Shareholders who are not involved or interested in the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement (i.e. Shareholders other than Mr. Guan and Ms. Han and their respective associates)
“Industrial Cracking C9 Supply Agreement”	the supply agreement entered into between Sanjiang Chemical and Mei Fu Petrochemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to supply Industrial Cracking C9 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025

DEFINITIONS

“Jianghao Investment”	嘉興港區江浩投資發展有限公司 (Jiaxing Gangqu Jianghao Investment Development Company Limited*), a company established in the PRC with limited liability, and a company which is owned by Mr. Guan and Ms. Han as to 80.00% and 20.00% respectively and is therefore a connected person of the Company as at the Latest Practicable Date
“Latest Practicable Date”	24 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Liquefied Petroleum Gas Sale and Purchase Agreement”	the supply agreement entered into between Mei Fu Petrochemical and Sanjiang Chemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to purchase liquefied petroleum gas from Mei Fu Petrochemical for the approximately three years ending 31 December 2025
“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, which is owned as to 33.00% by Sure Capital, 31.85% by Hangzhou Haoming, 18.00% by Jianghao Investment and 17.15% by Zhejiang Chengli. 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 is thus a connected person of the Company
“Mixed C4 Supply Agreement”	the supply agreement entered into between Sanjiang Chemical and Mei Fu Petrochemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company
“Ms. Han”	Ms. Han Jianhong, an executive Director and the spouse of Mr. Guan

DEFINITIONS

“Naphtha Sale and Purchase Agreement”	the sale and purchase agreement entered into between Mei Fu Petrochemical and Sanjiang Chemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical for the approximately three years ending 31 December 2025
“PP”	Polypropylene
“ppm”	parts per million
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Propane Sale and Purchase Agreement”	the sale and purchase agreement entered into between Sanjiang Chemical and Mei Fu Petrochemical dated 4 April 2023 pursuant to which Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical for the approximately three years ending 31 December 2025
“Propylene Sale and Purchase Agreement”	the sale and purchase agreement entered into between Mei Fu Petrochemical and Sanjiang Haojia dated 4 April 2023 pursuant to which Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sanjiang Chemical”	三江化工有限公司 (Sanjiang Chemical Co. Ltd.*), a company established in the PRC with limited liability on 9 December 2003, which is an indirect wholly-owned subsidiary of the Company
“Sanjiang Haojia”	三江浩嘉高分子材料科技有限公司 (Sanjiang Haojia High Polymer Material Technology Co., Ltd*), a company established in the PRC with limited liability on 28 December 2018, which is an indirect wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Sure Capital”	Sure Capital Holdings Limited, which held approximately 43.30% shares of the Company as at the Latest Practicable Date, is wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd. The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Chengli”	浙江誠理進出口有限公司 (Zhejiang Chengli Import and Export Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 90% by Top Belief International Company Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 100% by Yip Ngai Hang; and 10% by Ideal Capital Company Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 100% by Ng Wai Hong, all of whom are independent from the Company and its connected person(s)
“%”	percent

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.*



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)

Executive Directors:

Ms. Han Jianhong

Mr. Rao Huotao

Ms. Chen Xian

Ms. Guan Siyi

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors

Mr. Shen Kaijun

Ms. Pei Yu

Mr. Kong Liang

*Head Office and Principal place of
business in Hong Kong:*

Room 2202, 22/F

OfficePlus @Wan Chai

No.303 Hennessy Road

Hong Kong

28 April 2023

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) PROPYLENE SALE AND PURCHASE AGREEMENT
(2) PROPANE SALE AND PURCHASE AGREEMENT
(3) NAPHTHA SALE AND PURCHASE AGREEMENT
(4) COMMISSIONED PROCESSING AND RENTAL AGREEMENT
(5) LIQUEFIED PETROLEUM GAS SALE AND
PURCHASE AGREEMENT
(6) MIXED C4 SUPPLY AGREEMENT
(7) INDUSTRIAL CRACKING C9 SUPPLY AGREEMENT
AND
NOTICE OF EGM

LETTER FROM THE BOARD

(I) INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement:

- (1) On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Haojia (an indirectly wholly-owned subsidiary of the Company) entered into the Propylene Sale and Purchase Agreement pursuant to which Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.
- (2) On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Propane Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.
- (3) On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Naphtha Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.
- (4) On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Commissioned Processing and Rental Agreement pursuant to which Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics and to use certain facilities provided by Mei Fu for the approximately three years ending 31 December 2025.
- (5) On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Liquefied Petroleum Gas Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase liquefied petroleum gas from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.
- (6) On 4 April 2023 (after trading hours), Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) and Mei Fu Petrochemical entered into the Mixed C4 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025.
- (7) On 4 April 2023 (after trading hours), Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) and Mei Fu Petrochemical entered into the Industrial Cracking C9 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply Industrial Cracking C9 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM and the form of proxy; and (v) other information required under the Listing Rules.

(II) CONTINUING CONNECTED TRANSACTIONS

The principal terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are set out as follows.

(1) Propylene Sale and Purchase Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Mei Fu Petrochemical, a connected person of the Company, as seller; and
- (2) Sanjiang Haojia, an indirectly wholly-owned subsidiary of the Company, as purchaser.

Subject Matter

Pursuant to the Propylene Sale and Purchase Agreement, Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

Term

The Propylene Sale and Purchase Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

LETTER FROM THE BOARD

Pricing and payment terms

Pursuant to the Propylene Sale and Purchase Agreement, the purchase price for propylene shall be the average monthly price as disclosed by Sinopec Zhenhai Refining & Chemical Company during the period between the 26th day of each calendar month till the 25th day of the subsequent calendar month. Sanjiang Haojia and Mei Fu Petrochemical shall agree on the amount of propylene sold and purchased at the end of each calendar month and Sanjiang Haojia shall pay the consideration to Mei Fu Petrochemical on or before the 5th day of the next calendar month.

As the purchase price of propylene is based on the average monthly price as disclosed by Sinopec Zhenhai Refining & Chemical Company during the period between the 26th day of each calendar month till the 25th day of the next calendar month, the Group is of the view that such pricing mechanism best reflects the market price of propylene and will be on terms not less favourable compared to the price offered by other independent third parties. As Sinopec Zhenhai Refining & Chemical Company is the largest supplier of propylene in the Huadong Area of the PRC, which is in the proximity where both Sanjiang Haojia and Mei Fu Petrochemical are situated, the Directors are of the view that choosing the average monthly price of propylene as disclosed by Sinopec Zhenhai Refining & Chemical Company as benchmark is the most appropriate and is generally accepted across the industry.

(2) Propane Sale and Purchase Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Mei Fu Petrochemical, a connected person of the Company, as seller;
and
- (2) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as purchaser.

Subject Matter

Pursuant to the Propane Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

LETTER FROM THE BOARD

Term

The Propane Sale and Purchase Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

Consideration

Pursuant to the Propane Sale and Purchase Agreement, the purchase price for propane shall be the average monthly price as disclosed by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd during the period between the 26th day of each calendar month till the 25th day of the next calendar month. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of propane sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 5th day of the next calendar month.

Pricing and payment terms

As the purchase price of propane is based on the average monthly price as disclosed by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd during the period between the 26th day of each calendar month till the 25th day of the next calendar month, the Group is of the view that such pricing mechanism best reflects the market price of propane and will be on terms not less favourable compared to the price offered by other independent third parties. As Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd is the largest supplier of propane in the Huadong Area of the PRC, which is in the proximity where both Mei Fu Petrochemical and Sanjiang Chemical are situate, the Directors are of the view that choosing the average monthly price of propane as disclosed by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd as benchmark is the most appropriate and is generally accepted across the industry.

(3) Naphtha Sale and Purchase Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Mei Fu Petrochemical, a connected person of the Company, as seller;
and
- (2) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as purchaser.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Naphtha Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

Term

The Naphtha Sale and Purchase Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

Consideration

Pursuant to the Naphtha Sale and Purchase Agreement, the purchase price for naphtha shall be determined based on the following formula:

(average monthly price as disclosed by China Petroleum & Chemical Corporation (“**Sinopec**”) – β) * (1 + PRC Consumption tax rate)

β means the dollar amount to be adjusted downward based on the amount of sulphur contained in the naphtha supplied by Mei Fu Petrochemical. If the amount of sulphur is less than 650 mg/kg, the value of β shall be 0; whereas if the amount of sulphur is more than 650 mg/kg, the price of naphtha per tonne shall be reduced by RMB1 per tonne of naphtha for every additional unit of 1 mg/kg. Daily samples of naphtha will be provided by Mei Fu Petrochemical. Sanjiang Chemical will test the amount of sulphur in its own laboratory to verify whether the amount of sulphur stated in the daily notification of Mei Fu Petrochemical is correct. If there is any discrepancy, the daily samples will be sent to an independent third party laboratory for testing and verification.

The actual amount of naphtha shall be based on the actual metre reading of Mei Fu Petrochemical and to be verified by Sanjiang Chemical based on its metre reading upon receipt of naphtha and if there is a discrepancy more than 3%, both parties shall agree to resolve the difference mutually. Mei Fu Petrochemical shall be responsible for the maintenance of the pipeline up to one metre outside the premises of Sanjiang Chemical and Sanjiang Chemical shall be responsible for the maintenance of the pipeline connecting therefrom to its own facilities. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of naphtha sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 15th day of the next calendar month.

LETTER FROM THE BOARD

Determination of the pricing policy of naphtha

As the purchase price of naphtha is primarily based on the average monthly price as disclosed by Sinopec with the price adjustment mechanism (i.e. β) which takes reference to the same price adjustment mechanism adapted between Sanjiang and independent third parties in terms of naphtha procurement, the Group is of the view that such pricing mechanism best reflects the market price of naphtha and will be on terms not less favourable compared to the price offered by other independent third parties. As Sinopec is the largest supplier of naphtha in the Huadong Area of the PRC, which is in the proximity where both Mei Fu Petrochemical and Sanjiang Chemical are situated, the Directors are of the view that choosing the average monthly price of naphtha as disclosed by Sinopec as benchmark is the most appropriate and is generally accepted across the industry.

(4) Commissioned Processing and Rental Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as principal; and
- (2) Mei Fu Petrochemical, a connected person of the Company, as commissioned process agent.

Subject Matter

Pursuant to the Commissioned Processing and Rental Agreement, Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics provided by Sanjiang Chemical into benzene, toluene, xylene and residue C6-C8 and to use the land provided by Mei Fu Petrochemical with a total land use right area of 15,860 square metre (i.e. located at No. 88, Zhapu Dongfang Avenue, with property certificates: Zhejiang (2019) Pinghu City Real Estate Rights No. 0009736 and Zhejiang (2016) Pinghu City Real Estate Rights No. 0010747 and on the north side of Yashan West Road, Jiaying Port District, and the west side of Dongfang Avenue, with property certificate: Zhejiang (2022) Pinghu City Real Estate Rights No. 0016025) to facilitate Sanjiang Chemical's storage and logistic arrangements as to the various outputs proceed by Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

Term

The Commissioned Processing and Rental Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

LETTER FROM THE BOARD

Consideration

Pursuant to the Commissioned Processing and Rental Agreement, the processing price to be charged by Mei Fu Petrochemical for processing mixed aromatics into benzene, toluene, xylene and residue C6-C8 and letting the aforesaid land use right with a total land use right area of 15,860 square metre shall be the processing cost of Mei Fu Petrochemical plus a mark-up of 5%. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of mixed aromatics being processed at the end of each calendar month and Sanjiang Chemical shall pay the fee to Mei Fu Petrochemical on or before the 15th day of the next calendar month.

