
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 forward 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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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
AND
NOTICE OF EGM

Independent Financial Adviser



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 9 February 2024, 12:00p.m. is set out on pages 73 to 77 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.

22 January 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	34
LETTER FROM LEGO CORPORATE FINANCE LIMITED	38
APPENDIX I — GENERAL INFORMATION	65
NOTICE OF EXTRAORDINARY GENERAL MEETING	73

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 26 December 2023 in relation to the entering into 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
“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
“Hangzhou Haoming”	杭州浩明投資有限公司 (Hangzhou Haoming Investment Co., Ltd*), a company established in the PRC with limited liability on 26 March 1998, which is owned as to 75% by Mr. Guan, 20% by Ms. Han and 5% by Mr. Han Jianping, the brother of Ms. Han, respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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 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 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
“Independent Shareholders”	Shareholders who are not involved or interested in 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 (i.e. Shareholders other than Mr. Guan and Ms. Han and their respective associates)
“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, a wholly-owned subsidiary of Jiahua Energy Chemical Co., a connected person of the Company
“Jiahua”	浙江嘉化集团股份有限公司 (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

DEFINITIONS

“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)
“Latest Practicable Date”	19 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 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

DEFINITIONS

“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
“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
“MPa”	a metric unit of pressure
“Mr. Guan”	Mr. Guan Jianzhong, a controlling Shareholder of the Company
“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
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital 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

DEFINITIONS

“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
“%”	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

22 January 2024

To the Shareholders

Dear Sir/Madam,

**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
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

As disclosed in the Announcement, on 25 December 2023, 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.

The purpose of this circular is to provide you with (i) further details 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; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the advice from Lego Corporate Finance Limited 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.

CONTINUING CONNECTED TRANSACTIONS

The principal 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 are set out below.

(1) Long Term Steam Supply Framework Agreement

Date

25 December 2023

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

LETTER FROM THE BOARD

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 (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) 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

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

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 cap			Historical amount			Proposed cap amount					
	The twelve months ended 31 December			The twelve months ended 31 December			Eleven months from		Eleven months from		The two years ending 31 December	
							1 January	1 February	1 January	1 February		
	2021	2022	2023	2021	2022	2023 to 30 November 2023	2024 to 31 December 2024	2025	2026			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
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)	647,400	1,340,600	1,599,300	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.

LETTER FROM THE BOARD

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

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

LETTER FROM THE BOARD

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 at least 3 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 cap			Historical amount			Proposed cap amount			
	The twelve months ended			The twelve months ended			Eleven	Eleven	The two years ending	
	31 December			31 December			months from	months from	31 December	
	2021	2022	2023	2021	2022	2023	1 January	1 February	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2023 to	2024 to	RMB'000	RMB'000
							30 November	31 December		
Purchase of fatty alcohol	120,000	120,000	120,000	—	70,006	59,209	225,000	250,000	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;

LETTER FROM THE BOARD

- (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

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.

LETTER FROM THE BOARD

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 Framework 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.

LETTER FROM THE BOARD

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 cap			Historical amount			Proposed cap amount			
	The twelve months ended			The twelve months ended			Eleven	Eleven	The two years ending	
	31 December			31 December			months from	months from	31 December	
	2021	2022	2023	2021	2022	2023	1 January	1 February	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2023 to	2024 to	RMB'000	RMB'000
							30 November	31 December		
Supply of docking and port storage and loading services	255,500	400,400	556,400	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 ended 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 ended 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.

LETTER FROM THE BOARD

(4) Long Term Ethylene Supply Framework Agreement

Date

25 December 2023

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 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

LETTER FROM THE BOARD

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 cap			Historical amount			Proposed cap amount		
	The twelve months ended			The twelve months ended			Eleven	Eleven	The two years ending
	31 December			31 December			months from	months from	
	2021	2022	2023	2021	2022	2023	1 January	1 February	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2023 to	2024 to	31 December
							30 November	31 December	2025
									2026
Supply of ethylene	228,100	850,000	850,000	—	—	454,235	1,080,000	1,765,000	2,000,000

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 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

LETTER FROM THE BOARD

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 cap			Historical amount			Proposed cap amount			
	The twelve months ended			The twelve months ended			Eleven	Eleven	The two years ending	
	2021	2022	2023	2021	2022	2023	months from 1 January 2023 to 30 November 2023	months from 1 February 2024 to 31 December 2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supply of toluene	—	—	20,000	—	—	4,337	120,000	145,000	145,000	

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 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

LETTER FROM THE BOARD

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 cap			Historical amount			Proposed cap amount			
	The twelve months ended			The twelve months ended			Eleven	Eleven	The two years ending	
	2021	2022	2023	2021	2022	2023	months from	months from	2025	2026
							1 January	1 February		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2023 to	2024 to		
							30 November	31 December		
Supply of oxygen, nitrogen, hydrogen and fuel gas	31,900	51,500	56,500	26,334	35,888	32,694		125,000	235,000	250,000

LETTER FROM THE BOARD

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.

