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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 TRANSACTION
PIPELINE NETWORK USAGE SERVICE**

CONTINUING CONNECTED TRANSACTION

The Directors announce that, on 27 July 2023, Sanjiang Chemical entered into the Pipeline Network Usage Agreement with Mei Fu Port (a wholly-owned subsidiary of Jiahua Energy Chemical Co.), pursuant to which, Sanjiang Chemical has agreed to provide pipeline network usage service to Mei Fu Port for a term from the date of this announcement to 31 December 2023 with a consideration not exceeding RMB15 million.

IMPLICATIONS OF THE LISTING RULES

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

PIPELINE NETWORK USAGE AGREEMENT

The Directors announce that, on 27 July 2023, Sanjiang Chemical entered into the Pipeline Network Usage Agreement with Mei Fu Port (a wholly-owned subsidiary of Jiahua Energy Chemical Co.), pursuant to which, Sanjiang Chemical has agreed to provide pipeline network usage service to Mei Fu Port for a term from the date of this announcement to 31 December 2023 with a consideration not exceeding RMB15 million.

Date: 27 July 2023

Parties: (1) Sanjiang Chemical, an indirect wholly-owned subsidiary of the Company, as service provider; and

(2) Mei Fu Port, a connected person of the Company, as service user.

Subject matter

Pursuant to the Pipeline Network Usage Agreement, Sanjiang Chemical has agreed to provide pipeline network usage service to Mei Fu Port (a wholly-owned subsidiary of Jiahua Energy Chemical Co.) for a term from the date of this announcement to 31 December 2023 with a consideration not exceeding RMB15 million.

Term

The Pipeline Network Usage Agreement shall become effective from the date of this announcement and has a term ending on 31 December 2023 which may be renewable upon further agreement by the parties (subject to compliance with the Listing Rules).

The Company will comply with the relevant Listing Rules requirements when the term of the Pipeline Network Usage Agreement is renewed.

Pricing principles

Pursuant to the Pipeline Network Usage Agreement, the purchase price for the provision of pipeline network usage service shall be charged in accordance with the notice namely 嘉興港區公共管廊使用收費標準 (Jiaxing Port Area Public Pipeline Usage Standard Fee Rates*) issued by the local authority.

As the purchase prices are determined in accordance with the notice namely Jiaxing Port Area Public Pipeline Usage Standard Fee Rates issued by the local authority, which is applied to all the pipeline users in the region, the Board considers such pricing principles and the transactions under the Pipeline Network Usage Agreement, will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole.

Historical transaction amounts and proposed annual caps

Sanjiang Chemical had the following amounts received from Mei Fu Port in respect of the provision of pipeline network usage service:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to the date of this announcement <i>RMB'000</i>
Actual transaction amount received from Mei Fu Port	<u> —</u>	<u> —</u>	<u> —</u>
			For the period from the date of this announcement to 31 December 2023 <i>RMB'000</i>
Proposed annual caps			<u> 15,000</u>

The proposed annual caps are estimated based on:

- (1) the expected amount of pipeline network usage to be required by Mei Fu Port for the period from the date of this announcement to 31 December 2023; and
- (2) the pipeline network usage charge rates as indicated in the notice namely 嘉興港區公共管廊使用收費標準 (Jiaxing Port Area Public Pipeline Usage Standard Fee Rates*) issued by the local authority applicable for the year ending 31 December 2023.

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

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

Mei Fu Port, a company established in the PRC with limited liability, is a wholly-owned subsidiary of Jiahua Energy Chemical Co. and Jiahua Energy Chemical Co. is a limited liability company established in the PRC and is principally engaged in the business of production and trading of desalinated water, steam, chlorine gas and sulfuric acid. Jiahua Energy Chemical Co. is currently listed on the Shanghai Stock Exchange (stock code: 600273). Other than Jiahua, there are no other shareholders who individually hold 10% or above interests in Jiahua Energy Chemical Co..

Jiahua Energy Chemical Co. is owned as to approximately 36.77% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han. As Ms. Han is an executive Director and Mr. Guan is a controlling Shareholder of the Company, Mei Fu Port is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under the Pipeline Network Usage Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Sanjiang Chemical owns and manages certain pipeline network in Jiaying Port Area Chemical Industrial Park and the port of Mei Fu Port is located at the coast area of Jiaying Port Area Chemical Industrial Park, the entering into of the Pipeline Network Usage Agreement will enable Sanjiang Chemical to use the spare capacities of certain part of its pipeline network and bring synergies to Sanjiang Chemical's operation. In addition, as the purchase prices under the Pipeline Network Usage Agreement are determined in accordance with the notice namely Jiaying Port Area Public Pipeline Usage Standard Fee Rates issued by the local authority, which is applied to all the pipeline users in the region, the Board considers such pricing principles and the transactions under the Pipeline Network Usage Agreement, will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole. In view of the foregoing reasons, Sanjiang Chemical entered into the Pipeline Network Usage Agreement with Mei Fu Port.

Ms. Guan is an executive Director and the daughter of Mr. Guan and Ms. Han.

Ms. Han and Ms. Guan were interested in the Pipeline Network Usage Agreement and they therefore abstained from voting on the board resolutions of the Company approving the Pipeline Network Usage Agreement and the transactions contemplated thereunder.

Save as disclosed, none of the Directors had any material interest in the Pipeline Network Usage Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect thereof.

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

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“Annual Caps”	the maximum amount of the payments for pipeline network usage service to Sanjiang Chemical under the Pipeline Network Usage Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	China Sanjiang Fine Chemicals Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Jiahua”	浙江嘉化集團股份有限公司 (Zhejiang Jiahua Group Co., Ltd.*), a joint stock company established in the PRC with limited liability on 15 March 2000 and a company which is ultimately controlled by Mr. Guan and Ms. Han;
“Jiahua Energy Chemical Co.”	浙江嘉化能源化工股份有限公司 (Zhejiang Jiahua Energy Chemical Co. Ltd.*) (formerly known as 浙江嘉化工業園投資發展有限公司 (Zhejiang Jiahua Industrial Park Investment and Development Co., Ltd.*)), a company established in the PRC with limited liability on 20 January 2001 and a non-wholly owned subsidiary of Jiahua and currently listed on the Shanghai Stock Exchange (stock code: 600273);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mei Fu Port”	浙江乍浦美福碼頭倉儲有限公司 (Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd*), a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of Jiahua Energy Chemical Co;
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company and the spouse of Ms. Han;
“Ms. Guan”	Ms. Guan Siyi, an executive Director and the daughter of Mr. Guan and Ms. Han;
“Ms. Han”	Ms. Han Jianhong, an executive Director and the spouse of Mr. Guan;
“Pipeline Network Usage Agreement”	the Pipeline Network Usage agreement entered into between Sanjiang Chemical and Mei Fu Port dated 27 July 2023;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Sanjiang Chemical”	三江化工有限公司 (Sanjiang Chemical Co. Ltd.*), a company established in the PRC with limited liability on 9 December 2003, which is an indirect wholly-owned subsidiary of the Company;
“Shareholders”	shareholders of the Company;

“Stock Exchange” The Stock Exchange of Hong Kong Limited; and

“%” per cent.

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

The PRC, 27 July 2023

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

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