Determination of the pricing policy of the fee

The fee was based on the actual processing cost to be incurred by Mei Fu Petrochemical plus a 5% mark-up. The Group is of the view that the basis of determination of the fee to be charged by Mei Fu Petrochemical represents a reasonable profit margin among the chemical processing industry as the Company provides processing services and earns a mark-up of more than 50% in the last three years and the 5% mark-up is based on the average overall gross profit margin of the Group in the last three years.

(5) Liquefied Petroleum Gas Sale and Purchase Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Mei Fu Petrochemical, a connected person of the Company, as seller;
and
- (2) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as purchaser.

Subject Matter

Pursuant to the Liquefied Petroleum Gas Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase liquefied petroleum gas from Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

Term

The Liquefied Petroleum Gas Sale and Purchase Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

LETTER FROM THE BOARD

Consideration

Pursuant to the Liquefied Petroleum Gas Sale and Purchase Agreement, the purchase price of liquefied petroleum gas shall be the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of liquefied petroleum gas sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 15th day of the subsequent calendar month.

Determination of the pricing policy of liquefied petroleum gas

As the purchase price of liquefied petroleum gas is based on the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month, the Group is of the view that such pricing mechanism best reflects the market price of liquefied petroleum gas and will be on terms not less favourable compared to the price offered by other independent third parties. As Sinopec Shanghai Petrochemical Co., Ltd is the largest supplier of liquefied petroleum gas in the Huadong Area of the PRC, which is in the proximity where both Mei Fu Petrochemical and Sanjiang Chemical are situate, the Directors are of the view that choosing the average monthly price of liquefied petroleum gas as disclosed by Sinopec Shanghai Petrochemical Co., Ltd as benchmark is the most appropriate and is generally accepted across the industry.

(6) Mixed C4 Supply Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as supplier; and
- (2) Mei Fu Petrochemical, a connected person of the Company, as purchaser.

Subject Matter

Pursuant to the Mixed C4 Supply Agreement, Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

LETTER FROM THE BOARD

Term

The Mixed C4 Supply Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

Consideration

Pursuant to the Mixed C4 Supply Agreement, the sale price of mixed C4 shall be determined based on the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month. The actual amount of mixed C4 supplied by Sanjiang Chemical to Mei Fu Petrochemical shall be based on the metre reading of Sanjiang Chemical. Sanjiang Chemical and Mei Fu Petrochemical shall both attend the metre reading on the 28th day of each calendar month and Mei Fu Petrochemical shall pay the consideration to Sanjiang Chemical on or before the 15th day of the next calendar month.

Determination of the pricing policy of mixed C4

As the sale price of mixed C4 is based on the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month, the Group is of the view that such pricing mechanism best reflects the market price of mixed C4 and will be on terms not less favourable compared to the price offered to other independent third parties.

(7) Industrial Cracking C9 Supply Agreement

Date

4 April 2023 (after trading hours)

Parties

- (1) Sanjiang Chemical, an indirectly wholly-owned subsidiary of the Company, as supplier; and
- (2) Mei Fu Petrochemical, a connected person of the Company, as purchaser.

Subject Matter

Pursuant to the Industrial Cracking C9 Supply Agreement, Sanjiang Chemical has agreed to supply industrial cracking C9 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025.

LETTER FROM THE BOARD

Term

The Industrial Cracking C9 Supply Agreement shall become effective upon obtaining independent shareholders' approval at the EGM and ending on 31 December 2025.

Consideration

Pursuant to the Industrial Cracking C9 Supply Agreement, the sale price of industrial cracking C9 shall be determined based on the average monthly market price as disclosed by Sinopec Yangzi Petrochemical Company Limited during the period between the 25th day of each calendar month till the 24th day of the next calendar month, plus a fixed amount of RMB1,000/tonne. The actual amount of industrial cracking C9 supplied by Sanjiang Chemical to Mei Fu Petrochemical shall be based on the metre reading of Sanjiang Chemical. Sanjiang Chemical and Mei Fu Petrochemical shall both attend the metre reading on the 28th day of each calendar month and Mei Fu Petrochemical shall pay the consideration to Sanjiang Chemical on or before the 15th day of the next calendar month.

Determination of the pricing policy of industrial cracking C9

As the sale price of industrial cracking C9 is made with reference to the average monthly market price as disclosed by Sinopec Yangzi Petrochemical Company Limited during the period between the 25th day of each calendar month till the 24th day of the subsequent calendar month, and that the additional fixed amount of RMB1,000/tonne is charged having considered the actual costs to be incurred by the Group for the one stage hydrogenation which is required to stabilize and upgrade industrial cracking C9 for onward processing, the Group is of the view that such pricing mechanism best reflects the market price of hydrogenated industrial cracking C9 and will be on terms not less favourable compared to the price offered to other independent third parties. As Sinopec Yangzi Petrochemical Company Limited is the largest supplier of industrial cracking C9 in the Huadong Area of the PRC, which is in the proximity where both Sanjiang Chemical and Mei Fu Petrochemical are situated, the Directors are of the view that choosing the average monthly market price of industrial cracking C9 as disclosed by Sinopec Yangzi Petrochemical Company Limited as benchmark is the most appropriate and is generally accepted across the industry.

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(III) HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS OF EACH OF THE PROPYLENE SALE AND PURCHASE AGREEMENT, PROPANE SALE AND PURCHASE AGREEMENT, NAPHTHA SALE AND PURCHASE AGREEMENT, COMMISSIONED PROCESSING AND RENTAL AGREEMENT, LIQUEFIED PETROLEUM GAS SALE AND PURCHASE AGREEMENT, MIXED C4 SUPPLY AGREEMENT AND INDUSTRIAL CRACKING C9 SUPPLY AGREEMENT

Set out below are the historical transaction amounts with independent third parties for each of the three years ended 31 December 2022 and the proposed annual caps for each of the approximately three years ending 31 December 2025 in respect of the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement:

Nature of Transaction	Historical transaction amounts with independent third parties			Proposed annual cap		
	For the year ended 31 December			For the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(i) Propylene Sale and Purchase Agreement	283,621	750,962	763,506	218,750	375,000	375,000
(ii) Propane Sale and Purchase Agreement	—	—	—	70,000	120,000	120,000
(iii) Naphtha Sale and Purchase Agreement	—	—	—	3,266,700	5,600,000	5,600,000
(iv) Commissioned Processing and Rental Agreement	—	—	—	116,700	200,000	200,000
(v) Liquefied Petroleum Gas Sale and Purchase Agreement	—	—	—	87,500	150,000	150,000
(vi) Mixed C4 Supply Agreement	—	9,629	—	61,250	105,000	105,000
(vii) Industrial Cracking C9 Supply Agreement	—	—	—	303,400	520,000	520,000

No historic amount with Mei Fu Petrochemical is available as the Group did not enter into any agreements with Mei Fu Petrochemical in respect of the products and processing service as contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement before.

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Basis of the respective annual caps

The proposed annual caps for the Propylene Sale and Purchase Agreement are based on:

- (1) the expected amount of propylene to be required by the Group for the approximately three years ending 31 December 2025; and
- (2) the expected market price of Propylene during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

The proposed annual caps for the Propane Sale and Purchase Agreement are based on:

- (1) the Group's new production facilities being the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, set to begin operations in Q2 2023, will enable them to diversify market risks and enhance profitability by adjusting their feedstock composition. As a result of these changes, the Group will need to procure relevant materials like Propane to accommodate the new input ratios;
- (2) the expected amount of propane to be required by the Group's new production facilities for the approximately three years ending 31 December 2025; and
- (3) the expected market price of Propane during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

The proposed annual caps for the Naphtha Sale and Purchase Agreement are based on:

- (1) the Group's new production facilities being the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, set to begin operations in Q2 2023, will enable them to diversify market risks and enhance profitability by adjusting their feedstock composition. As a result of these changes, the Group will need to procure relevant materials like Naphtha to accommodate the new input ratios;
- (2) the expected amount of naphtha to be required by the Group's new production facilities for the approximately three years ending 31 December 2025; and

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- (3) the expected market price of Naphtha during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

The proposed annual caps for the Commissioned Processing and Rental Agreement are based on:

- (1) the expected amount of mixed aromatics that will be required by the Group according to its maximum output capacity for the approximately three years ending 31 December 2025 due to the completion of the new production facilities which included a light olefin production facility with 1,250,000 MT annual output. Such olefin production facilities would produce mixed aromatics as a result of the Group's ancillary upstream level production facilities and it will be in the interests of the Group and the Shareholders that such mixed aromatics are further processed to generate new income streams for the Group; and
- (2) the expected processing cost during the approximately three years ending 31 December 2025 plus 5% mark-up.

The proposed annual caps for the Liquefied Petroleum Gas Sale and Purchase Agreement are based on:

- (1) the Group's new production facilities being the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, set to begin operations in Q2 2023, will enable them to diversify market risks and enhance profitability by adjusting their feedstock composition. As a result of these changes, the Group will need to procure relevant materials like liquefied petroleum gas to accommodate the new input ratios;
- (2) the expected amount of liquefied petroleum gas to be required by the Group's new production facilities for the approximately three years ending 31 December 2025; and
- (3) the expected market price of Liquefied Petroleum Gas during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

The proposed annual caps for the Mixed C4 Supply Agreement are based on:

- (1) the Group's new production facilities being the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, set to begin operations in Q2 2023, will enable them to diversify market risks and enhance profitability by adjusting their feedstock composition. As a result of these changes, the Group will have new output of mixed C4;

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- (2) the expected amount of mixed C4 to be supplied by the Group with reference to the designed output of the Group's new production facilities for the approximately three years ending 31 December 2025; and
- (3) the expected market price of mixed C4 during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

The proposed annual caps for the Industrial Cracking C9 Supply Agreement are based on:

- (1) the Group's new production facilities being the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, set to begin operations in Q2 2023, will enable them to diversify market risks and enhance profitability by adjusting their feedstock composition. As a result of these changes, the Group will have new output of industrial cracking C9;
- (2) the expected amount of industrial cracking C9 to be supplied by the Group with reference to the designed maximum output of the Group's new production facilities for the approximately three years ending 31 December 2025; and
- (3) the expected market price of industrial cracking C9 during the approximately three years ending 31 December 2025 with reference to the relevant price adjustment mechanism, if any.

(IV) REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group's new production facilities being the 6th phase Ethylene oxide ("EO")/Ethylene glycol ("EG") production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities are expected to commence commercial operations during the second quarter of 2023. Such new production facilities includes a light olefin production facility with 1,250,000MT annual output, a EO/EG production facility with 1,000,000MT annual output, a butadiene extraction unit with 80,000MT annual output and a air separation unit with 30,000MT annual output and supporting transformer, storage and transportation, flare, and other public utilities and auxiliary facilities together with the aromatic extraction facilities of Mei Fu Petrochemical, which adopts a multi-material proportioning and feeding process, effectively responding to the price risk of a single raw material and improving the profitability of the equipment. The new production facilities will enable the Group to diversify market risks in terms of feedstock procurement by rebalancing the composition from the current status of ethylene, propylene and methanol on a 20%–10%–70% basis to the expected input ratio of naphtha, ethane and propane and methanol on a 70%–30% basis. By adjusting the input ratio, the Group can diversify its output product portfolio in

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order to better manage price fluctuation of its products and ultimately enhance profitability. Accordingly, given the change in feedstock compositions following operation of the new production facilities, the Group will need to procure the relevant materials.

Reasons for entering into the Propylene Sale and Purchase Agreement

Propylene is one of the major feedstocks of the Group for the purpose of producing Polypropylene (“PP”). The entering into of the Propylene Sale and Purchase Agreement will be on a non-exclusive basis and will enable the Group to obtain one more supply source of propylene to further secure a steady supply of propylene for PP production purpose. PP is a kind of thermoplastic resin, which can be used in knitting products, injection moulding products, film products, fibre products and pipes. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of propylene can be further reduced.