The Directors would like to further supplement that the comparatively low utilisation of the historical caps for the twelve months ended 31 December 2021, 2022 and 2023 under each of the (1) Long Term Steam Supply Framework Agreement, (2) Long Term Fatty Alcohol Supply Framework Agreement, (3) Long Term Storage and

LETTER FROM THE BOARD

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 was mainly due to the following factors:

- (i) the decrease in market demand for commodities in ethylene, toluene and oxygen, nitrogen, hydrogen and fuel gas in general due to the constant downward trend in the global economic environment; and
- (ii) the ramp up of the production facilities of the Group were still under testing phase such that the Group was only able to use a relatively lesser amount of low, medium and high pressure steam and fatty alcohol as raw materials for the production of ethylene, toluene and oxygen, nitrogen, hydrogen and fuel gas.

Despite of the above, the Directors are of the view that the usage of low, medium and high pressure steam and fatty alcohol as raw materials will increase leading to an increase in the production of ethylene, toluene and oxygen, nitrogen, hydrogen and fuel gas in particular for the eleven months ending 31 December 2024 onwards due to the following factors:

- (i) the ramp up of the production facilities of the Group is expected to complete by the end of 31 December 2024 and the production capacity is expected to increase during the eleven months ending 31 December 2024 to cope for and in preparation of the full operation of the production facilities;
- (ii) the completion of the ramp up of the production facilities is expected to increase the production capacity of by at least 200% in average after internal testing leading to an increase in the usage of low, medium and high pressure steam and fatty alcohol as raw materials; and
- (iii) the gradually increase in demand of commodities in ethylene, toluene and oxygen, nitrogen, hydrogen and fuel gas due to the gradual recovery of the global economic environment as evidenced by the increase in the number of enquiries and confirmations received by the Group for placing orders for the year ending 31 December 2024 onwards.

Therefore, the Directors are of the view that having a substantial increase in the proposed caps for the eleven months ending 31 December 2024 and the two years ending 31 December 2025 and 2026 as compared to the proposed cap for the eleven months ending 31 December 2024 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 is reasonable and justifiable taking into account of the reasons mentioned above.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

(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 Jiaying 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 Framework 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 Framework Agreement.

LETTER FROM THE BOARD

(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

LETTER FROM THE BOARD

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.

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 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.

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.. As at the Latest Practicable Date, Mr. Guan and Hangzhou Haoming are interested in approximately 1.70% and 68.82% of the shares of Jiahua.

INFORMATION OF THE COMPANY AND THE GROUP

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.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

GENERAL

The Company will seek Independent Shareholders' approval for, among other things, 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 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.

THE EGM

The Company will convene the EGM at 9 February 2024, 12:00p.m. 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 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. A notice of the EGM is set out on pages 73 to 77 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

LETTER FROM THE BOARD

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.

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.

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 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. 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 February 2024 to Friday, 9 February 2024, both days inclusive, for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the EGM to be held on Friday, 9 February 2024. 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 Monday, 5 February 2024.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 37 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 38 to

LETTER FROM THE BOARD

64 of this circular in connection with (i) 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; and (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 and the respective proposed annual caps contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice from Lego Corporate Finance Limited, considers that (i) 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; and (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 and the respective proposed annual caps contemplated thereunder 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 (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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 at the EGM as set out in the notice of the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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)

22 January 2024

To the Independent Shareholders

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
AND
NOTICE OF EGM

Dear Sir or Madam,

We refer to the circular of the Company dated 22 January 2024 (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, (i) 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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 (i) 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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 33 of the Circular which contains, *inter alia*, information about (i) 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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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.

The “Letter from the Independent Financial Adviser” is set out on pages 38 to 64 of the Circular which contains its advice in respect of (i) 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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 together with the principal factors taken into consideration.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (i) the 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; and (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 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 22 January 2024, we consider that (i) 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 (ii) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2025 and 2026 for 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 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 (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 in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to ratify and approve 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.

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 LEGO CORPORATE FINANCE LIMITED

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 Long Term Steam Supply Framework Agreement, the Long Term Fatty Alcohol Supply Framework Agreement, the Long Term Storage and Loading Services Framework Agreement, the Long Term Ethylene Supply Framework Agreement, the Long Term Toluene Supply Framework Agreement and the Long Term Gas Supply Framework Agreement and the respective proposed annual caps contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



22 January 2024

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

Dear Sir or Madam,

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

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 Long Term Steam Supply Framework Agreement, the Long Term Fatty Alcohol Supply Framework Agreement, the Long Term Storage and Loading Services Framework Agreement, the Long Term Ethylene Supply Framework Agreement, the Long Term Toluene Supply Framework Agreement and the Long Term Gas Supply Framework 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 22 January 2024 (the “**Circular**”), of which this letter forms apart. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed in the Announcement, on 25 December 2023, Jiahua Energy Chemical Co. and the Company entered into the CCT Agreements.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

As at the Latest Practicable Date, Jiahua Energy Chemical Co. was owned as to approximately 36.77% by Jiahua, which was 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 CCT Agreements constitute continuing connected transactions 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 CCT Agreements should be aggregated with each of the Short Term Steam Supply Agreement, the Short Term Fatty Alcohol Supply Agreement, the Short Term Storage and Loading Services Agreement, the Short Term Ethylene Supply Agreement, the Short Term Toluene Supply Agreement and the 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.

