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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) LONG TERM STEAM SUPPLY FRAMEWORK AGREEMENT

**(2) LONG TERM FATTY ALCOHOL SUPPLY
FRAMEWORK AGREEMENT**

**(3) LONG TERM STORAGE AND
LOADING SERVICES FRAMEWORK AGREEMENT**

(4) LONG TERM ETHYLENE SUPPLY FRAMEWORK AGREEMENT

(5) LONG TERM TOLUENE SUPPLY FRAMEWORK AGREEMENT

(6) LONG TERM GAS SUPPLY FRAMEWORK AGREEMENT

Independent Financial Adviser



CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement.

On 25 December 2023 (after trading hours), the Company entered into the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement to further regulate the transactions contemplated under the Short Term Steam Supply Agreement, Short Term Fatty Alcohol Supply Agreement, Short Term Storage and Loading Services Agreement, Short Term Ethylene Supply Agreement, Short Term Toluene Supply Agreement and Short Term Gas Supply Agreement upon each of them being approved by the Independent Shareholders at the EGM.

(1) Long Term Steam Supply Framework Agreement

On 25 December 2023 (after trading hours), Jiahua Energy Chemical Co. and the Company entered into Long Term Steam Supply Framework Agreement pursuant to which, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB910,000,000, RMB1,000,000,000 and RMB1,000,000,000 respectively.

(2) Long Term Fatty Alcohol Supply Framework Agreement

On 25 December 2023 (after trading hours), Jiahua Energy Chemical Co. and the Company entered into the Long Term Fatty Alcohol Supply Framework Agreement pursuant to which, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply fatty alcohol to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB225,000,000, RMB250,000,000 and RMB250,000,000 respectively.

(3) Long Term Storage and Loading Services Framework Agreement

On 25 December 2023 (after trading hours), Jiahua Energy Chemical Co. and the Company entered into the Long Term Storage and Loading Services Framework Agreement pursuant to which, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply docking and port storage and loading services to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB225,000,000, RMB270,000,000 and RMB270,000,000 respectively.

(4) Long Term Ethylene Supply Framework Agreement

On 25 December 2023 (after trading hours), the Company and Jiahua Energy Chemical Co. entered into the Long Term Ethylene Supply Framework Agreement pursuant to which, the Company (including its subsidiaries) has agreed to supply ethylene to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB1,080,000,000, RMB1,765,000,000 and RMB2,000,000,000 respectively.

(5) Long Term Toluene Supply Framework Agreement

On 25 December 2023 (after trading hours), the Company and Jiahua Energy Chemical Co. entered into the Long Term Toluene Supply Framework Agreement pursuant to which, the Company (including its subsidiaries) has agreed to supply toluene to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB120,000,000, RMB145,000,000 and RMB145,000,000 respectively.

(6) Long Term Gas Supply Framework Agreement

On 25 December 2023 (after trading hours), the Company and Jiahua Energy Chemical Co. entered into the Long Term Gas Supply Framework Agreement pursuant to which, the Company (including its subsidiaries) has agreed to supply oxygen, nitrogen, hydrogen and fuel gas to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB125,000,000, RMB235,000,000 and RMB250,000,000 respectively.

LISTING RULES IMPLICATION

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 Mr. Guan's wife and an executive Director and Mr. Guan is a controlling Shareholder of the Company, Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement constitute continuing connected transaction(s) 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement are aggregated with each of the Short Term Steam Supply Agreement, Short Term Fatty Alcohol Supply Agreement, Short Term Storage and Loading Services Agreement, Short Term Ethylene Supply Agreement, Short Term Toluene Supply Agreement and Short Term Gas Supply Agreement respectively as (i) they were entered into between the Group and a connected person (i.e. Jiahua Energy Chemical Co.); and (ii) they are respectively 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement is more than 5%, the transactions contemplated under the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the whether the terms of each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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.

A circular containing, among other things, (i) further information on each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and the respective proposed annual caps thereunder; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 31 January 2024.

On 25 December 2023 (after trading hours), the Company entered into the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement to further regulate the transactions contemplated under the Short Term Steam Supply Agreement, Short Term Fatty Alcohol Supply Agreement, Short Term Storage and Loading Services Agreement, Short Term Ethylene Supply Agreement, Short Term Toluene Supply Agreement and Short Term Gas Supply Agreement upon each of them being approved by the Independent Shareholders at the EGM.

Set out below are the principal terms of each of (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement.

(1) Long Term Steam Supply Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) Jiahua Energy Chemical Co., a connected person; and
- (2) the Company.