Reasons for entering into the Propane Sale and Purchase Agreement

The Group’s new production facilities being the 6th phase EO/EG production facilities and its ancillary upstream level production facilities require propane as one of the feedstocks for its production purpose. The entering into of the Propane Sale and Purchase Agreement will be on a non-exclusive basis and will enable the Group to obtain one more supply source of propane to further secure a steady supply of Propane for its production purpose. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of propylene can be further reduced.

Reasons for entering into the Naphtha Sale and Purchase Agreement

The Group’s new production facilities being the 6th phase EO/EG production facilities and its ancillary upstream level production facilities require Naphtha as one of the feedstocks for its production purpose. The entering into of the Naphtha Sale and Purchase Agreement will be on a non-exclusive basis and will enable the Group to obtain one more supply source of naphtha to further secure a steady supply of Naphtha for its production purpose. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of naphtha can be further reduced.

Reasons for entering into the Commissioned Processing and Rental Agreement

Reference is made to the circular of the Company dated 30 November 2022 in relation to, among other things, the acquisition of the assets known as an aromatic extraction unit (芳烴抽提裝置) which situates at Mei Fu Petrochemical including its ancillary surveillance and monitoring systems together with certain infrastructure attaching to the aromatic extraction unit as fixtures (the “Assets”). The transaction to acquire the Assets is subject to the relevant PRC government authorities’ review and approval. As at the Latest Practicable Date, the PRC government authorities are still reviewing the transaction. Given that the Group’s 6th phase EO/EG production

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facilities and its ancillary upstream level production facilities will be in operation during the second quarter of 2023 and that it is expected that there will be a by-product output of mixed aromatics of 261,000MT per year, the Group believes that it is necessary to enter into the Commissioned Processing and Rental Agreement to ensure that the mixed aromatics of the Group can be further processed into benzene, toluene, xylene and residue C6-C8 for further processing and/or sale by the Group.

In the event that the Group receives the written notification from the PRC government to proceed with the completion of the Assets, the Group will proceed with the completion of the Assets and thereafter it will not be necessary for the Group to utilize the proposed annual caps under the Commissioned Processing and Rental Agreement as the Group will be able to process the mixed aromatics on its own using the Assets. The entering into of the Commission Processing Agreement is to protect the interests of the Company and its shareholders to ensure that the mixed aromatics could still be processed and generate other raw materials for use and/or sale by the Group pending the outcome in respect of the discussion from the PRC government with respect to completion of acquisition of the Assets.

Reasons for entering into the Liquefied Petroleum Gas Sale and Purchase Agreement

The entering into of the Liquefied Petroleum Gas Sale and Purchase Agreement will be on a non-exclusive basis and will enable the Group to obtain a steady supply of liquefied petroleum gas for its on-going further processing. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of liquefied petroleum gas can be further reduced.

Reasons for entering into the Mixed C4 Supply Agreement

The entering into of the Mixed C4 Supply Agreement will enable the Group to on-sale its mixed C4 on a steady basis and receive a stable income stream. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of mixed C4 can be further reduced.

Reasons for entering into the Industrial Cracking C9 Supply Agreement

The entering into of the Industrial Cracking C9 Supply Agreement will enable the Group to on-sale its industrial cracking C9 on a steady basis and receive a stable income stream. In addition, given that Mei Fu Petrochemical is situate near to the premises of the Group, the transporting costs of Industrial Cracking C9 can be further reduced.

The Directors (excluding the independent non-executive Directors whose views will be given taking into account the advice to be obtained from the Independent Financial Adviser) are of the view that the terms and conditions of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are fair and

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reasonable and on normal commercial terms and in the ordinary and usual course of business of the Group and that the entry into of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement is in the interests of the Company and its Shareholders as a whole.

The Company will, at least on a monthly basis, obtain fee quotes of the chemical products and/or processing fees from other independent third parties to ensure that the terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are not less favourable than the same provided by independent third parties. The purchasing department will monitor the transaction amounts and report, on a weekly basis, to the accounting department of the Company on the actual usage of the proposed caps. The Directors are of the view that the proposed caps should be sufficient for the relevant periods after taking into account these factors.

Each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement will be subject to the annual review by the Company's external auditors and the independent non-executive Directors under Rules 14A.55 and 14A.56 of the Listing Rules.

(V) INFORMATION ON THE CONNECTED PERSONS

Mei Fu Petrochemical is a limited company established in the PRC and is principally engaged in the production and sale of propylene chemical light fuel, clean light fuel, liquefied petroleum gas, heavy fuel, oil and dry gas, propane, MTBE, sulfur, asphalt and lubricants. As at the Latest Practicable Date, Mei Fu Petrochemical is owned as to 33.00% by Sure Capital, 31.85% by Hangzhou Haoming, 18.00% by Jianghao Investment and 17.15% by Zhejiang Chengli.

(VI) INFORMATION OF THE COMPANY AND THE GROUP

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

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(VII) LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mei Fu Petrochemical is owned as to approximately 82.85% by Mr. Guan indirectly through a number of investment-holding companies controlled by Mr. Guan. As Ms. Han is an executive Director and the spouse of Mr. Guan and Mr. Guan is a director and a controlling shareholder of Mei Fu Petrochemical and a controlling Shareholder of the Company, Mei Fu Petrochemical is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company. As such, the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, each of the proposed annual caps under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are aggregated as (i) they were entered into between members of the Group and a connected person (i.e. Mei Fu Petrochemical); and (ii) they are of a similar nature relating to the sale and purchase of chemical products for the ordinary business of the Group.

As one or more of the applicable ratios in respect of the aggregated proposed annual caps of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement is more than 5%, the transactions contemplated under the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are therefore subject to reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek Independent Shareholders' approval for each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement at the EGM. The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial

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Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and Shareholders as whole.

Ms. Han and Ms. Guan were interested in each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and each of Ms. Han and Ms. Guan therefore abstained from voting on the board resolutions of the Company approving each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect thereof.

(VIII) GENERAL

The Company will seek Independent Shareholders' approval for, if thought fit, approving, among other things, the entering into (i) each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement at the EGM.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the terms of each of the each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and Shareholders as whole.

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(IX) THE EGM

The Company will convene the EGM on 15 May 2023 at 10:30 a.m. (or, if later, immediately following the conclusion of the annual general meeting of the Company convened pursuant to the notice of annual general meeting of the Company dated 11 April 2023 and to be held at 10:00 a.m. at the same location and on the same date as the EGM) at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approving, among other things, the entering into (i) each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement. A notice of the EGM is set out on pages 62 to 67 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

(X) VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM. After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

As at the Latest Practicable Date, 516,496,000 shares of the Company were held by Sure Capital Holdings Limited ("**Sure Capital**") which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd ("**Vistra Singapore**"). The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Ms. Guan and Vistra Singapore are deemed to be interested in such shares under the SFO, representing approximately 43.30% of the issued Shares.

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Accordingly, each of Mr. Guan, Ms. Han, Ms. Guan and Vistra Singapore are required to abstain from voting at the EGM under the Listing Rules in respect of the resolutions approving, among other things, the entering into (i) each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement. As each of Mr. Guan, Ms. Han, Ms. Guan and Vistra Singapore are deemed to be interested in 516,496,000 shares, such number of Shares held by Sure Capital shall be required to be abstained from voting at the EGM.

(XI) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the EGM to be held on Monday, 15 May 2023. In order to qualify for attending and voting at the EGM, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 May 2023.

(XII) RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 31 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 32 to 54 of this circular in connection with each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

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The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, considers that each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement were entered into on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors, including the Independent Board Committee, recommend the Shareholders to vote in favour of the ordinary resolutions to approve (i) the entering into of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement at the EGM as set out in the notice of the EGM.

(XIII) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

(XIV) MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully
By Order of the Board
China Sanjiang Fine Chemicals Company Limited
Han Jianhong
Chairlady and executive Director



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)

28 April 2023

To the Independent Shareholders

CONTINUING CONNECTED TRANSACTIONS
(1) PROPYLENE SALE AND PURCHASE AGREEMENT
(2) PROPANE SALE AND PURCHASE AGREEMENT
(3) NAPHTHA SALE AND PURCHASE AGREEMENT
(4) COMMISSIONED PROCESSING AND RENTAL AGREEMENT
(5) LIQUEFIED PETROLEUM GAS SALE AND
PURCHASE AGREEMENT
(6) MIXED C4 SUPPLY AGREEMENT
(7) INDUSTRIAL CRACKING C9 SUPPLY AGREEMENT
AND
NOTICE OF EGM

Dear Sir or Madam,

We refer to the circular of the Company dated 28 April 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of (i) each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas

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Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and Shareholders as whole.

Lego Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 28 of the Circular which contains, *inter alia*, information about the terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the “Letter from the Independent Financial Adviser” set out on pages 32 to 54 of the Circular which contains its advice in respect of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement together with the principal factors taken into consideration.

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Having considered the terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and having taken into account the factors and reasons considered by and the advice from the Independent Financial Adviser as stated in their letter dated 28 April 2023, we consider that the terms of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2025 for the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the transactions thereunder are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms so far as the interests of the Independent Shareholders are concerned; and the entering into of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve confirm and ratify each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Mr. SHEN Kaijun

Ms. PEI Yu

Mr. KONG Liang

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



28 April 2023

To: *The Independent Board Committee and the Independent Shareholders of China Sanjiang Fine Chemicals Company Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement (collectively, the “**CCT Agreements**”) and the respective proposed annual caps contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 28 April 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Haojia (an indirectly wholly-owned subsidiary of the Company) entered into the Propylene Sale and Purchase Agreement pursuant to which Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. On 4 April 2023 (after trading hours), Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into (i) the Propane Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical; (ii) the Naphtha Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical; (iii) the Commissioned Processing and Rental Agreement pursuant to which Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics and to use

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certain facilities provided by Mei Fu Petrochemical; (iv) the Liquefied Petroleum Gas Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase liquefied petroleum gas from Mei Fu Petrochemical; (v) the Mixed C4 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical; and (vi) the Industrial Cracking C9 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply Industrial Cracking C9 to Mei Fu Petrochemical, for the approximately three years ending 31 December 2025.

As at the Latest Practicable Date, Mei Fu Petrochemical is owned as to approximately 82.85% by Mr. Guan indirectly through a number of investment-holding companies controlled by Mr. Guan. As Ms. Han is an executive Director and the spouse of Mr. Guan and Mr. Guan is a director and a controlling shareholder of Mei Fu Petrochemical and a controlling Shareholder of the Company, Mei Fu Petrochemical is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company. As such, the transactions contemplated under each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios in respect of the aggregated proposed annual caps of each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement is more than 5%, the transactions contemplated under the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement are therefore subject to reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened for the purpose of considering and, if thought fit, approving each of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement, Mixed C4 Supply Agreement and Industrial Cracking C9 Supply Agreement and the respective proposed annual caps contemplated thereunder for the three years ending 31 December 2025 by the Independent Shareholders.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, has been established to consider the CCT Agreements and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution

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regarding the transactions contemplated under the CCT Agreements. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, other than the engagement as the independent financial adviser to the independent board committee and independent shareholder of the Company in respect of (1) revision of annual caps for continuing connected transactions and (2) discloseable and connected transaction for acquisition of the assets as stated in the circular of the Company dated 30 November 2022, there was no engagement, any relationships or services provided between the Group and Lego Corporate Finance Limited that would affect our independence. Apart from normal professional fees paid or payable to us in connection with the aforesaid engagement and this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are independent under Rule 13.84 of the Listing Rules and qualified to give independent advice in respect of the terms of the CCT Agreements and the respective transactions contemplated thereunder (including the proposed annual caps).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date thereof and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. The Company shall inform the Independent Shareholders as soon as practicable if there is any material change to such information in accordance with the Listing Rules on or before the date of the EGM.