As one or more of the applicable ratios in respect of the aggregated proposed annual caps of each of the CCT Agreements is more than 5%, the transactions contemplated under each of the CCT Agreements 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 the CCT Agreements and the respective proposed annual caps contemplated thereunder by the Independent Shareholders. According to the Letter from the Board, 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 the same.

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 in connection with the CCT Agreements and the respective proposed annual caps contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the CCT Agreements and the respective proposed annual caps contemplated thereunder and to make recommendations as to, among others, whether the terms of the CCT Agreements and the respective proposed annual caps contemplated thereunder are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

As at the Latest Practicable Date, we did not have any relationships or interests with the Company that could reasonably be regarded as relevant to our independence. In the last two years, other than the engagement as the independent financial adviser to the then respective independent board committee and independent shareholders of the Company in respect of (i) the revision of annual caps for certain continuing connected transactions and a discloseable and connected transaction of the Company, details of which are set out in the circular of the Company dated 30 November 2022; and (ii) certain continuing connected transactions of the Company, details of which are set out in the circular of the Company dated 28 April 2023, there was no engagement, 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 engagements and the subject 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 proposed annual caps contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on, among others, (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 (the “**Management**”); and (iv) our review of the relevant public information.

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 and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise expressed to us by the Directors and/or the Management for which they are solely and wholly responsible for, were true, accurate and complete in all respects as at the Latest Practicable Date and may be relied upon. 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 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.

We consider that we have reviewed sufficient information currently available under present circumstances 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 no reasons to suspect that any material information has been

LETTER FROM LEGO CORPORATE FINANCE LIMITED

withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, 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. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the CCT Agreements and the respective proposed annual caps contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group and Jiahua Energy Chemical Co.

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 carbon four (“C4”), pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC.

According to the Letter from the Board, among others, 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).

2. Reasons for the entering into of the CCT Agreements

Long Term Steam Supply Framework Agreement

As advised by the Management, both the Group and Jiahua Energy Chemical Co. are located in the same economic development zone, being Zhapu District, Jiaying City, China, and in where Jiahua Energy Chemical Co. is the only company providing low, medium and high pressure steam. Accordingly, it would be impractical for the Group to source steam from another area as a significant loss of steam pressure and steam heat may occur during the transmission of steam through long-distance pipelines. In addition, with a relatively close production base to that of Jiahua Energy Chemical Co. and an existing transmission network for steam from Jiahua

Energy Chemical Co., it is expected that transportation cost of steam from Jiahua Energy Chemical Co. would be relatively lower as compared to suppliers from other area and no additional fixed cost to the Group would be incurred for establishing transmission network. Furthermore, Jiahua Energy Chemical Co. has been supplying steam to the Group for a long period of time since 2007 and the Group considers that the quality of steam and services provided by it has been satisfactory.

Based on past operational convenience and benefits brought to the Group, as well as extended business relationships established between the Group and Jiahua Energy Chemical Co., it is expected that such continuing relationship will bring synergies to both the Group and Jiahua Energy Chemical Co.. Considering all of the above, we are of the view that the entering into of the Long Term Steam Supply Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Long Term Fatty Alcohol Supply Framework Agreement

As advised by the Management, fatty alcohol is a major raw material used by the Group to produce fatty alcohol polyoxyethylene ether (“AEO”) surfactants. Since the second half of 2013, Jiahua Energy Chemical Co. has been producing fatty alcohol and offering fatty alcohol for sale. Accordingly, taking into account the abovementioned geographical proximity between the production bases of the Group and Jiahua Energy Chemical Co., it is expected that a constant and stable supply of fatty alcohols would be secured by the Group from Jiahua Energy Chemical Co. at a reduced cost of transportation. Considering the above as well as the well-established business relationships between the Group and Jiahua Energy Chemical Co. and the potential synergies to be brought to both parties, we are of the view that the entering into of the Long Term Fatty Alcohol Supply Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Long Term Storage and Loading Services Framework Agreement

As advised by the Management, Jiahua Energy Chemical Co. has been providing docking and port storage and loading services to the Group through its wholly-owned subsidiary, 浙江乍浦美福碼頭倉儲有限公司 (Zhejiang Zhapu Mei Fu Port and Storage Co. Ltd.*), for a long period of time and the Group has considered such services to be satisfactory. Also, the entering into of the Long Term Storage and Loading Services Framework Agreement would provide the Group with more options in terms of docking and port storage and loading services accesses. Accordingly, considering the above as well as the well-established business relationships between the Group and Jiahua Energy Chemical Co. and the potential synergies to be brought to both parties, we are of the view that the entering into of the Long Term Storage and Loading Services Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Long Term Ethylene Supply Framework Agreement