Subject matter

Pursuant to the Long Term Steam Supply Framework Agreement, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB910,000,000, RMB1,000,000,000 and RMB1,000,000,000 respectively.

Term

The Long Term Steam Supply Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that Jiahua Energy Chemical Co. and the Company are able to enter into the Long Term Steam Supply Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of low pressure

steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa), the Short Term Steam Supply Agreement shall automatically terminate, even if the term of the Short Term Steam Supply Agreement has not expired.

Consideration

Pursuant to the Long Term Steam Supply Framework Agreement, the purchase price for low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) shall be at a price which is the weighted average of those obtained by Jiahua Energy Chemical Co. from its independent purchasers for the relevant product of comparable quality and steam pressure during the same month of supply. The purchase price payable by the Company in respect of purchases under the Long Term Steam Supply Framework Agreement shall be tallied on the 25th day each calendar month.

Determination of the pricing policy of steam

The Group will seek to employ the following measures to ensure that the price of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) offered by Jiahua Energy Chemical Co. to the Company pursuant to the Long Term Steam Supply Framework Agreement will be no less favourable than the price of supplying low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) of comparable quality to other independent third party(ies) by Jiahua Energy Chemical Co.:

- (1) the finance department of the Group will obtain (i) all monthly invoices issued by Jiahua Energy Chemical Co. to its independent purchasers that purchase low pressure steam (0.65MPa and 1.3MPa), medium pressure steam (3.4MPa) and high pressure steam (4.6MPa) of comparable quality; and (ii) all supply contracts regarding low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) of comparable quality entered into between Jiahua Energy Chemical Co. and other independent purchasers on a regular basis, to ascertain the completeness of the calculation (to be provided by Jiahua Energy Chemical Co.) as to the weighted average purchase prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) since the purchase prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) payable by the Company are agreed to be the weighted average prices of such steam of comparable quality offered by Jiahua Energy Chemical Co. to its independent purchasers during the same month of supply; and
- (2) in the event that the prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) that Jiahua Energy Chemical Co. charges the Company are higher than the weighted

average purchase prices of such low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) of comparable quality offered by Jiahua Energy Chemical Co. to its independent purchasers (in other words the prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) that Jiahua Energy Chemical Co. charges the Company are less favourable than those charged by Jiahua Energy Chemical Co. to independent third parties) during the same month of supply, the Company will negotiate with Jiahua Energy Chemical Co. to adjust the proposed purchase prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to prices that are equal to or lower than the weighted average purchase prices it offers to those independent purchasers. If the prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) Jiahua Energy Chemical Co. offers to the Company are no less favourable than the weighted average of the purchase prices it offers to independent purchasers, the finance department of the Group will arrange for the approval of the prices offered by Jiahua Energy Chemical Co. by each of the head of the finance department of the Group and the general manager of the Group.

The Directors consider that the methods and actual procedures adopted by the Group in determining the pricing of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) as described above can ensure that the transactions contemplated under the Long Term Steam Supply Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders, taking into account that the above procedures will make reference to prices Jiahua Energy Chemical Co. offers to independent third party(ies) and thus serve as a safeguarding measure to prevent any possibility that the final pricing offered to the connected person will turn out to be less favourable to the Group than the market price.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the Long Term Steam Supply Framework Agreement:

Transaction	Historical amount			Proposed cap amount			
	The twelve months ended		Eleven	Eleven	The two years ending		
	31 December		months from	months from	31 December		
	2021	2022	1 January	1 February	2025	2026	
		2023 to	2024 to				
		30 November	31 December				
		2023	2024				
Purchase of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa)	562,193	672,716	589,935	910,000	1,000,000	1,000,000	

Basis of the Cap

The proposed cap for the Long Term Steam Supply Framework Agreement are based on:

- (1) the historical amount of purchases of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) made by the Group from Jiahua Energy Chemical Co. for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected amount of purchases of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to be made by the Group from Jiahua Energy Chemical Co. for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026; and
- (3) the expected unit price of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the average unit prices of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) transacted between the Group and Jiahua Energy Chemical Co.

for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant cap estimation.

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

The independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) Long Term Steam Supply Framework Agreement; (ii) agreements entered into between Jiahua Energy Chemical Co. and independent third parties; and (iii) fee quotations provided by independent third parties for the supply of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) for review and comparison purposes. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Long Term Steam Supply Framework Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Long Term Steam Supply Framework Agreement are conducted in accordance with the terms of the Long Term Steam Supply Framework Agreement.

(2) Long Term Fatty Alcohol Supply Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) Jiahua Energy Chemical Co., a connected person; and
- (2) the Company.