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We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the CCT Agreements and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Reasons for the entering into of the CCT Agreements

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

With reference to the announcement of the Company dated 31 March 2023, the Group has completed the construction of its 6th phase EO/EG production facilities with 1,000,000MT annual output and its ancillary upstream level production facilities. Such new production facilities of the Group includes a light olefin production facility with 1,250,000MT annual output, a EO/EG production facility with 1,000,000MT annual output, a butadiene extraction unit with 80,000MT annual output and an air separation unit with 30,000MT annual output and supporting transformer, storage and transportation, flare, and other public utilities and auxiliary facilities together with the aromatic extraction facilities of Mei Fu Petrochemical, which adopts a multi-material proportioning and feeding process, effectively responding to the price risk of a single raw material and improving the profitability of the equipment. As disclosed in the Annual Report of the Company for the year ended 31 December 2022, the new production facilities will enable the Group to diversify market risks in terms of feedstock procurement by rebalancing the composition from the current status of ethylene, propylene and methanol on a 20%–10%–70% basis to the expected input ratio of naphtha, ethane and propane and methanol on a 70%–30% basis. By adjusting the input ratio, the Group can diversify its output product portfolio in order to better manage price fluctuation of its products and ultimately enhance profitability. Accordingly, given the change in feedstock compositions following operation of the new production facilities, the Group will need to procure various relevant materials including propane, naphtha and liquefied petroleum gas to accommodate the new input ratios, as well as having new outputs like mixed C4 and industrial cracking C9.

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The entering into of the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Liquefied Petroleum Gas Sale and Purchase Agreement will enable the Group to obtain and further secure steady supply of propylene, propane, naphtha and liquefied petroleum gas respectively for its ongoing further processing. The entering into of the Mixed C4 Supply Agreement and the Industrial Cracking C9 Supply Agreement will enable the Group to on-sale its mixed C4 and industrial cracking C9 and therefore receive stable and continuous income stream. In addition, given that the principal place of operation of Mei Fu Petrochemical is situated near the premises of the Group, it is expected that the transporting costs of the supply and purchase of the relevant materials could be reduced.

As disclosed in the Letter from the Board, the transaction to acquire the aromatic extraction unit including its ancillary surveillance and monitoring systems together with certain infrastructure attaching to the unit as fixtures (“**Assets**”) (details of which is set out in the circular of the Company dated 30 November 2022) is subject to the relevant PRC government authorities’ review and approval. As at the Latest Practicable Date, the PRC government authorities are still reviewing the transaction. Given that the construction of the Group’s new production facilities had been completed and upon commencement of commercial operation, there will be a by-product output of mixed aromatics of 261,000MT per year, the Group believes that it is necessary to enter into the Commissioned Processing and Rental Agreement to ensure that the mixed aromatics of the Group can be further processed into benzene, toluene, xylene and residue C6-C8 for further processing and/or sale by the Group. In the event that the Group receives the written notification from the PRC government to proceed with the completion of the Assets, the Group will proceed with the completion of the Assets and thereafter it will not be necessary for the Group to utilize the proposed annual caps under the Commissioned Processing and Rental Agreement as the Group will be able to process the mixed aromatics on its own using the Assets. The entering into of the Commission Processing and Rental Agreement is to protect the interests of the Company and its shareholders to ensure that the mixed aromatics could still be processed and generate other raw materials for use and/or sale by the Group pending the outcome of the discussion from the PRC government with respect to completion of acquisition of the Assets.

Considering the above, we concur with the Directors’ view that the entering into of the CCT Agreements are in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2. Principal terms under the CCT Agreements

2.1 Propylene Sale and Purchase Agreement

Pursuant to the Propylene Sale and Purchase Agreement, Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The purchase price for propylene shall be the average monthly price as disclosed by Sinopec Zhenhai Refining & Chemical Company during the period between the 26th day of each calendar month till the 25th day of the

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subsequent calendar month. Sanjiang Haojia and Mei Fu Petrochemical shall agree on the amount of propylene sold and purchased at the end of each calendar month and Sanjiang Haojia shall pay the consideration to Mei Fu Petrochemical on or before the 5th day of the next calendar month.

Based on our review, the monthly average price of propylene being referenced to is announced by Sinopec Zhenhai Refining & Chemical Company, which is one of the common indicators of prevailing market prices as observed from well-known independent commodity information providers in the PRC such as (i) Chem 99 (卓創資訊化工) (www.chem99.com), displaying more than 10,000 market price data items updated on a daily basis with 94,000 information sources worldwide, with over 1,000 employees including 490 analysts, researchers and consultants serving 3 million registered users covering industry participants, financial institutions, commodity exchanges, government agencies, media and scientific research institutions among which at least 150 clients being corporations of the Fortune Global 500 and their subsidiaries; and (ii) OilChem China (隆眾資訊) (www.oilchem.net), a leading provider of energy and chemical information and market price index with more than 20 years of development history carrying professional servicing team of 800 and possessing 700,000 petrochemical product supply chain customer resources, providing market insights across nearly 400 energy and chemical products including petroleum, natural gas, refined oil, chemical, plastic, rubber, chemical fiber and coal chemical, according to publicly available information. Further, as Sinopec Zhenhai Refining & Chemical Company is the largest supplier of propylene in the Huadong area of the PRC, which is in the proximity where both Sanjiang Haojia and Mei Fu Petrochemical are principally operated, we concur with the view of the Directors that the reference to the average monthly price of Sinopec Zhenhai Refining & Chemical Company is appropriate which is generally accepted across the industry.

In assessing the fairness and reasonableness of the terms of the Propylene Sale and Purchase Agreement, we have enquired with the Company and understand that there had been historical transactions of the Group with independent third parties with respect to purchase of propylene. We have, on a random sampling basis, obtained and reviewed 57 sets of agreements (“**Propylene I3P Agreements**”) entered by the Group as purchaser of propylene with independent third parties during 2020 to 2022, representing more than 20% of the 279 sets of contracts entered during the period which we consider such sample size to be sufficient and representative. Save for three sets of the Propylene I3P Agreements which have included the pricing basis being primarily with reference to the average market price as disclosed by Sinopec Zhenhai Refining & Chemical Company, no pricing basis are set out in the remaining Propylene I3P Agreements that enable us to conduct meaningful comparison. Nonetheless, we noted that the payment terms under the Propylene Sale and Purchase Agreement are no less favorable to the Group than that offered by independent third parties under all of the Propylene I3P Agreements. We further enquired with the Company and understand that there had been historical transactions between Mei Fu Petrochemical as seller and independent third parties for the sale of propylene. We have therefore randomly obtained and reviewed two sets of agreements (“**Mei Fu Propylene I3P Agreements**”) entered during 2022 provided by the Company, among the three

contracts entered by Mei Fu Petrochemical in respect of the sale of propylene to independent third parties in 2022 which we consider such sample size to be representative, and noted that the pricing terms and payment terms under the Propylene Sale and Purchase Agreement are consistent with those under the Mei Fu Propylene I3P Agreements. Accordingly, we consider that the principal terms of the Propylene Sale and Purchase Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.2 Propane Sale and Purchase Agreement

Pursuant to the Propane Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The purchase price for propane shall be the average monthly price as disclosed by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd during the period between the 26th day of each calendar month till the 25th day of the next calendar month. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of propane sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 5th day of the next calendar month.

Based on our review, the monthly average price of propane being referenced to is announced by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd, which is one of the common indicators of prevailing market prices as observed from independent commodity information providers including Chem 99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net) as mentioned above. Further, as Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd is the largest supplier of propane in the Huadong area of the PRC, which is in the proximity where both Sanjiang Chemical and Mei Fu Petrochemical are principally operated, we concur with the view of the Directors that the reference to the average monthly price of Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd is appropriate which is generally accepted across the industry.

In assessing the fairness and reasonableness of the terms of the Propane Sale and Purchase Agreement, we have attempted to obtain from the Company any similar historical or existing purchase agreement of the Group with Mei Fu Petrochemical and/or independent third parties with respect to purchase of propane but as advised by the Company, there was no such historical transaction. Alternatively, we understand from the Company that there had been historical transaction with respect to sale of propane by Mei Fu Petrochemical to independent third parties. We have therefore randomly obtained and reviewed 20 sets of agreements (“**Mei Fu Propane I3P Agreements**”) provided by the Company which were entered during 2022, representing over 21% of the aggregate number of agreements of Mei Fu Petrochemical in respect of sale of propane to independent third parties in 2022 which we consider such sample size to be representative. However, no pricing basis are set out in the Mei Fu Propane I3P Agreements for our assessment purpose. As the purchase price for propane under the Propane Sale and Purchase Agreement will be based on prevailing monthly average market prices of Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd which shall be no

less favorable to the Group than that offered by independent third parties, we consider the pricing terms under the Propane Sale and Purchase Agreement to be fair and reasonable. Further, we noted that the payment terms under the Propane Sale and Purchase Agreement are no less favorable to the Group when compared to those offered by Mei Fu Petrochemical to independent third parties under the Mei Fu Propane I3P Agreements. Accordingly, we consider that the principal terms of the Propane Sale and Purchase Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.3 Naphtha Sale and Purchase Agreement

Pursuant to the Naphtha Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The purchase price for naphtha shall be determined based on the following formula:

(average monthly price as disclosed by China Petroleum & Chemical Corporation (“Sinopec”) – β) x (1 + PRC consumption tax rate)

β means the dollar amount to be adjusted downward based on the amount of sulphur contained in the naphtha supplied by Mei Fu Petrochemical. If the amount of sulphur is less than 650 mg/kg, the value of β shall be 0; whereas if the amount of sulphur is more than 650 mg/kg, the price of naphtha per tonne shall be reduced by RMB1 per tonne of naphtha for every additional unit of 1 mg/kg. Daily samples of naphtha will be provided by Mei Fu Petrochemical. Sanjiang Chemical will test the amount of sulphur in its own laboratory to verify the amount of sulphur stated in the daily notification of Mei Fu Petrochemical is correct. If there is any discrepancy, the daily samples will be sent to an independent third party laboratory for testing and verification.

The actual amount of naphtha shall be based on the actual metre reading of Mei Fu Petrochemical and to be verified by Sanjiang Chemical based on its metre reading upon receipt of naphtha and if there is a discrepancy of more than 3%, both parties shall agree to resolve the difference mutually. Mei Fu Petrochemical shall be responsible for the maintenance of the pipeline up to one metre outside the premises of Sanjiang Chemical and Sanjiang Chemical shall be responsible for the maintenance of the pipeline connecting therefrom to its own facilities. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of naphtha sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 15th day of the next calendar month.

In assessing the fairness and reasonableness of the terms of the Naphtha Sale and Purchase Agreement, we have attempted to obtain from the Company any similar historical or existing purchase agreement of the Group with Mei Fu Petrochemical and/or independent third parties with respect to purchase of naphtha but as advised by the Company, there was no such historical transaction. We are further advised that there were no historical sales of naphtha by Mei Fu Petrochemical to independent third parties. We noted that the purchase price for naphtha under the Naphtha Sale and

Purchase Agreement is primarily based on the prevailing market prices published by Sinopec as available on various independent online commodity information providers such as Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net) as mentioned above. As Sinopec is the largest supplier of naphtha in the Huadong area of the PRC, which is in the proximity where both Mei Fu Petrochemical and Sanjiang Chemical are principally operated, we concur with the view of the Directors that the reference to average monthly price of naphtha of Sinopec is appropriate which is generally accepted across the industry.