The entering into of the Long Term Ethylene Supply Framework Agreement would allow the Group to maximise the usage of its production facilities for ethylene by selling to Jiahua Energy Chemical Co. (including its subsidiaries). Further, given the close proximity of the production bases of Jiahua Energy Chemical Co., the cost of transportation of goods can be reduced. Considering the above as well as the well-established business relationships between the Group and Jiahua Energy Chemical Co. and the potential synergies to be brought in combination with the respective experience and business presence in the chemical field of both parties, we are of the view that the entering into of the Long Term Ethylene Supply Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Long Term Toluene Supply Framework Agreement

The entering into of the Long Term Toluene Supply Framework Agreement would enable the Group to maximise the usage of its production facilities for toluene by selling to Jiahua Energy Chemical Co. (including its subsidiaries). Further, due to the close proximity of the production bases of Jiahua Energy Chemical Co., the cost of transportation of goods can be reduced. Considering the above as well as the well-established business relationships between the Group and Jiahua Energy Chemical Co. and the potential synergies to be brought to both parties, we are of the view that the entering into of the Long Term Toluene Supply Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Long Term Gas Supply Framework Agreement

The entering into of the Long Term Gas Supply Framework Agreement would enable the Group to maximise the usage of its production facilities for gas and miscellaneous material production by selling to Jiahua Energy Chemical Co. (including its subsidiaries). Further, due to the close proximity of the production bases of Jiahua Energy Chemical Co., the cost of transportation of goods can be reduced. Considering the above as well as the well-established business relationships between the Group and Jiahua Energy Chemical Co. and the potential synergies to be brought to both parties, we are of the view that the entering into of the Long Term Gas Supply Framework Agreement is in the interests of the Group and the Independent Shareholders as a whole.

Accordingly, we consider that the entering into of the CCT Agreements is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms under the CCT Agreements

3.1 Long Term Steam Supply Framework Agreement

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, respectively. 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 the weighted average price 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Steam Supply Framework Agreement, we have attempted to obtain from the Company any historical transaction between the Group as purchaser of similar steam from independent third party. However, we were advised that there had been no such historical transaction for comparison. Alternatively, we have obtained and reviewed (i) ten sets of historical invoices between the Group as purchaser of steam and Jiahua Energy Chemical Co. (“**Steam Connected Invoices**”) during the two years ended 31 December 2022 and 2023 and the eleven months ended 30 November 2023; and (ii) all corresponding historical invoices between Jiahua Energy Chemical Co. as supplier of steam and its independent customers (“**Steam Jiahua Invoices**”) issued in the respective months of the Steam Connected Invoices. In selecting the Steam Connected Invoices and Steam Jiahua Invoices, the respective sets of invoices both cover steam products with various steam pressure namely the low pressure steam (1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) and were transacted within each of the past three years, which we consider the Steam Jiahua Invoices and Steam Connected Invoices are representative. Based on our review, we note that the prices purchased by the Group from Jiahua Energy Chemical Co. are equivalent to or better than the weighted average price purchased by independent customers of Jiahua Energy Chemical Co. for steam with the same steam pressure. Accordingly, we consider that the principal terms of the Long Term Steam Supply Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2 Long Term Fatty Alcohol Supply Framework Agreement

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, respectively. 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Fatty Alcohol Supply Framework Agreement, we have attempted to compare the terms under historical similar transaction between the Group as purchaser of fatty alcohol with Jiahua Energy Chemical Co. (including its subsidiaries) and independent third parties. However, as advised by the Group, there were only limited transactions between the Group as purchaser of fatty alcohol and independent third parties (“**Fatty Alcohol I3P Invoices**”) during 2022 and the eleven months ended 30 November 2023. In this connection, we have obtained from the Company all the Fatty Alcohol I3P Invoices and the two invoices entered between the Group as purchaser of fatty alcohol and Jiahua Energy Chemical Co. (“**Fatty Alcohol Connected Invoices**”) during the same months of the Fatty Alcohol I3P Invoices. Based on our review and as advised by the Management, as the fatty alcohol purchased from independent third parties were transported via land route, while that purchased from Jiahua Energy Chemical Co. were transmitted via the existing transmission pipelines between Jiahua Energy Chemical Co. and the Group to ensure the quality of the fatty alcohol can be delivered in a timely and efficient manner, the Fatty Alcohol I3P Invoices and the Fatty Alcohol Connected Invoices are therefore not comparable. Nonetheless, considering that the Company will compare at least 3 quotations from other independent fatty alcohol suppliers to ensure that the purchase price of fatty alcohol purchased by the Group under the Long Term Fatty Alcohol Supply Framework Agreement is no less favorable than that offered by other independent third party suppliers, we concur with the Board that such internal control procedure can sufficiently 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. Accordingly, we consider that the principal terms of the Long Term Fatty Alcohol Supply Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.3 Long Term Storage and Loading Services Framework Agreement