Subject matter

Pursuant to the Long Term Fatty Alcohol Supply Framework Agreement, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply fatty alcohol to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB225,000,000, RMB250,000,000 and RMB250,000,000 respectively.

Term

The Long Term Fatty Alcohol Supply Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that Jiahua Energy Chemical Co. and the Company are able to enter into the Long Term Fatty Alcohol Supply Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of fatty alcohol, the Short Term Fatty Alcohol Supply Agreement shall automatically terminate, even if the term of the Short Term Fatty Alcohol Supply Agreement has not expired.

Consideration

Pursuant to the Long Term Fatty Alcohol Supply Framework Agreement, the purchase price for fatty alcohol shall be the weighted average price of the fatty alcohol purchased by Jiahua Energy Chemical Co.'s independent customers with comparable purchase level of the Company during the same month of supply.

Determination of the pricing policy of fatty alcohol

In order to ensure that the purchase price offered by Jiahua Energy Chemical Co. is no less favourable than the purchase price offered by other suppliers of fatty alcohol to the Company, the Company would compare quotations from the other independent fatty alcohol suppliers and the purchase price for fatty alcohol will be agreed after arm's length negotiation with Jiahua Energy Chemical Co.. Accordingly, the Board considers that such methods and procedures can ensure that the purchase of fatty alcohol will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the Long Term Fatty Alcohol Supply Framework Agreement:

Transaction	Historical amount		Proposed cap amount			
	The twelve months ended 31 December 2021 RMB'000	2022 RMB'000	Eleven months from 1 January 2023 to 30 November 2023 RMB'000	Eleven months from 1 February 2024 to 31 December 2024 RMB'000	The two years ending 31 December 2025 2026 RMB'000 RMB'000	
Purchase of fatty alcohol	—	70,006	59,209	225,000	250,000	250,000

Basis of the Cap

The proposed cap for the Long Term Fatty Alcohol Supply Framework Agreement are based on:

- (1) the historical amount of purchases of fatty alcohol made by the Group from Jiahua Energy Chemical Co. for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected amount of purchases to be made by the Group from Jiahua Energy Chemical Co. for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026; and
- (3) the estimated market price of fatty alcohol for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the simple average prevailing market price of fatty alcohol for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant cap estimation.

Such projections are 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.

(3) Long Term Storage and Loading Services Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) Jiahua Energy Chemical Co., a connected person; and
- (2) the Company.

Subject matter

Pursuant to the Long Term Storage and Loading Services Framework Agreement, Jiahua Energy Chemical Co. (including its subsidiaries) has agreed to supply docking and port storage and loading services to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB225,000,000, RMB270,000,000 and RMB270,000,000 respectively.

Term

The Long Term Storage and Loading Services Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that Jiahua Energy Chemical Co. and the Company are able to enter into the Long Term Storage and Loading Services Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of docking and port storage and loading services, the Short Term Storage and Loading Services Agreement shall automatically terminate, even if the term of the Short Term Storage and Loading Services Agreement has not expired.

Consideration

Pursuant to the Long Term Storage and Loading Services Framework Agreement, the docking and loading services for the designated chemicals under the Long Term Storage and Loading Services Framework Agreement shall be between the range of RMB25 to RMB100 per tonne whereas the port storage services shall be between the range of RMB100 to RMB250 per tonne, both depending on the type of goods and level of usage, on the basis of the prevailing market rate and after arm's length negotiation.

Determination of the pricing policy of docking and port storage and loading services

In order to ensure that the unit rate per tonne offered by Jiahua Energy Chemical Co. is no less favourable than the prevailing market rate, the Company would compare quotations from the other independent service providers for the docking and port storage and loading services in the relevant area, analyse such market information, and the unit rate for the docking and port storage and loading services is agreed after arm's length negotiation with Jiahua Energy Chemical Co.. Currently, the Group also uses other docking, port and storage services provided by other third parties in the same region. Should the other independent docking, port and storage services providers are able to provide docking, port and storage services of comparable quality taking into account the timing for queuing up, at prices lower than the rates offered by Jiahua Energy Chemical Co. on similar terms and conditions offered by Jiahua Energy Chemical Co., the Group will then appoint the other docking, port and storage service providers for the provision of docking, port and storage services as the non-exclusive arrangement under the Long Term Storage and Loading Services Agreement allows the Group to use other docking, port and storage services providers on a discretionary basis.