As part of our independent assessment, we have conducted research from the public domain and noted that it is common to determine the purchase price of naphtha based on the prevailing market price. In addition, subject to the concentration of sulphur being one of the major constituents of naphtha, the price of naphtha shall be adjusted by the β where if the concentration of sulphur is more than 650 mg/kg, the price of naphtha shall be adjusted downward by RMB1/tonne for each additional unit of 1 mg/kg of sulphur, whereas if the concentration of sulphur is less than 650 mg/kg, no adjustment shall be made. According to management of the Company, the Group will make reference to quotations of independent third parties for the supply of naphtha with the same price adjustment mechanism with reference to the level of sulphur so as to ensure that the monthly average price paid by the Group to Mei Fu Petrochemical under the Naphtha Sale and Purchase Agreement shall be no less favorable to the Group than that offered by independent third parties. As the purchase price for naphtha under the Naphtha Sale and Purchase Agreement will be primarily made with reference to the prevailing monthly average market prices and, if applicable, adjusted for the corresponding level of sulphur, which shall be no less favorable to the Group than the terms offered by independent third parties, we consider the pricing terms under the Naphtha Sale and Purchase Agreement are fair and reasonable.

2.4 Commissioned Processing and Rental Agreement

Pursuant to the Commissioned Processing and Rental Agreement, Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics provided by Sanjiang Chemical into benzene, toluene, xylene and residue C6-C8 and to use the land provided by Mei Fu Petrochemical with a total land use right area of 15,860 square metre (i.e. located at No. 88, Zhapu Dongfang Avenue, with property certificates: Zhejiang (2019) Pinghu City Real Estate Rights No. 0009736 and Zhejiang (2016) Pinghu City Real Estate Rights No. 0010747 and on the north side of Yashan West Road, Jiaxing Port District, and the west side of Dongfang Avenue, with property certificate: Zhejiang (2022) Pinghu City Real Estate Rights No. 0016025) to facilitate Sanjiang Chemical's storage and logistic arrangements as to the various outputs processed by Mei Fu Petrochemical, for the approximately three years ending 31 December 2025. The processing fee to be charged by Mei Fu Petrochemical shall be the processing cost of Mei Fu Petrochemical plus a mark-up of 5%. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of mixed aromatics being processed at the end of each calendar month and Sanjiang Chemical shall pay the fee to Mei Fu Petrochemical on or before the 15th day of the next calendar month.

In assessing the fairness and reasonableness of the terms of the Commissioned Processing and Rental Agreement, we have attempted to obtain from the Company historical or existing processing agreement of the Group with Mei Fu Petrochemical and/or independent third parties with respect to the processing of mixed aromatics but as advised by the Company, there was no such historical transaction. Alternatively, we have conducted independent market research on the general profit margin of mixed aromatics processing. On a best-effort basis, we have identified two companies (“**Reference Companies**”) namely North Huajin Chemical Industries Co., Ltd (北方華錦化學工業股份有限公司) (as listed on the Shenzhen Stock Exchange with stock code 000059) and Shandong Shida Shenghua Chemical Group Company Limited (山東石大勝華化工集團股份有限公司) (as listed on the Shanghai Stock Exchange with stock code 603026), which involved in the production and/or processing of aromatics, and noted that the profit margins of production and/or processing of aromatics ranged from around 11% to 25% as disclosed in their respective latest published annual reports. Given the difference in cost components in respect of aromatics processing by Mei Fu Petrochemical and the Reference Companies, the relevant margins of the Reference Companies only serve as a general reference of profit margins of other similar petrochemical processing companies with respect to aromatics and related products. On the other hand, notwithstanding the absence of reference from the public domain on profit margin of processing of aromatics similar to that to be provided by Mei Fu Petrochemical to the Group, we have performed researches on the overall profit margin of chemical manufacturing industry in the PRC. As noted from “2022年1–10月石化化工行業經濟運行總體情況” published by the National Development and Reform Commission of the PRC in December 2022, the revenue and profit generated from overall chemical raw materials and chemical products manufacturing industry amounted to RMB7,596.61 billion and RMB645.54 billion, respectively, therefore showing a profit margin of approximately 8.50%. On this basis, we concur with the view of the Directors’ that the pricing terms under the Commissioned Processing and Rental Agreement based on the cost plus a mark-up of 5% represents a reasonable profit margin among the petrochemical processing industry and is justifiable.

2.5 Liquefied Petroleum Gas Sale and Purchase Agreement

Pursuant to the Liquefied Petroleum Gas Sale and Purchase Agreement, Sanjiang Chemical has agreed to purchase liquefied petroleum gas from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The purchase price of liquefied petroleum gas shall be the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month. Sanjiang Chemical and Mei Fu Petrochemical shall agree on the amount of liquefied petroleum gas sold and purchased at the end of each calendar month and Sanjiang Chemical shall pay the consideration to Mei Fu Petrochemical on or before the 15th day of the subsequent calendar month.

Based on our review, the monthly average price of liquefied petroleum gas being referenced to shall be announced by Sinopec Shanghai Petrochemical Co., Ltd, which is one of the common indicators of prevailing market prices as observed from various

independent commodity information providers as discussed above. As Sinopec Shanghai Petrochemical Co., Ltd is the largest supplier of liquefied petroleum gas in the Huadong area of the PRC, which is in the proximity where both Mei Fu Petrochemical and Sanjiang Chemical are principally operated, we concur with the Directors' view that reference to the average monthly price of Sinopec Shanghai Petrochemical Co., Ltd is appropriate which is generally accepted across the industry.

In assessing the fairness and reasonableness of the terms of the Liquefied Petroleum Gas Sale and Purchase Agreement, we have attempted to obtain from the Company historical or existing purchase agreement of the Group with Mei Fu Petrochemical and/or independent third parties with respect to purchase of liquefied petroleum gas but as advised by the Company, there was no such historical transaction. Alternatively, we have conducted research from the public domain and noted that the pricing of petroleum products (including liquefied petroleum gas) in the PRC may be determined by the applicable State tariffs or guidance prices, and if there are no applicable State tariffs or guidance prices, the pricing shall be determined in accordance with prevailing market prices. Moreover, we understand from the Company that there had been historical transaction with respect to the sale of liquefied petroleum gas by Mei Fu Petrochemical to independent third parties. We have therefore obtained and reviewed one set of agreement ("**Mei Fu LPG I3P Agreement**") provided by the Company which were entered during 2022, being the only agreement of Mei Fu Petrochemical in respect of sale of liquefied petroleum gas to independent third party in 2022. We noted that the pricing terms under the Mei Fu LPG I3P Agreement are substantially consistent with that under the Liquefied Petroleum Gas Sale and Purchase Agreement, which were also based on the prevailing monthly average market prices. Further, we noted that the payment terms under the Liquefied Petroleum Gas Sale and Purchase Agreement are no less favorable to the Group when compared to those offered by Mei Fu Petrochemical to independent third parties under the Mei Fu LPG I3P Agreement. Accordingly, we consider that the principal terms of the Liquefied Petroleum Gas Sale and Purchase Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.6 Mixed C4 Supply Agreement

Pursuant to the Mixed C4 Supply Agreement, Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The sale price of mixed C4 shall be determined based on the average monthly price as disclosed by Sinopec Shanghai Petrochemical Co., Ltd during the period between the 25th day of each calendar month till the 24th day of the next calendar month. The actual amount of mixed C4 supplied by Sanjiang Chemical to Mei Fu Petrochemical shall be based on the metre reading of Sanjiang Chemical. Sanjiang Chemical and Mei Fu Petrochemical shall both attend the metre reading on the 28th day of each calendar month and Mei Fu Petrochemical shall pay the consideration to Sanjiang Chemical on or before the 15th day of the next calendar month.

Based on our review, the monthly average price of mixed C4 being referenced to is announced by Sinopec Shanghai Petrochemical Co., Ltd, which is one of the common indicators of prevailing market prices as observed from Chem 99 (卓創資訊化工) (www.chem99.com), an independent commodity information provider as mentioned above. In assessing the fairness and reasonableness of the terms of the Mixed C4 Supply Agreement, we have obtained and reviewed the two historical agreements of the Group with independent third parties with respect to the sale of mixed C4 (“**Mixed C4 I3P Agreements**”) by the Group in 2021, which represented all historical agreements of the Group. However, no pricing basis are set out in the Mixed C4 I3P Agreements that enable us to conduct a meaningful comparison. As the selling price for mixed C4 under the Mixed C4 Supply Agreement will be made with reference to the prevailing monthly average market prices published by Sinopec Shanghai Petrochemical Co., Ltd which shall be no less favorable to the Group than that offered to independent third parties, we consider the pricing terms under the Mixed C4 Supply Agreement are fair and reasonable. Further, based on our review of the Mixed C4 I3P Agreements, we noted that the payment terms under the Mixed C4 Supply Agreement are no less favorable to the Group than those offered to independent third parties under the Mixed C4 I3P Agreements. Accordingly, we consider that the principal terms of the Mixed C4 Supply Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.7 Industrial Cracking C9 Supply Agreement

Pursuant to the Industrial Cracking C9 Supply Agreement, Sanjiang Chemical has agreed to supply industrial cracking C9 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025. The sale price of industrial cracking C9 shall be determined based on the average monthly market price as disclosed by Sinopec Yangzi Petrochemical Company Limited during the period between the 25th day of each calendar month till the 24th day of the next calendar month, plus a fixed amount of RMB1,000/tonne. The actual amount of industrial cracking C9 supplied by Sanjiang Chemical to Mei Fu Petrochemical shall be based on the metre reading of Sanjiang Chemical. Sanjiang Chemical and Mei Fu Petrochemical shall both attend the metre reading on the 28th day of each calendar month and Mei Fu Petrochemical shall pay the consideration to Sanjiang Chemical on or before the 15th day of the next calendar month.

Based on our review, the monthly average ex-factory price of industrial cracking C9 being referenced to is announced by Sinopec Yangzi Petrochemical Company Limited, being one of the common indicators of prevailing market prices as observed from various independent commodity information providers as discussed above. As Sinopec Yangzi Petrochemical Company Limited is the largest supplier of industrial cracking C9 in the Huadong area of the PRC, which is in the proximity where both Sanjiang Chemical and Mei Fu Petrochemical are principally operated, we concur with the Directors’ view that the reference of average monthly price of Sinopec Yangzi Petrochemical Company Limited is appropriate which is generally accepted across the industry. We further understand from the Company that the additional RMB1,000/tonne on top of the monthly average price of industrial cracking C9 is to

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reflect the one-stage hydrogenation to the industrial cracking C9 being further processed by the Group. According to the Company, the hydrogenation catalyst to industrial cracking C9 is to upgrade and make it more chemically stable for onward processing.