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, respectively. The docking and loading services for the designated chemicals 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Storage and Loading Services Framework Agreement, we have attempted to obtain from the Company historical similar transactions between the Group as the purchaser and Jiahua Energy Chemical Co. (including its subsidiaries) and independent third parties during the three years ended 31 December 2023 for (i) port storage service; and (ii) docking and loading services. We note that the Company has historically procured the port storage services from connected person during the

second half of 2023. As advised by the Management, there had been no historical transaction in relation to port storage services between the Group as the purchaser and independent third parties during such period and therefore, no comparison on the pricing terms of port storage services can be conducted. As regards the docking and loading services, we were given to understand that the Group has historically procured docking and loading services for methanol only from independent third parties. On this basis, on random sampling basis, we have obtained from the Company and reviewed (i) three sets of invoices in relation to docking and loading services for methanol between the Group and connected persons (“**Docking and Loading Connected Invoices**”) during the two years ended 31 December 2022 and 2023; and (ii) all invoices in relation to comparable services between the Group and independent third parties (“**Docking and Loading I3P Invoices**”) issued during the corresponding months. Considering that the docking and loading services for methanol accounted for over 28% of the historical transaction amount with respect to docking and loading services for the eleven months ended 30 November 2023, we are of the view that the Docking and Loading Connected Invoices and the Docking and Loading I3P Invoices are meaningful for the purpose of assessing the pricing terms of the docking and loading services under the Long Term Storage and Loading Services Framework Agreement. Based on our review, we note that the unit prices under the Docking and Loading Connected Invoices are no less favorable to the Group than those offered under the Docking and Loading I3P Invoices. Furthermore, considering that the Company will compare the quotations from other independent service providers for the docking and port storage and loading services in the relevant area to ensure that the price offered to the Group under the Long Term Storage and Loading Services Framework Agreement is no less favorable than that offered by other independent third party suppliers, we concur with the Board that such procedures can sufficiently 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. Accordingly, we consider that the principal terms of the Long Term Storage and Loading Services Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.4 Long Term Ethylene Supply Framework Agreement

Pursuant to the Long Term Ethylene Supply Framework Agreement, the Company (including its subsidiaries) has agreed to supply 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, respectively. 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Ethylene Supply Framework Agreement, we have, on a random sampling basis, obtained from the Company five sets of invoices in relation to the supply of ethylene by the Group to Jiahua Energy Chemical Co. (“**Ethylene Connected Invoices**”) issued in

five respective months during the eleven months from 1 January 2023 to 30 November 2023, which we consider to be representative as the Ethylene Connected Invoices covered five months of our review period. For the purpose of our comparison, we have obtained and reviewed all transactions entered into between the Group as supplier of ethylene and independent third parties (“**Ethylene I3P Transactions**”) during the same months of the Ethylene Connected Invoices. Based on our review and as advised by the Management, as the sales of ethylene to the independent third parties were different in terms of transportation mode and quantity, a meaningful comparison on the pricing terms between the Ethylene Connected Invoices and the Ethylene I3P Transactions cannot be drawn as they are not comparable. Nonetheless, as the Company will compare the fee quotations offered by independent customers on a regular basis to ensure that the price offered to Jiahua Energy Chemical Co. is no less favorable to the Group than that offered to independent customers, we concur with the Board that sufficient measures are in place to 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. Accordingly, we consider that the principal terms of the Long Term Ethylene Supply Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.5 Long Term Toluene Supply Framework Agreement

Pursuant to the Long Term Toluene Supply Framework Agreement, the Company (including its subsidiaries) has agreed to supply 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, respectively. 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Toluene Supply Framework Agreement, we have attempted to compare the terms under historical similar transactions entered into by the Group as supplier of toluene with Jiahua Energy Chemical Co. and independent third parties both during 2023. However, as advised by the Management, there had been no historical transaction in relation to the supply of toluene between the Group and independent third parties in 2023. Alternatively, as observed from OilChem China (隆眾資訊) (www.oilchem.net), an independent commodity information provider in the PRC and a commonly used online platform in the petrochemical industry which showed the historical market price of various chemicals, the selling prices offered to Jiahua Energy Chemical Co. by the Group as shown under the historical invoices are within or higher than the respective ranges of market price of toluene in the Huadong region of the PRC, where the Group is principally operated in, during the relevant months. Nonetheless, considering that the Company will compare the selling price offered to its independent customers on a regular basis to ensure that the price offered to Jiahua Energy Chemical Co. is no less favorable to the Group than that offered to independent customers, we concur with the Board that such internal control procedure can sufficiently 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. Accordingly, we consider that the principal terms of the Long Term Toluene Supply Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.6 Long Term Gas Supply Framework Agreement

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 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, respectively. 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.