Accordingly, the Board considers that the methods and procedures can ensure that the engagement of the docking and port storage and loading services will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under Long Term Storage and Loading Services Framework Agreement:

Transaction	Historical amount			Proposed cap amount			
	The twelve months ended		Eleven months from	Eleven months from	The two years ending		
	31 December 2021	31 December 2022	1 January 2023 to 30 November 2023	1 February 2024 to 31 December 2024	31 December 2025	31 December 2026	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
supply of docking and port storage and loading services	83,777	69,818	112,641	225,000	270,000	270,000	

Basis of the Cap

The proposed cap for the Long Term Storage and Loading Services Framework Agreement are based on:

- (1) the historical amount of fees paid by the Group to Jiahua Energy Chemical Co. for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected unit fees to be paid by the Group to Jiahua Energy Chemical Co. for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
- (3) the expected unit of service to be required by the Group for docking and port storage and loading services for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the simple average prevailing unit of service for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant cap estimation; and
- (4) the expected market conditions and increase in demand for docking and port storage and loading services from the Company.

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

(4) Long Term Ethylene Supply Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) the Company; and
- (2) Jiahua Energy Chemical Co., a connected person.

Subject matter

Pursuant to the Long Term Ethylene Supply Framework Agreement, the Company (including its subsidiaries) has agreed to supply ethylene to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB1,080,000,000, RMB1,765,000,000 and RMB2,000,000,000 respectively.

Term

The Long Term Ethylene Supply Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that the Company and Jiahua Energy Chemical Co. are able to enter into the Long Term Ethylene Supply Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of ethylene, the Short Term Ethylene Supply Agreement shall automatically terminate, even if the term of the Short Term Ethylene Supply Agreement has not expired.

Consideration

Pursuant to the Long Term Ethylene Supply Framework Agreement, the selling price for ethylene shall be at a price which is the weighted average of those offered by the Company to its independent customers for the relevant product of comparable quality during the same month of supply.

Determination of the pricing policy of ethylene

In order to ensure that the selling price is no less favourable than the prevailing market price, the Company would compare the selling price offered by its independent customers and the unit purchase price will be agreed after arm's length negotiation with Jiahua Energy Chemical Co. In particular, the Company will seek to employ the following measures:

- (1) the finance department of the Group will obtain (i) all monthly invoices issued by Group to its independent customers that purchase ethylene from the Group; and (ii) all selling contracts regarding ethylene of comparable quality entered into between the Group and other independent customers on a regular basis to ascertain the completeness of the calculation as to the weighted average selling prices of ethylene since the selling prices of ethylene payable by Jiahua Energy Chemical Co. are agreed to be the weighted average prices of such ethylene of comparable quality offered by the Group to its independent customers during the same month of supply; and
- (2) in the event that the prices of ethylene that the Group sells Jiahua Energy Chemical Co. are lower than the weighted average selling prices of such ethylene of comparable quality offered by the Group to its independent customers (in other words the prices of ethylene that the Group charges Jiahua Energy Chemical Co. are less favourable than those offered by the Group to independent customers) during the same month of supply, the Group will negotiate with Jiahua Energy Chemical Co. to adjust the proposed selling prices of ethylene to prices that are equal to or higher than the weighted average selling prices it offers to those independent customers. If the prices of ethylene the Group offers to Jiahua Energy Chemical Co. are no less favourable than the weighted average of the selling price it offers to independent customers, the finance department of the Group will arrange for the approval of the prices offered by the Group by each of the head of the finance department of the Group and the general manager of the Group.

Accordingly, the Board considers that the methods and procedures can ensure that the sale of ethylene will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the Long Term Ethylene Supply Framework Agreement:

Transaction	Historical amount		Proposed cap amount			
	The twelve months ended 31 December		Eleven months from		Eleven months from	
			1 January 2023 to	1 February 2024 to	The two years ending	
	2021	2022	30 November 2023	31 December 2024	31 December 2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
supply of ethylene	—	—	454,235	1,080,000	1,765,000	2,000,000

Basis of the Cap

The proposed cap for the Long Term Ethylene Supply Framework Agreement are based on:

- (1) the historical amount of purchases of ethylene made by Jiahua Energy Chemical Co. from the Group for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected amount of purchases to be made by Jiahua Energy Chemical Co., based on Jiahua Energy Chemical Co.'s production capacity ramp-up plan, from the Group for ethylene for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026; and
- (3) the expected unit price of ethylene for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the simple average prevailing market price of ethylene for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant annual cap estimation.

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

The independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) Long Term Ethylene Supply Framework Agreement; (ii) agreements entered into between the Group and independent third parties; and (iii) fee quotations provided by independent third parties for the purchase of ethylene for review and comparison purposes. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Long Term Ethylene Supply Framework Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Long Term Ethylene Supply Framework Agreement are conducted in accordance with the terms of the Long Term Ethylene Supply Framework Agreement.