In assessing the fairness and reasonableness of the terms of the Industrial Cracking C9 Supply Agreement, we have enquired with the Company on provision of any similar historical or existing agreement of the Group with Mei Fu Petrochemical and/or independent third parties with respect to the sale of industrial cracking C9. As advised by the Company, there has not been any sale of industrial cracking C9 by the Group in the past. We are also advised that there was no historical sales of industrial cracking C9 by Mei Fu Petrochemical to independent third parties. In respect of the determination basis of RMB1,000/tonne on top of the market price of industrial cracking C9, we have conducted research on the price of industrial cracking C9 charged by other companies after the one-stage hydrogenation process. Given the uniqueness and specific nature of the one-stage hydrogenation processing work to industrial cracking C9, we could not identify any public information on the pricing on such further processing comparable to that charged under the Industrial Cracking C9 Supply Agreement. On the other side, we have enquired with the Company on the maximum cost per tonne to be incurred by the Group from the one-stage hydrogenation process based on the minimum quantity of industrial cracking C9 that could be processed and noted that such cost is well covered by the RMB1,000/tonne to be charged to Mei Fu Petrochemical under the Industrial Cracking C9 Supply Agreement. On this basis, given that (i) the base price of C9 has been made referenced to one of the common indicators of prevailing market prices; and (ii) the determination basis of the additional RMB1,000/tonne to be charged on top is in excess of the total cost to be incurred by the Group, we are of the view that the pricing terms of industrial cracking C9 under the Industrial Cracking C9 Supply Agreement are fair and reasonable. In respect to the payment terms offered to Mei Fu Petrochemical, we noted that the payment terms under the Industrial Cracking C9 Supply Agreement are no less favorable to the Group than those offered to independent third parties under the Mixed C4 I3P Agreements. Accordingly, we consider that the principal terms of the Industrial Cracking C9 Supply Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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3. The Proposed Annual Caps

Set out below are the proposed annual caps (“**Proposed Annual Caps**”) under each of the CCT Agreements, respectively:

CCT Agreements	Proposed Annual Caps for the year ending		
	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Propylene Sale and Purchase Agreement	218,750	375,000	375,000
Propane Sale and Purchase Agreement	70,000	120,000	120,000
Naphtha Sale and Purchase Agreement	3,266,700	5,600,000	5,600,000
Commissioned Processing and Rental Agreement	116,700	200,000	200,000
Liquefied Petroleum Gas Sale and Purchase Agreement	87,500	150,000	150,000
Mixed C4 Supply Agreement	61,250	105,000	105,000
Industrial Cracking C9 Supply Agreement	303,400	520,000	520,000

No historical transaction amount is available as the Group did not enter into any agreements with Mei Fu Petrochemical in respect of the products or processing services as contemplated under each of the CCT Agreements before.

In assessing the fairness and reasonableness of the determination of the Proposed Annual Caps, we have obtained and reviewed the underlying computations of the Proposed Annual Caps as prepared by the management of the Company. We further learnt that the proposed annual caps for the year ending 31 December 2023 represents the expected transaction amount for the seven months ending 31 December 2023 assuming the CCT Agreements will be approved by the Independent Shareholders by end of May 2023.

3.1 Purchase of propylene under the Propylene Sale and Purchase Agreement

The determination of the Proposed Annual Caps in respect of the purchase of propylene is based on the projected purchase amount and monthly average unit price of propylene. As advised by the Company, the Group has been generating propylene from its existing production facilities for the production of PP, being one of the major products of the Group. We further learnt that the maximum amount of propylene generated by the Group annually accounts for around 75% of the amount of propylene required to reach the maximum production capacity of PP. However, as advised by the Company, as the price of methanol, being the feedstock for producing propylene, has been rising in the past year, the Group has reduced the production of propylene from its existing production facilities for cost control purpose and has alternatively procured certain amount of propylene from external suppliers. According to the Company, the Group’s production of PP had not been utilised to its full capacity during recent years from 2020 primarily due to cost control owing to the price volatility of major commodities and the significant disruption of COVID-19 pandemic which led to lower

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demands from downstream level as PP is tied to the demand of various products and industries. With the lifting of Covid zero policy in the PRC since December 2022, the gradual reopening of international borders in 2023 and the reducing of supply chain pressure, it is expected that the economic recovery will benefit the overall consumptions going forward which would potentially lead to an increase in demand of the Group's products including PP.

According to "Insight: New prospects for China's petrochemical industry following 20th Party Congress" published by Independent Commodity Intelligence Services (ICIS) (www.icis.com), an independent service provider for price information and insight across key commodities markets worldwide, demand for key chemical products including PP is expected to grow from 34.9 million tonnes in 2022 to 41.8 million tonnes in 2025. In order to secure sufficient output of propylene for the production of PP to facilitate the Group to capture any potential market demand in the following years, in addition to the internally generated propylene, the Group will increase its purchase of propylene from external suppliers including Mei Fu Petrochemical. We note that the estimated purchase amount of propylene from Mei Fu Petrochemical accounted for less than 10% of the total amount of propylene required for the maximum production of PP which, together with the available amount of internally generated propylene, is within the designed maximum capacity of the Group.

As regards the projected purchase price of propylene, the Company has primarily made reference to its latest prevailing market prices. In this connection, we have reviewed and compared the projected price of propylene against the ex-factory monthly average prices of Sinopec Zhenhai Refining & Chemical Company as recorded for March 2023 available from independent commodity information providers including Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net), and noted that they are generally comparable. As the Company expects the purchase amount and monthly average unit price of propylene will be generally stable in the next years, the Proposed Annual Caps are the same for the two years ending 31 December 2025. As our independent assessment, we have reviewed the historical market price pattern of propylene available from independent commodity information providers and noted that the monthly average price of propylene has been fluctuating within the range of RMB6,950 per tonne to RMB8,426.09 per tonne during the past year, and amounted to RMB7,332.61 per tonne in March 2023. Given the fluctuating trend in the previous year, we consider it is reasonable for the Company to estimate the monthly average unit price of propylene with reference to the market price in March 2023, being the most recent monthly market price, which is also within the historical price range and approximates to average during the last year.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Propylene Sale and Purchase Agreement is fair and reasonable.

3.2 Purchase of propane under the Propane Sale and Purchase Agreement

The determination of the Proposed Annual Caps in respect of the purchase of propane is based on the projected purchase amount and monthly average unit price of propane. As advised by the Company, the new production facilities of the Group shall operate at its full capacity in 2023 and the following years such that the required level of propane is anticipated to be relatively stable. We noted that the estimated purchase quantity of propane from Mei Fu Petrochemical is within the maximum designed capacity of the Group's new production facilities.

As regards the projected purchase price of propane, the Company has primarily made reference to its latest prevailing market prices. We have therefore reviewed and compared the projected price of propane against the ex-factory average monthly price of propane recorded by Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd for March 2023 available from independent commodity information providers including Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net), and noted that they are generally comparable. As the Company expects the purchase amount and monthly average unit price of propane will be generally stable in the next years, the Proposed Annual Caps are the same for the two years ending 31 December 2025. As our independent assessment, we have made reference to the historical price trend of propane available from independent commodity information providers and noted that the market price of propane ranged from RMB5,387.04 per tonne to RMB5,981.67 per tonne during the past year and recorded at RMB5,566.13 per tonne in March 2023. In this regard, we consider it is reasonable for the Company to estimate the monthly average unit price of propane based on the market price in March 2023, being the most recent monthly market price, which is also within the historical price range and approximates to average during the last year.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Propane Sale and Purchase Agreement is fair and reasonable.

3.3 Purchase of naphtha under the Naphtha Sale and Purchase Agreement

The determination of the Proposed Annual Caps in respect of the purchase of naphtha is based on the projected purchase amount and monthly average unit price of naphtha. As advised by the Company, the new production facilities of the Group shall operate in full capacity in 2023 such that the required level of naphtha is anticipated to be relatively stable for the following years. We noted that the estimated purchase quantity of naphtha from Mei Fu Petrochemical is within the maximum designed capacity of the Group's new production facilities which had completed construction and can commence commercial operation.

As regards the projected purchase price of naphtha, the Company has primarily made reference to the latest prevailing market price of naphtha disclosed by Sinopec, without having regard to any potential downward price adjustment corresponding to the level of sulphur for prudence's sake. In this respect, we have reviewed and compared the projected price of naphtha against the monthly average market price

published by Sinopec in March 2023 available from independent commodity information providers including Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net) and noted that, after taking into account the relevant tax rate, they are broadly comparable. As the Company expects the purchase amount will remain stable and the monthly average unit price of naphtha will trade within a reasonable price range in the next years, the Proposed Annual Caps remain the same for the two years ending 31 December 2025. As our independent assessment, we have made reference to the historical price trend of naphtha available from the abovementioned independent commodity information providers and noted that the market price of naphtha had been trading at a relatively wide price range last year which ranged from a monthly average of RMB4,895.56 per tonne to RMB6,912.38 per tonne, and recorded a monthly average of RMB5,249.57 per tonne in March 2023. Given the significantly wide range of market prices in the previous year, we consider it is reasonable for the Company to estimate the monthly average unit price of naphtha with reference to the aforesaid highest monthly market price in order to cater for any future price fluctuations in the next years.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Naphtha Sale and Purchase Agreement is fair and reasonable.

3.4 Processing service under the Commissioned Processing and Rental Agreement

We note that the determination of the Proposed Annual Caps under the Commissioned Processing and Rental Agreement is based on the expected annual processing cost to be incurred by Mei Fu Petrochemical plus the mark-up of 5% in accordance with the pricing terms under the Commissioned Processing and Rental Agreement.

As our independent assessment, we have obtained from the Company and reviewed the computation of the annual processing cost and noted that the major components of processing cost comprised of (i) steam, among other components, as the feedstock for operating the Assets; and (ii) the annual depreciation cost on a 10-year basis based on the estimated construction and installation cost of the Assets as set out in an assessment report (“**Assessment Report**”) issued in October 2022 by Zhongjing Engineering Software Technology Co., Ltd as engaged by Mei Fu Petrochemical. We note that the estimated price of steam as adopted in the determination of the Proposed Annual Caps is comparable to the prevailing market price of steam and within the historical monthly average price range from January 2020 to February 2023. In respect of the annual depreciation cost, based on our review of the Assessment Report, the relevant construction and installation costs including the stationary equipment, structures, engineering equipment, pipe piles and electricity were primarily determined based on the associated labor costs, required quantities of components and with reference to, among others, 石油化工安裝工程概算指標 (Petrochemical Installation and Construction Budget Benchmark*) and 石油化工安裝工程費用定額 (Petrochemical Installation and Construction Cost Quota*) issued by Sinopec Group, a state-owned leading petroleum and petrochemical group in the PRC and that those

guidelines were widely used in the petrochemical industry. Zhongjing Engineering Software Technology Co., Ltd. is primarily engaged in the engineering and construction design of petrochemical projects with solid experience in the petrochemical engineering field. Considering the primary basis and guidelines adopted in the assessment report and the experience of Zhongjing Engineering Software Technology Co., Ltd, we consider the reference of the expected initial setup cost of the Assets to the Assessment Report in arriving at the expected depreciation cost to be fair and reasonable. We further note that the amount of processing required in deriving at the Proposed Annual Caps falls within the estimated maximum annual output of mixed aromatics of the Group arising from the light olefin production facility with 1,250,000 MT annual output forming part of the Group's new production facilities, which we consider to be fair and reasonable. As the Company expects the output amounts of mixed aromatics will be generally steady for the following years and accordingly, the amount of processing required, and that the costs of processing by Mei Fu Petrochemical are expected to be relatively stable given the expected constant level of processing required by the Group, the Proposed Annual Caps for the two years ending 31 December 2025 remain the same.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Commissioned Processing and Rental Agreement is fair and reasonable.