In assessing the fairness and reasonableness of the principal terms of the Long Term Gas Supply Framework Agreement, we have obtained from the Company the historical similar transactions entered into by the Group as supplier of oxygen and nitrogen, being the types of gas supplied by the Group to Jiahua Energy Chemical Co. for the past three years. We were also advised by the Management that there had been no historical comparable transactions between the Group as the supplier of oxygen and Jiahua Energy Chemical Co. and independent third parties. In this regard, we have, on a random sampling basis, obtained from the Company (i) five sets of invoices between the Group as supplier of nitrogen and Jiahua Energy Chemical Co. (“**Gas Connected Invoices**”); and (ii) all comparable invoices between the Group and independent third parties (“**Gas I3P Invoices**”) issued during the corresponding months of the Gas Connected Invoices. Based on our review, we note that the unit prices of nitrogen under the Gas Connected Invoices are no less favorable to the Group than those under the Gas I3P Invoices for comparable transactions. Considering that the Company will compare the selling price offered to its independent customers on a regular basis to ensure that the price offered to Jiahua Energy Chemical Co. is no less favorable to the Group than that offered to independent customers, we concur with the Board that sufficient procedures are in place to ensure that the sale of gas will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole. Accordingly, we consider that the principal terms of the Long Term Gas Supply Framework Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4. The Proposed Annual Caps

In assessing the fairness and reasonableness of the determination of the proposed annual caps (“**Proposed Annual Caps**”) under each of the CCT Agreements, we have obtained and reviewed the underlying computations of the Proposed Annual Caps as prepared by the Management.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.1 Purchase of steam under Long Term Steam Supply Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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

As seen from the table above, it is noted that the Proposed Annual Cap for the eleven months ending 31 December 2024 amounted to RMB910.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB50 million under the Short Term Steam Supply Agreement would imply the annual cap for the year ending 31 December 2024 of RMB960.0 million. Such annual cap represented an increase of approximately 49.17% from the annualised amount of approximately RMB643.57 million for the year ended 31 December 2023 as extrapolated from the historical amount for eleven months ended 30 November 2023 to a full year basis. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amounts 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) by the Group; (ii) the expected purchase amount of the relevant steam; and (iii) the expected unit price of the relevant steam. Based on our review of the computations of the Proposed Annual Caps provided by the Company, we note that the Proposed Annual Caps for the year ending 31 December 2024 is the multiple of the expected purchase amount of low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) by the Group and the expected average unit price of steam.

Based on our review of the computations of the Proposed Annual Caps, we note that the increase in expected transaction amount for the year ending 31 December 2024 is primarily resulted from the increase in expected purchase amount of low pressure steam (0.65 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa). In respect of the expected demand of steam by the Group, we have requested and obtained from the Company the breakdown of different types of steam required by the Group in accordance with its production capacity for each of the year ending 31 December 2024, 2025 and 2026, respectively. Given the weak market sentiment and for

the purpose of cost control, the production facilities of the Group, including the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and its ancillary upstream level production facilities, have not been utilised to the fullest during the past two to three years. As the Group expects the economy and consumption in the PRC will gradually recover in the next years following recovery in the post-COVID environment, the Group planned to gradually increase production of its major products including ethylene oxide, ethylene glycol and polypropylene which require various pressure steam as feedstock. Among the various pressure steam, it is noted that the expected purchase of low pressure steam (0.65 MPa) represents a substantial disproportionate increase for the year ending 31 December 2024 as compared to the previous year. As enquired with the Group, we were given to understand that the Group has only procured low pressure steam (0.65 MPa) since November 2023, resulting in a low historical purchase amount in 2023. The Group will continue its purchase of low pressure steam (0.65 MPa) going forward. Accordingly, the Group's demand for steam required for the production of various chemical products shall increase to give sufficient production output.

Market demand for the Group's major products

In assessing the growth in the Proposed Annual Caps, we have performed researches on the market demand for the Group's major products, which would drive the Group's demand for various steam. With reference to the statistics published by National Bureau of Statistics of the PRC, it is noted that the growth of gross domestic product ("GDP") in the PRC has slowed down significantly from 8.4% in 2021 to 3% in 2022 amid the weakening market sentiment and consumption. The growth of GDP in the PRC for the first half of 2023 showed a period-on-period growth of 5.5% as compared to the previous corresponding period, in particular, the respective GDP growth amounted to 4.5% and 6.3% for the first and second quarter of 2023 as compared to the respective corresponding period in 2022, indicating a possible sign of gradual recovery and restoration from the pandemic disruption in the PRC manufacturing economy and consumption market in the next years.

Ethylene oxide and ethylene glycol, being the Group's major products, are industrial organic intermediaries that have diverse applications across various industries including automotive, textile, medical and other sectors. According to IndustryARC, a leading provider of market research report, custom consulting services, data analytics and industry analysis founded in 2014, while the ethylene oxide and ethylene glycol market was majorly impacted by the disruptions brought by the COVID-19 outbreak, the market size of which is estimated to reach US\$25 billion by 2027 after growing at a compound annual growth rate ("CAGR") of around 4.7% from 2022 to 2027 following recovery of the pandemic. In particular, the Asia Pacific segment is the fastest growing region in the ethylene oxide and ethylene glycol market and is projected to grow with a CAGR of 5.6% during the period, as influenced by the growing demand in industries such as automotive, textile, food and beverage, cosmetics and personal care. As noticed from Insight & Info Consulting Ltd (觀研天下(北京)信息諮詢有限公司), a leading market research and consulting services provider established in 2012 in the PRC, the demand for ethylene glycol in the PRC