(5) Long Term Toluene Supply Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) the Company; and
- (2) Jiahua Energy Chemical Co., a connected person.

Subject matter

Pursuant to the Long Term Toluene Supply Framework Agreement, the Company (including its subsidiaries) has agreed to supply toluene to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB120,000,000, RMB145,000,000 and RMB145,000,000 respectively.

Term

The Long Term Toluene Supply Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that the Company and Jiahua Energy Chemical Co. are able to enter into the Long Term Toluene Supply Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of toluene, the Short Term Toluene Supply Agreement shall automatically terminate, even if the term of the Short Term Toluene Supply Agreement has not expired.

Consideration

Pursuant to the Long Term Toluene Supply Framework Agreement, the selling price for toluene shall be at a price which is the weighted average of those offered by the Company to its independent customers for the relevant product of comparable quality and volume during the same month of supply.

Determination of the pricing policy of toluene

In order to ensure that the selling price is no less favourable than the prevailing market price, the Company would compare the selling price offered to its independent customers and the unit purchase price will be agreed after arm's length negotiation with Jiahua Energy Chemical Co. In particular, the Company will seek to employ the following measures:

- (1) the finance department of the Group will obtain (i) all monthly invoices issued by Group to its independent customers that purchase toluene from the Group; and (ii) all selling contracts regarding toluene of comparable quality entered into between the Group and other independent customers on a regular basis to ascertain the completeness of the calculation as to the weighted average selling prices of toluene since the selling prices of toluene payable by Jiahua Energy Chemical Co. are agreed to be the weighted average prices of such toluene of comparable quality offered by the Group to its independent customers during the same month of supply; and
- (2) in the event that the prices of toluene that the Group sells Jiahua Energy Chemical Co. are lower than the weighted average selling prices of such toluene of comparable quality offered by the Group to its independent customers (in other words the prices of toluene that the Group charges Jiahua Energy Chemical Co. are less favourable than those offered by the Group to independent customers) during the same month of supply, the Group will negotiate with Jiahua Energy Chemical Co. to adjust the proposed selling prices of toluene to prices that are equal to or higher than the weighted average selling prices it offers to those independent customers. If the prices of toluene the Group offers to Jiahua Energy Chemical Co. are no less favourable than the weighted average of the selling price it offers to independent customers, the finance department of the Group will arrange for the approval of the prices offered by the Group by each of the head of the finance department of the Group and the general manager of the Group.

Accordingly, the Board considers that the methods and procedures can ensure that the sale of toluene will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the Long Term Toluene Supply Framework Agreement:

Transaction	Historical amount		Proposed cap amount			
	The twelve months ended 31 December		Eleven months from		Eleven months from	
			1 January 2023 to	1 February 2024 to	The two years ending	
	2021	2022	30 November 2023	31 December 2024	31 December 2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
supply of toluene	—	—	4,337	120,000	145,000	145,000

Basis of the Cap

The proposed cap for the Long Term Toluene Supply Framework Agreement are based on:

- (1) the historical amount of purchase of toluene made by Jiahua Energy Chemical Co. from the Group for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected amount of purchasing to be made by Jiahua Energy Chemical Co. from the Group for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026; and
- (3) the estimated market price of toluene for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the simple average prevailing market price of toluene for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant cap estimation.

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

The independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) Long Term Toluene Supply Framework Agreement; (ii) agreements entered into between the Group and independent third parties; and (iii) fee quotations provided by independent third parties for the purchase of toluene for review and comparison purposes. The independent

non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Long Term Toluene Supply Framework Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Long Term Toluene Supply Framework Agreement are conducted in accordance with the terms of the Long Term Toluene Supply Framework Agreement.

(6) Long Term Gas Supply Framework Agreement

Date

25 December 2023 (after trading hours)

Parties

- (1) the Company; and
- (2) Jiahua Energy Chemical Co., a connected person.

Subject matter

Pursuant to the Long Term Gas Supply Framework Agreement, the Company (including its subsidiaries) has agreed to supply oxygen, nitrogen, hydrogen and fuel gas to the Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 with an annual cap not exceeding RMB125,000,000, RMB235,000,000 and RMB250,000,000 respectively.

Term

The Long Term Gas Supply Framework Agreement shall commence from 1 February 2024 to 31 December 2026 (both days inclusive).

In the event that the Company and Jiahua Energy Chemical Co. are able to enter into the Long Term Gas Supply Framework Agreement upon being approved by the Independent Shareholders at the EGM in respect of the supply of oxygen, nitrogen, hydrogen and fuel gas, the Short Term Gas Supply Agreement shall automatically terminate, even if the term of the Short Term Gas Supply Agreement has not expired.