3.5 Purchase of liquefied petroleum gas under the Liquefied Petroleum Gas Sale and Purchase Agreement

With respect of the purchase of liquefied petroleum gas, the determination of the Proposed Annual Caps is based on the projected purchase amount and monthly average unit price of liquefied petroleum gas. Upon enquiry with the Company, we understand that liquefied petroleum gas, among other raw materials, is required for the Group to produce methyl tert-butyl ether ("MTBE"). While the Group's existing production facilities do not generate liquefied petroleum gas as output, the Group will source such component from external suppliers. The amount of liquefied petroleum gas under the Proposed Annual Caps for the approximately three years ending 31 December 2025 is consistent with the amount required for the maximum production capacity of the Group with respect of production of MTBE upon commencement of the new production facilities of the Group. According to the Company, as mixed C4 is the key raw materials for the production of liquefied petroleum gas, the Group will supply the required amount of mixed C4 to Mei Fu Petrochemical under the Mixed C4 Supply Agreement which will be converted to liquefied petroleum gas by Mei Fu Petrochemical to be purchased by the Group for the production of MTBE. The amount of liquefied petroleum gas estimated to be purchased under the Proposed Annual Caps by the Group is equivalent to the output of liquefied petroleum gas to be produced by Mei Fu Petrochemical after processing the amount of mixed C4 to be supplied under the Proposed Annual Caps by the Group.

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As regards the projected purchase price of liquefied petroleum gas, the Company has primarily made reference to its latest prevailing market prices. In this connection, we have reviewed and compared the projected price of liquefied petroleum gas against the ex-factory monthly average price recorded by Sinopec Shanghai Petrochemical Co., Ltd for March 2023 available from independent commodity information providers including Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net), and noted that they are generally comparable. As the Company expects the purchase amount and monthly average unit price of liquefied petroleum gas will remain stable in the next years, the Proposed Annual Caps are the same for the two years ending 31 December 2025. As our independent assessment, we have made reference to the historical trading prices of liquefied petroleum gas available from independent commodity information providers and noted that the monthly average market prices of liquefied petroleum gas has been fluctuating from a monthly average of RMB4,919.35 per tonne to RMB5,916.67 per tonne during the past year, and recorded at RMB5,370.97 per tonne in March 2023. Given the fluctuating trend in the previous year, we consider it is reasonable for the Company to estimate the monthly average unit price of LPG based on the market price in March 2023, being the latest prevailing monthly market price, which is also within the historical price range and approximates to average within the last year.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Liquefied Petroleum Gas Sale and Purchase Agreement is fair and reasonable.

On the other hand, in view of the purchases of various feedstocks and processing services from Mei Fu Petrochemical under the CCT Agreements, we have performed research on the overall industry prospect to assess the general demand for petrochemical products in the PRC. Notwithstanding that the global economy has slowed down in recent years due to the impact of the COVID-19 epidemic, and that chemical companies have generally experienced declines in profit, following the optimisation of the epidemic prevention policy implemented in early 2023 and the gradual reopening of international borders which reduced supply chain pressure, the economic growth of the PRC is expected to accelerate such that the demand for chemical products is expected to recover. According to “2023年中國精細化工行業發展困境及發展前景預測分析” published by Askci Consulting Co., Ltd (中商產業研究院) (www.askci.com), a leading industry consulting service organisation in the PRC, the total output value of fine chemical industry in the PRC amounted to RMB5.5 trillion in 2021 and is expected to reach RMB11 trillion in 2027. With reference to “Insight: New prospects for China’s petrochemical industry following 20th Party Congress” published by Independent Commodity Intelligence Services (ICIS) (www.icis.com), an independent service provider for price information and insight across key commodities markets worldwide, China’s development objectives for 2035 will help boost chemical industry development in the longer term, driving demand from industries including polyolefins and polyesters, which is connected to various end-use sections such as construction, packaging, automotive and household appliances. It is expected that polyolefins demand will see a compound annual growth rate of 3.6% between 2020 and 2030. Demand for key chemical products including PP and polyethylene is also

expected to continue to increase with demand for PP growing from 34.9 million tonnes in 2022 to 41.8 million tonnes in 2025, and demand for polyethylene growing from 37.8 million tonnes in 2022 to 43 million tonnes in 2025, respectively. As such, given the generally positive prospect of the PRC petrochemical industry, we are of the view that there will be sufficient demand for the Group's products after processing the relevant feedstocks to be procured from/processed by Mei Fu Petrochemical under the Propylene Sale and Purchase Agreement, Propane Sale and Purchase Agreement, Naphtha Sale and Purchase Agreement, Commissioned Processing and Rental Agreement and the Liquefied Petroleum Gas Sale and Purchase Agreement.

3.6 Sale of mixed C4 under the Mixed C4 Supply Agreement

The determination of the Proposed Annual Caps in respect of the sale of mixed C4 is based on the projected quantity of sale and monthly average unit price of mixed C4. We noted that the estimated quantity of mixed C4 to be sold to Mei Fu Petrochemical is within the maximum annual amount to be produced by the new production facilities of the Group. As advised by the Company, the new production facilities of the Group shall operate at its full capacity in 2023 such that the output level of mixed C4 is anticipated to be relatively stable for the following years. As described in the above sub-section headed "3.5 Purchase of liquefied petroleum gas under the Liquefied Petroleum Gas Sale and Purchase Agreement", the mixed C4 to be sold to Mei Fu Petrochemical will be converted to liquefied petroleum gas for purchase by the Group under the Liquefied Petroleum Gas Sale and Purchase Agreement, in order for the Group to produce MTBE. The amount of mixed C4 to be sold to Mei Fu Petrochemical, the amount of liquefied petroleum gas purchased from Mei Fu Petrochemical and ultimately the production of MTBE by the Group is within the maximum designed capacity of the Group's production facilities.

As regards the projected selling price of mixed C4, the Company has primarily made reference to its latest prevailing market prices. In this respect, we have reviewed and compared the projected price of mixed C4 against the ex-factory prices recorded by Sinopec Shanghai Petrochemical Co., Ltd for March 2023 available from Chem99 (卓創資訊化工) (www.chem99.com) and noted that they are broadly comparable. As the Company expects the sale quantity and monthly average unit price of mixed C4 will be relatively stable in the next years, the Proposed Annual Caps are the same for the two years ending 31 December 2025. As our independent assessment, we have made reference to the historical price of mixed C4 available from independent commodity information providers and noted that the monthly average market price of mixed C4 has been fluctuating within the price range from the bottom of RMB4,970.37 per tonne in January 2023 to the peak of RMB6,809.68 per tonne in March 2022, and amounted to a monthly average market price of RMB5,817.39 per tonne in March 2023. Given the significantly wide range of market prices in the previous year, we consider it is reasonable for the Company to estimate the monthly average unit price of mixed C4 taking into account the aforesaid highest monthly average price to cater any potential future price fluctuations.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Mixed C4 Supply Agreement is fair and reasonable.

3.7 Sale of industrial cracking C9 under the Industrial Cracking C9 Supply Agreement

The determination of the Proposed Annual Caps in respect of the sale of industrial cracking C9 is based on the projected sale amount and monthly average unit price of industrial cracking C9. As observed from the production metrics provided by the Company, we noted that the estimated quantity of sale of industrial cracking C9 falls within the maximum output of industrial cracking C9 of the Group's new production facilities and, as advised by the Company, is within the annual quantity required by Mei Fu Petrochemical.

As regards the projected selling price of industrial cracking C9, the Company has primarily made reference to its latest prevailing market prices, in addition of the RMB1,000 per tonne in accordance with the pricing terms under the Industrial Cracking C9 Supply Agreement. In this connection, we have reviewed and compared the projected price of industrial cracking C9 against the ex-factory monthly average price recorded by Sinopec Yangzi Petrochemical Company Limited for March 2023 available from independent commodity information providers including Chem99 (卓創資訊化工) (www.chem99.com) and OilChem China (隆眾資訊) (www.oilchem.net), and noted that they are generally comparable. As the Company expects the amount of industrial cracking C9 to be supplied to Mei Fu Petrochemical and the monthly average price of industrial cracking C9 will remain relatively stable in the next years, the Proposed Annual Caps are the same for the two years ending 31 December 2025. As our independent assessment, we have made reference to the historical price trend of industrial cracking C9 available from independent commodity information providers and noted that the market price of industrial cracking C9 has been traded from a minimum of RMB5,316.67 per tonne to RMB6,472.73 per tonne in the past year, and reached RMB5,834.78 per tonne in March 2023. Given the historical fluctuating trend, we consider it is reasonable for the Company to estimate the monthly average unit price of industrial cracking C9 with reference to the market price in March 2023, being the latest prevailing monthly market price, which is also within the historical price range and approximates to average during the last year.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the approximately three years ending 31 December 2025 under the Industrial Cracking C9 Supply Agreement is fair and reasonable.

4. Internal control procedures and annual review

With reference to the Letter from the Board, the Company will, at least on a monthly basis, obtain fee quotes of the chemical products and/or processing fees from other independent third parties to ensure that the terms of each of the CCT Agreements are no less favorable to the Group than the same provided by/offered to independent third parties. The purchasing department will monitor the transaction amounts of the CCT Agreements and report, on a weekly basis, to the accounting department of the Company on the actual usage of the Proposed Annual Caps. The Board will also continue to review on a regular basis the Group's internal control system and its effectiveness in this regard.

According to the requirements of the Listing Rules, the Company's external auditors shall provide a letter to the Board confirming, among others, that the transactions under each of the CCT Agreements are conducted in accordance with their terms and that the respective proposed annual caps not being exceeded and the independent non-executive Directors shall conduct an annual review on the pricing and the annual caps of the continuing connected transactions, details of which must be included in the Company's subsequent published annual reports and accounts. The Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transaction or the annual caps not being exceeded.

In view of the above and having also considered that the internal control procedures adopted by the Group are generally similar to those adopted by other listed companies in Hong Kong for monitoring continuing connected transactions, we are of the view that there are appropriate and adequate internal control procedures in place to govern the conduct of the CCT Agreements and to safeguard the interests of the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that the entering into of the CCT Agreements is in the ordinary and usual course of business of the Group, and the terms of the CCT Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the CCT Agreements are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the CCT Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking profession.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the Shares

Name of Directors	Personal Interest	Family Interest	Number of Shares		Approximate % of issued share capital ³
			Trust/ Corporate Interest	Total	
Ms. Han	—	20,738,000 ²	516,496,000 ²	537,234,000	45.15%
Rao Huotao (“ Mr. Rao ”)	659,000	—	—	—	0.06%
Ms. Guan	—	20,738,000 ²	516,496,000 ²	537,234,000	45.15%
Chen Xian (“ Ms. Chen ”)	3,367,000	—	—	—	0.28%

Notes:

- (1) The 516,496,000 Shares were held by Sure Capital which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Trust (Singapore) Pte. Ltd (“**Vistra Singapore**”). The Yihao Trust was established by Guan Jianzhong (“**Mr. Guan**”) and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Ms. Guan (the daughter of Mr. Guan and Ms. Han), Vistra Singapore are deemed to be interested in the Shares under the SFO.
- (2) These shares were beneficially owned by Mr. Guan, the spouse of Ms. Han. Under the SFO, Ms. Han were deemed to be interested in such shares and Mr. Guan, Ms. Han and Ms. Guan (the daughter of Mr. Guan and Ms. Han), were also deemed to be interested in 516,496,000 Shares mentioned in Note 1 above.
- (3) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.

(b) Interest in shares of associated corporation of the Company

Name of Directors	Name of associated corporation	Personal Interest	Number of Shares			Total	Approximate% of issued share capital ²
			Family Interest	Trust/ Corporate Interest			
Ms. Han	Sure Capital	—	—	516,496,000 ¹	516,496,000	43.30%	
Ms. Guan	Sure Capital	—	—	516,496,000 ¹	516,496,000	43.30%	

Notes:

(1) The 516,496,000 Shares were held by Sure Capital which was wholly-owned by Yihao Development Limited which was held under the Yihao Trust, the trustee of which was Vistra Singapore. The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for the benefit of the children of Mr. Guan and Ms. Han and their issue. Accordingly, each of Mr. Guan, Ms. Han, Ms. Guan (the daughter of Mr. Guan and Ms. Han), Vistra Singapore are deemed to be interested in the Shares under the SFO.