LETTER FROM LEGO CORPORATE FINANCE LIMITED

has been on a year-on-year growing trend from 16.33 million tonnes in 2018 and reached 20.75 million tonnes in 2022. With reference to Emergen Research, a market research and strategy consulting company based in Canada, the demand for ethylene glycol from the textile industries given its properties making it an ideal material for sportswear and outdoor clothing and increasing adoption of bio-based ethylene glycols and ethylene glycol in industrial applications are the key factors driving the ethylene glycol market revenue growth. The global ethylene glycol market size was US\$16.74 billion in 2022 and is expected to reach US\$27.43 billion in 2032, registering a CAGR of 5.2% from 2023 to 2032. In respect of polypropylene being another major product of the Group, as noted from Mordor Intelligence, a market research and consulting firm that provides customised market research reports to various industries including healthcare, chemicals and technology, the global market size of polypropylene is projected to grow from 86.95 million tonnes in 2023 to 115.15 million tonnes in 2028, representing a CAGR of 5.78%. It is also mentioned that although the demand for polypropylene has declined due to the pandemic where the construction and automotive industries have observed a significant slowdown, it has recovered largely in 2022 following the work resumption of the relevant industries. In light of the above, we are of the view that the demand of the Group's major products remains generally positive with potential moderate increment in the next years in line with the market.

As confirmed by the Company, the expected purchase amounts for low pressure steam (0.65 MPa and 1.3 MPa), medium pressure steam (3.4 MPa) and high pressure steam (4.6 MPa) by the Group under the Proposed Annual Caps are within the designated capacities corresponding to each of the relevant ethylene oxide production facilities and chemical devices of the Group. The Proposed Annual Caps for the years ending 31 December 2025 increased by approximately 4.17% from the Proposed Annual Caps for the year ending 31 December 2024, and remain constant for the year ending 30 December 2026, which is mainly attributed to the increase in expected purchase of low pressure steam (0.65 MPa) by the Group to be used as input required for the Group's operation of its C4 device that is scheduled to commence production in 2025.

As regards the expected unit price of steam used in the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026, we note that the unit price adopted represents a slight growth of no more than 5% as compared to the historical average unit price of steam purchased by the Group from Jiahua Energy Chemical Co. during the eleven months ended 30 November 2023. As advised by the Management, notwithstanding that the Group will additionally place order for low pressure steam (0.65 MPa) which typically has a lower market price as compared to other medium and high pressure steam, having considered the potential fluctuation of market price during the three years ending 31 December 2024, 2025 and 2026 given the fluctuation of the historical transacted average price in the last three years, the Company has therefore applied a buffer of no more than 5% based on the transacted average price in 2023 which we consider to be fair and reasonable.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Steam Supply Framework Agreement is fair and reasonable.

4.2 Purchase of fatty alcohol under Long Term Fatty Alcohol Supply Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of fatty alcohol	—	70,006	59,209	225,000	250,000	250,000

As seen from the table above, it is noted that the Proposed Annual Cap for the eleven months ending 31 December 2024 amounted to RMB225.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB25.0 million under the Short Term Fatty Alcohol Supply Agreement would imply the annual cap for the year ending 31 December 2024 of RMB250.0 million. Such annual cap represented an increase of approximately 287.06% from the annualised amount of approximately RMB64.59 million for the year ended 31 December 2023 as extrapolated from the historical amount for eleven months ended 30 November 2023 to a full year basis. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amounts of purchases of fatty alcohol made by the Group; (ii) the expected amount of purchase of fatty alcohol; and (iii) the expected market price of fatty alcohol. Based on our review of the computations of the Proposed Annual Caps provided by the Company, we note that the Proposed Annual Caps for the year ending 31 December 2024 is the multiple of the expected purchase amount of fatty alcohol by the Group and the expected market unit price.

Based on our review of the computations of the Proposed Annual Caps, we note that the increase in expected transaction amount for the year ending 31 December 2024 is primarily due to the substantial increase in purchase amount of fatty alcohol by the Group and the increase in expected market price of fatty alcohol. We have obtained and reviewed the breakdown of expected purchase of fatty alcohol by the Company for each month during the three years ending 31 December 2024, 2025 and 2026 and note that the estimated purchase amount of fatty alcohol for each month is determined based on the required average range of input ratio of fatty alcohol as one of the key feedstock for the production of AEO, being a major surfactant product of the Group.