Consideration

Pursuant to the Long Term Gas Supply Framework Agreement, the selling price for oxygen, nitrogen, hydrogen and fuel gas shall be at a price which is the weighted average of those offered by the Company to its independent customers for the relevant product of comparable quality and volume during the same month of supply.

Determination of the pricing policy of oxygen, nitrogen, hydrogen and fuel gas

In order to ensure that the selling price is no less favourable than the prevailing market price, the Company would compare the selling price offered to its independent customers and the unit purchase price will be agreed after arm's length negotiation with Jiahua Energy Chemical Co. In particular, the Company will seek to employ the following measures:

- (1) the finance department of the Group will obtain (i) all monthly invoices issued by Group to its independent customers that purchase oxygen, nitrogen, hydrogen and fuel gas from the Group; and (ii) all selling contracts regarding oxygen, nitrogen, hydrogen and fuel gas of comparable quality entered into between the Group and other independent customers on a regular basis to ascertain the completeness of the calculation as to the weighted average selling prices of oxygen, nitrogen, hydrogen and fuel gas since the selling prices of oxygen, nitrogen, hydrogen and fuel gas payable by Jiahua Energy Chemical Co. are agreed to be the weighted average prices of such oxygen, nitrogen, hydrogen and fuel gas of comparable quality offered by the Group to its independent customers during the same month of supply; and
- (2) in the event that the prices of oxygen, nitrogen, hydrogen and fuel gas that the Group sells Jiahua Energy Chemical Co. are lower than the weighted average selling prices of such oxygen, nitrogen, hydrogen and fuel gas of comparable quality offered by the Group to its independent customers (in other words the prices of oxygen, nitrogen, hydrogen and fuel gas that the Group charges Jiahua Energy Chemical Co. are less favourable than those offered by the Group to independent customers) during the same month of supply, the Group will negotiate with Jiahua Energy Chemical Co. to adjust the proposed selling prices of oxygen, nitrogen, hydrogen and fuel gas to prices that are equal to or higher than the weighted average selling prices it offers to those independent customers. If the prices of oxygen, nitrogen, hydrogen and fuel gas the Group offers to Jiahua Energy Chemical Co. are no less favourable than the weighted average of the selling price it offers to independent customers, the finance department of the Group will arrange for the approval of the prices offered by the Group by each of the head of the finance department of the Group and the general manager of the Group.

Accordingly, the Board considers that the methods and procedures can ensure that the sale of oxygen, nitrogen, hydrogen and fuel gas will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

Historical Transaction Figures and Proposed Caps

Set out below are the historical figures for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023 and the proposed caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 in respect of the transactions contemplated under the Long Term Gas Supply Framework Agreement:

Transaction	Historical amount		Proposed cap amount			
	The twelve months ended		Eleven months from	Eleven months from	The two years ending	
	31 December	31 December	1 January	1 February	31 December	31 December
	2021	2022	2023 to	2024 to	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
supply of oxygen, nitrogen, hydrogen and fuel gas	26,334	35,888	32,694	125,000	235,000	250,000

Basis of the Cap

The proposed cap for the Long Term Gas Supply Framework Agreement are based on:

- (1) the historical amount of purchase of oxygen, nitrogen, hydrogen and fuel gas made by Jiahua Energy Chemical Co. from the Group for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023;
- (2) the expected amount of purchasing to be made by Jiahua Energy Chemical Co. from the Group for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026; and
- (3) the estimated market price of oxygen, nitrogen, hydrogen and fuel gas for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026, taking into account the simple average prevailing market price of oxygen, nitrogen, hydrogen and fuel gas for the twelve months ended 31 December 2021 and 2022 and the eleven months from 1 January 2023 to 30 November 2023, being the actual figures available to the Company at the time when the Company made the relevant cap estimation.

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

The independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) Long Term Gas Supply Framework Agreement; (ii) agreements entered into between the Group and independent third parties; and (iii) fee quotations provided by independent third parties for the purchase of oxygen, nitrogen, hydrogen and fuel gas for review and comparison purposes. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Long Term Gas Supply Framework Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Long Term Gas Supply Framework Agreement are conducted in accordance with the terms of the Long Term Gas Supply Framework Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

(1) Long Term Steam Supply Framework Agreement

Given that Jiahua Energy Chemical Co. is the only company that provides low, medium and high pressure steam in the Zhapu area of Jiaxing City, the PRC, which is the same economic development zone where the Group is located, it is impractical for the Group to source steam from another area as both steam pressure and steam heat would be lost substantially during the transmission of steam through long-distance pipelines. In particular, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the transportation cost of steam from Jiahua Energy Chemical Co. to the Group is reduced. Moreover, Jiahua Energy Chemical Co. has been supplying steam to the Group since the year ended 31 December 2007 and the quality of goods and services provided by it has been considered by the Group to be satisfactory.