(2) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at the Latest Practicable Date.

(c) Interests of substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interest in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate % of issued share capital ³
Vistra Trust (Singapore) Pte. Ltd	Trustee	516,496,000 ¹	43.40%
Yihao Development Limited	Interest of controlled corporation	516,496,000 ¹	43.40%
Sure Capital	Interest of controlled corporation	516,496,000 ¹	43.40%

Notes:

(1) The 516,496,000 Shares were held by Sure Capital, which is wholly-owned by Yihao Development Limited, which is in turn held under the Yihao Trust, the trustee of which was Vistra Singapore. The Yihao Trust was established by Mr. Guan and Ms. Han as settlors for

the benefit of the children of Mr. Guan and Ms. Han and their issue. Ms. Guan is a director of Sure Capital. Accordingly, each of Mr. Guan, Ms. Han, Vistra Singapore are deemed to be interested in the Shares under the SFO.

- (2) Based on 1,190,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Company's director is the director or employee of the substantial shareholders of the Company.

At the Latest Practicable Date, save for the following arrangements, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group:

- (a) the land use right transfer agreement dated 20 January 2021 entered into between Sanjiang Chemical and Mei Fu Petrochemical as disclosed in the announcement of the Company dated 20 January 2021;
- (b) the framework agreement dated 26 February 2021 entered into between Jiahua Energy Chemical Co. and 嘉興市港區工業管廊有限公司 (Jiaxing Port Chemical Industry Park Pipeline Co., Ltd*) ("**Guanlang**"), a limited liability company principally engaged in the construction and management of pipeline network in Jiaxing Port Chemical Industrial Park and a non-wholly owned subsidiary of the Company, which is owned as to 83.85% by Sanjiang Chemical and as to 16.15% by 嘉興市乍浦建設投資有限公司 (Jiaxing Zhapu Construction Investment Co., Ltd.*), which is in turn owned as to 100% by 嘉興濱海控股集團有限公司 (Jiaxing Binhai Holding Group Co., Ltd.*), which is owned as to 100% by 嘉興市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Jiaxing Municipal People's Government*) as disclosed in the announcement of the Company dated 26 February 2021;
- (c) the supply agreement dated 30 December 2021 entered into between Sanjiang Chemical and 嘉興興港熱網有限公司 (Jiaxing Xinggang Rewang Co., Ltd.*) ("**Ji Xia Rewang**"), a limited liability company established in the PRC on 28 March 2002 and is owned as to 50% by Jiahua Energy Chemical Co and 50% by local government or local government related bodies as disclosed in the announcement of the Company dated 30 December 2021;

- (d) the framework agreement dated 30 December 2021 entered into between Guanlang and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 30 December 2021;
- (e) the nitrogen gas sales agreement dated 1 January 2022 entered into between Sanjiang Chemical and 浙江嘉化新材料有限公司 (Zhejiang Jiahua New Material Co., Ltd*) (“**Jihua New Material**”), a company established in the PRC with limited liability, a directly wholly-owned subsidiary of Jiahua Energy Chemical Co, a connected person of the Company, as disclosed in the announcement of the Company dated 1 January 2022;
- (f) (i) the energy management agreement dated 7 January 2022 entered into between Jiahua Energy Chemical Co. and 浙江三江化工新材料有限公司 (Zhejiang Sanjiang New Material Co., Ltd*), a company established in the PRC with limited liability on 23 December 2011, which is an indirect wholly-owned subsidiary of the Company; and (ii) the energy management agreement dated 7 January 2022 entered into between Jiahua Energy Chemical Co. and 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 person as disclosed in the announcement of the Company dated 7 January 2022;
- (g) (i) the steam supply agreement dated 16 September 2022 entered into between Jiahua Energy Chemical Co. and 浙江三江思怡新材料有限公司 (Zhejiang Sanjiang Siyi New Material Co. Ltd*) (“**Sanjiang Siyi**”), a company established in the PRC with limited liability on 17 November 2020, which is an indirect wholly-owned subsidiary of the Company; and (ii) the desalinated water and miscellaneous materials supply agreement dated 16 September 2022 entered into between Jiahua Energy Chemical Co. and Sanjiang Siyi as disclosed in the announcement of the Company dated 16 September 2022;
- (h) (i) the supplemental agreement entered into between Sanjiang Chemical and Jiahua Energy Chemical Co. dated 23 September 2022; (ii) the supplemental agreement entered into between Sanjiang New Material and Jiahua Energy Chemical Co. dated 23 September 2022; (iii) the supplemental agreement entered into between Xing Xing and Jiahua Energy Chemical Co. dated 23 September 2022; and (iv) the steam supply agreement entered into between Xing Xing and Jiahua Energy Chemical Co. dated 12 November 2020 as disclosed in the announcement and circular of the Company dated 23 September 2022 and 30 November 2022 respectively;

- (i) the framework agreement for port services dated 22 December 2022 entered into between the Company and Hangzhou Bay Petrochemical Logistics which is owned as to 55.00% by 浙江海港嘉興港務有限公司 (Zhejiang Seaport Jiaying Port Co., Ltd*); 24.00% by 嘉興石化有限公司 (Jiaying Petrochemical Co., Ltd.*); and 21% by 浙江乍浦美福碼頭倉儲有限公司 (Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd.*) as disclosed in the announcement of the Company dated 22 December 2022;
- (j) the nitrogen gas sales agreement dated 1 January 2023 entered into between Sanjiang Chemical and Jihua New Material as disclosed in the announcement of the Company dated 3 January 2023;
- (k) the energy management agreements all dated 1 January 2023 entered into between Sanjiang Chemical and 浙江浩星節能科技有限公司 (Zhejiang Haoxing Energy Conservation Technology Co. Ltd.*) (“**Haoxing Energy Conservation**”), which is owned as to approximately 55.5% by Mr. Guan; Sanjiang Haojia and Haoxing Energy Conservation; and Xing Xing and Haoxing Energy Conservation as disclosed in the announcement of the Company dated 3 January 2023; and
- (l) the framework agreement for repair and maintenance services dated 12 January 2023 entered into between the Company and 嘉興港區港安工業設備安裝有限公司 (Jiaying Gangqu Gangan Industrial Equipment Installation Co., Ltd*), a company established in the PRC with limited liability, and a company which was owned by Mr. Guan and Jianghao Investment as to 50.00% and 50.00% as disclosed in the announcement of the Company dated 12 January 2023.

Save as disclosed above, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective close associates had any interest in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

6. CONSENT OF EXPERT

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the inclusion of its report in this circular with references to its name in form and context in which it appears.

7. QUALIFICATION OF EXPERT

The followings are the qualification of the experts who have given opinion or advice, contained in this circular:

Name	Qualifications
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any holding, directly or indirectly, of any securities in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the Group.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any direct or indirect interests in any assets which since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.chinasanjiangfinechemicals.com>) up to and including the date which is 14 days from the date of this circular:

- (a) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix I;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the written consent from the Independent Financial Adviser referred to in the section headed "CONSENT OF EXPERT" in this Appendix I; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of China Sanjiang Fine Chemicals Company Limited (the “**Company**”) will be held on 15 May 2023 at 10:30 a.m. (or, if later, immediately following the conclusion of the annual general meeting of the Company convened pursuant to the notice of annual general meeting of the Company dated 11 April 2023 and to be held at 10:00 a.m. at the same location and on the same date as the EGM) at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, approving the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 28 April 2023.

The following resolutions will be considered and, if thought fit, approved by the Shareholders, with or without amendments, at the EGM

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the propylene sale and purchase agreement (the “**Propylene Sale and Purchase Agreement**”) dated 4 April 2023 entered into between 浙江美福石油化工有限公司 (Zhejiang Mei Fu Petrochemical Co., Ltd*) (“**Mei Fu Petrochemical**”) and 三江浩嘉高分子材料科技有限公司 (Sanjiang Haojia High Polymer Material Technology Co., Ltd*) (“**Sanjiang Haojia**”) for the sale and purchase of propylene and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Propylene Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Propylene Sale and Purchase Agreement and the transactions contemplated thereunder.”

2. **“THAT:**

(a) the propane sale and purchase agreement (the **“Propane Sale and Purchase Agreement”**) dated 4 April 2023 entered into between 三江化工有限公司 (Sanjiang Chemical Co. Ltd.*) (**“Sanjiang Chemical”**) and Mei Fu Petrochemical for the sale and purchase of propane and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Propane Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and

(c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Propane Sale and Purchase Agreement and the transactions contemplated thereunder.”

3. **“THAT:**

(a) the naphtha sale and purchase agreement (the **“Naphtha Sale and Purchase Agreement”**) dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang Chemical for the sale and purchase of naphtha and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Naphtha Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and

(c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Naphtha Sale and Purchase Agreement and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “**THAT:**

- (a) the commissioned processing and rental agreement dated 4 April 2023 (“**Commissioned Processing and Rental Agreement**”) entered into between Mei Fu Petrochemical and Sanjiang Chemical, pursuant to which Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Commissioned Processing and Rental Agreement be and are hereby approved, confirmed and ratified; and
- (c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Commissioned Processing and Rental Agreement and the transactions contemplated thereunder.”

5. “**THAT:**

- (a) the liquefied petroleum gas sale and purchase agreement (the “**Liquefied Petroleum Gas Sale and Purchase Agreement**”) dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang Chemical for the sale and purchase of liquefied petroleum gas and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Liquefied Petroleum Gas Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and
- (c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Liquefied Petroleum Gas Sale and Purchase Agreement and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. **“THAT:**

- (a) the mixed C4 supply agreement (the **“Mixed C4 Supply Agreement ”**) dated 4 April 2023 entered into between entered into between Sanjiang Chemical and Mei Fu Petrochemical for the supply of mixed C4 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Mixed C4 Supply Agreement be and are hereby approved, confirmed and ratified; and
- (c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Mixed C4 Supply Agreement and the transactions contemplated thereunder.”

7. **“THAT:**

- (a) the industrial cracking C9 supply agreement (the **“Industrial Cracking C9 Supply Agreement”**) dated 4 April 2023 entered into between entered into between Sanjiang Chemical and Mei Fu Petrochemical for the supply of industrial cracking C9 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the three years ending 31 December 2025 in relation to the transactions contemplated under the Industrial Cracking C9 Supply Agreement be and are hereby approved, confirmed and ratified; and
- (c) the directors of the Company be and are hereby authorised to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Industrial Cracking C9 Supply Agreement and the transactions contemplated thereunder.”

By Order of the Board
China Sanjiang Fine Chemicals Company Limited
Han Jianhong
Chairlady and executive Director

Hong Kong, 28 April 2023

Head Office and Principal place of business in Hong Kong:
Room 2202, 22/F.,
OfficePlus @Wan Chai,
No.303 Hennessy Road,
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 48 hours before the time of the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint registered holders of a share in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto or if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. For the purpose of determining entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM. In order to qualify for the right to attend and vote at the forthcoming EGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 9 May 2023.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at (<http://www.chinasanjiangfinechemicals.com>) and on the HKExnews website of the Stock Exchange at (www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. At the EGM (or at any adjournment thereof), the chairman of the meeting put the above resolution to the vote by way of poll pursuant to the Listing Rules. The poll results will be published on the website of the Company and the website of the Stock Exchange in accordance with the Listing Rules.
8. In case of inconsistency between the English and Chinese version of this notice of EGM, the English version shall prevail.

As at the date of this notice, 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.