Based on past operational convenience and benefits brought to the Group and extended business relationships established between the Group and Jiahua Energy Chemical Co., such continuing relationships are expected to bring synergies to the parties. Further, as the Group has an existing transmission network for steam in place for transmission of steam from Jiahua Energy Chemical Co., the Group can procure supply of steam from Jiahua Energy Chemical Co. without incurring additional fixed costs. The Long Term Steam Supply Framework Agreement is on normal commercial terms given that the pricing and terms are no more favourable for Jiahua Energy Chemical Co. than those given to other independent purchasers.

In view of the geographical proximity and to secure a constant and stable supply of low, medium and high pressure steam for production purposes in the future, the Group entered into the Long Term Steam Supply Framework Agreement.

(2) Long Term Fatty Alcohol Supply Framework Agreement

Fatty alcohol is a major raw material used by the Group in the production of AEO surfactants. Since the second half of 2013, Jiahua Energy Chemical Co. has been producing fatty alcohol and offering fatty alcohol for sale. As the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the transportation costs of fatty alcohol from Jiahua Energy Chemical Co. to the Group can be reduced. In view of the geographical proximity and to secure a constant and stable supply of fatty alcohol for its production purposes on fair commercial terms and at a reasonable price, the Group entered into the Long Term Fatty Alcohol Supply Framework Agreement with Jiahua Energy Chemical Co..

(3) Long Term Storage and Loading Services Framework Agreement

The entering into of the Long Term Storage and Loading Services Agreement is on a non-exclusive basis and it enables the Group to have more options in terms of docking, port and storage services accesses and there are internal controls in place to ensure that the terms and rates offered by Jiahua Energy Chemical Co. are no less favourable than those offered by other independent docking, port and storage services providers. In view of the foregoing reasons, the Group entered into the Long Term Storage and Loading Services Agreement.

(4) Long Term Ethylene Supply Framework Agreement

The entering into of the Long Term Ethylene Supply Framework Agreement with Jiahua Energy Chemical Co. opens up an option for the Group to sell ethylene to Jiahua Energy Chemical Co. at the price which is no less favourable than the prevailing market price (based on the aforesaid pricing mechanism and internal controls) when the Group has spare capacity in terms of ethylene output. As mentioned above, the geographical proximity between the production base of the Group and that of Jiahua Energy Chemical Co. and the long and well established business relationships between the Group and Jiahua Energy Chemical Co. bring synergies to the parties. In view of the foregoing reasons, the Group entered into the Long Term Ethylene Supply Framework Agreement with Jiahua Energy Chemical Co.

(5) Long Term Toluene Supply Framework Agreement

The entering into of the Long Term Toluene Supply Framework Agreement will open up an option for the Group to sell toluene to Jiahua Energy Chemical Co. and enable the Group to extend its business relationships between the Group and Jiahua Energy Chemical Co. and its wholly-owned subsidiary, Jiafu New Material, and

further bring synergies to the parties. In addition, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co. and its wholly-owned subsidiary, Jiafu New Material, the delivery costs of goods to be borne by the Group can be reduced. The Long Term Toluene Supply Framework Agreement allows the Group to maximize the usage of its relevant production facilities for toluene production at the time of having spare capacity. In view of the foregoing reasons, the Group entered into the Long Term Toluene Supply Framework Agreement with Jiahua Energy Chemical Co..

(6) Long Term Gas Supply Framework Agreement

The entering into of the Long Term Gas Supply Framework Agreement will open up an option for the Group to sell oxygen, nitrogen, hydrogen and fuel gas to Jiahua Energy Chemical Co. and enable the Group to extend its business relationships between the Group and Jiahua Energy Chemical Co. and further bring synergies to the parties. In addition, as the production base of the Group is situated close to that of Jiahua Energy Chemical Co., the delivery costs of goods to be borne by the Group can be reduced. The Long Term Gas Supply Framework Agreement allows the Group to maximize the usage of its relevant production facilities for gas and miscellaneous material production at the time of having spare capacity. In view of the foregoing reasons, the Company entered into the Long Term Gas Supply Framework Agreement with Jiahua Energy Chemical Co..

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement are fair and reasonable and on normal commercial terms and in the ordinary and usual course of business of the Group and that the entering into each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION OF JIAHUA ENERGY CHEMICAL CO.

Jiahua Energy Chemical Co. is a limited company established in the PRC and is principally engaged in the business of production and trading of desalinated water, steam, chlor-alkali, ortho-para, fatty alcohol and sulfuric acid. Jiahua Energy Chemical Co. is currently listed on the Shanghai Stock Exchange (stock code: 600273). Other than Jiahua, there are no other shareholders who individually hold more than 10% or above interests in Jiahua Energy Chemical Co..

LISTING RULES IMPLICATIONS

Jiahua Energy Chemical Co. is owned as to approximately 36.77% by Jiahua, which is ultimately controlled by Mr. Guan and Ms. Han.

As Ms. Han is Mr. Guan's wife and an executive Director and Mr. Guan is a controlling Shareholder of the Company, Jiahua Energy Chemical Co. is therefore an associate of Mr. Guan and Ms. Han and is thus a connected person of the Company and the transactions contemplated under each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement constitute continuing connected transaction(s) 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement are aggregated with each of the Short Term Steam Supply Agreement, Short Term Fatty Alcohol Supply Agreement, Short Term Storage and Loading Services Agreement, Short Term Ethylene Supply Agreement, Short Term Toluene Supply Agreement and Short Term Gas Supply Agreement respectively as (i) they were entered into between the Group and a connected person (i.e. Jiahua Energy Chemical Co.); and (ii) they are respectively 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement is more than 5%, the transactions contemplated under the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term

Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the whether the terms of each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework 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.

A circular containing, among other things, (i) further information on each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and the respective proposed annual caps thereunder; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 31 January 2024.

GENERAL

Ms. Han was interested in each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and she therefore abstained from voting on the board resolutions of the Company approving each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors had any material interest in each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and

Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and none of them were required to abstain from voting on the board resolutions of the Company in respect thereof.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	board of Directors of the Company;
“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;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and the respective proposed annual caps contemplated thereunder by the Independent Shareholders;
“Group”	the Company and its subsidiaries, from time to time;
“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 (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and Loading Services Framework Agreement, (4) Long Term Ethylene Supply Framework Agreement, (5) Long Term Toluene Supply Framework Agreement and (6) Long Term Gas Supply Framework Agreement and the respective proposed annual caps contemplated thereunder;
“Independent Shareholders”	Shareholders who are not connected persons of the Company;
“Long Term Ethylene Supply Framework Agreement”	the long term ethylene supply framework agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of ethylene to Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
“Long Term Fatty Alcohol Supply Framework Agreement”	the long term fatty alcohol supply framework agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of fatty alcohol to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
“Long Term Gas Supply Framework Agreement”	the long term gas supply framework agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of oxygen, nitrogen, hydrogen and fuel gas to Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
“Long Term Toluene Supply Framework Agreement”	the long term toluene supply framework agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of toluene to Jiahua Energy Chemical Co. (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;

“Long Term Steam Supply Framework Agreement”	the long term steam supply framework agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
“Long Term Storage and Loading Services Framework Agreement”	the long term storage and loading services framework agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of docking and port storage and loading services to the Company (including its subsidiaries) from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026;
“Jiafu New Material”	浙江嘉福新材料科技有限公司 (Zhejiang Jiafu New Material Technology Co., Ltd.*), a company established in the PRC with limited liability, is a wholly-owned subsidiary of Jiahua Energy Chemical Co, a connected person of the Company;
“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;
“MPa”	a metric unit of pressure;
“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;

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Shareholder(s)”	shareholders of the Company;
“Short Term Ethylene Supply Agreement”	the short term ethylene supply agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of ethylene to Jiahua Energy Chemical Co. (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;
“Short Term Fatty Alcohol Supply Agreement”	the short term fatty alcohol supply agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of fatty alcohol to the Company (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;
“Short Term Gas Supply Agreement”	the short term gas supply agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of oxygen, nitrogen, hydrogen and fuel gas to Jiahua Energy Chemical Co. (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;
“Short Term Steam Supply Agreement”	the short term steam supply agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) to the Company (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;
“Short Term Storage and Loading Services Agreement”	the short term storage and loading services agreement dated 25 December 2023 entered into between Jiahua Energy Chemical Co. and the Company for the supply of docking and port storage and loading services to the Company (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;
“Short Term Toluene Supply Agreement”	the short term toluene supply agreement dated 25 December 2023 entered into between the Company and Jiahua Energy Chemical Co. for the supply of toluene to Jiahua Energy Chemical Co. (including its subsidiaries) for 2 months commencing from 1 January 2024 to 29 February 2024;

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

“%” percent

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

The PRC, 26 December 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 individuals or 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.*