We understand that AEO surfactants is a type of non-ionic surfactant that can be widely applied across different industries as scouring agents, moisturising agents and solubilisers and commonly used as household or industrial detergents and emulsifiers. On this basis, we have performed research on the general outlook surfactants market. According to the statistics from the China Surfactant Industry Alliance (中國表面活性劑產業聯盟), in 2022, the total production volume of surfactants of 67 large scale enterprises reached 4.26 million tonnes while total sales volume reached 4.21 million tonnes, showing year-on-year increases of 3.6% and 2.1%, respectively. Based on the report from S&P Global which primarily provides insights on financial information and analytics, global consumption of household products containing surface-active agents will continue to grow at an average annual rate of 2.8% during 2021–2026, with demand driven by developing markets in Asia, particularly the PRC and India. As such, it is expected that the surfactants market in the PRC will remain overall positive with moderate growth in the future. With reference to the annual report of the Company for the year ended 31 December 2022, the revenue from sales of surfactants by the Group amounted to approximately RMB1,196.22 million for the year ended 31 December 2022, showing an increase of approximately 49.41% from approximately RMB800.63 million for the previous year. As disclosed in the interim report of the Company for the six months ended 30 June 2023, revenue from sales of surfactants (including AEO surfactants) further grew from approximately RMB470.17 million for the six months ended 30 June 2022 to approximately RMB917.25 million for the six months ended 30 June 2023, showing a substantial increase of approximately 95.09%. We understand that in view of the expected growing demand, there will be one additional production line of AEO for each year from 2024 to 2026, such that the production capacity of the Group for manufacture of AEO surfactants shall increase by approximately 43.53% in 2024 from 2023, and further increase by approximately 23.92% and 12.31% in 2025 and 2026 respectively. In view of the increase in designated AEO production capacity which required a corresponding increase in fatty alcohol as input, it is noted that the expected demand for fatty alcohol for 2024 showed an increase of approximately 40.13% as compared to the historical amount of fatty alcohol purchased in 2023, which is in line with the increase in production capacity. Parallely, as the Company expects the general demand for AEO surfactants will increase amid the anticipated economic recovery and consumption sentiment in the PRC, the Group expected its sales of AEO surfactants in 2024 will increase, which is in line with the overall market trend for surfactants as described above. However, from the computation of the Proposed Annual Caps, it is notable that the expected quantity of fatty alcohol to be purchased from Jiahua Energy Chemical Co. represents substantial increase of approximately 200.59% from the historical quantity in 2023. As explained by the Management, while the quantity of fatty alcohol purchased from Jiahua Energy Chemical Co. for 2023 only accounted for less than 50% of the total purchase amount of fatty alcohol in 2023, considering that, unlike with other independent third parties suppliers, the transmission of fatty alcohol from Jiahua Energy Chemical Co. is through the use of pipelines which can enhance transmission efficiency and cost control, the Company has strategically decided to mainly procure the required amount of fatty alcohol from Jiahua Energy Chemical Co. starting from 2024 onwards, leading to the substantial increment in the purchase of fatty alcohol from Jiahua Energy Chemical Co. in 2024 as compared to the previous year. When

LETTER FROM LEGO CORPORATE FINANCE LIMITED

determining the expected quantity of fatty alcohol to be purchased from Jiahua Energy Chemical Co. in 2024, the Company has therefore made reference to the total historical required quantity of fatty alcohol. It is noted that the purchase quantity of fatty alcohol from Jiahua Energy Chemical Co. as to the total required quantity of fatty alcohol would increase from approximately 46.62% to 100% in 2024. On the other hand, the expected sales of AEO surfactants and the purchase quantity of fatty alcohol are both within the designated input and output capacities of the Group's production facilities for each of the year ending 31 December 2024, 2025 and 2026.

Based on our review of the computations of the Proposed Annual Caps, we note that the estimated unit price of fatty alcohol used in arriving at the Proposed Annual Caps is about 20% higher than the average transacted unit price in relation to the purchase of fatty alcohol from Jiahua Energy Chemical Co. for the year ended 31 December 2022 and eleven months ended 30 November 2023. Upon enquiry with the Management, it is the Company's anticipation that the production cost of fatty alcohol will start to rise in the next years and the selling price may increase. As part of our independent assessment, we have performed research on the recent market price of fatty alcohol. According to OilChem China (隆眾資訊) (www.oilchem.net), it is noted that the market price of the relevant type of fatty alcohol in the PRC fluctuated within the range from RMB9,500 per tonne to RMB12,800 per tonne, showing a difference of approximately 34.74% between the highest and lowest points, with an average of RMB11,614 per tonne during the one year period prior to 25 December 2023, being the date of the Long Term Fatty Alcohol Supply Framework Agreement. As such, we consider that the projected price of fatty alcohol which lies around the high end of the aforesaid range of historical market price is fair and reasonable. The Proposed Annual Caps for the years ending 31 December 2025 and 2026 remains the same as the Company expects the purchase amount and market price of fatty alcohol would be stable.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Fatty Alcohol Supply Framework Agreement is fair and reasonable.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.3 Purchase of docking and port storage and loading services under Long Term Storage and Loading Services Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of docking and port storage and loading services	83,777	69,818	112,641	225,000	270,000	270,000

As seen from the table above, it is noted that the Proposed Annual Cap for the eleven months ending 31 December 2024 amounted to RMB225.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB45.0 million under the Short Term Storage and Loading Services Agreement would imply the annual cap for the year ending 31 December 2024 of RMB270.0 million. Such annual cap represented an increase of approximately 119.73% from the annualised amount of approximately RMB122.88 million for the year ended 31 December 2023 as extrapolated from the historical amount for eleven months ended 30 November 2023 to a full year basis.

Based on our review of the computations provided by the Company, it is noted that the Proposed Annual Caps consisted of two components namely (i) port storage service; and (ii) docking and loading services for various chemical products including methanol, naphtha, mixed C4, ethane, propane, butane, ethylene and propylene. We note that the projected amount of both the docking and loading services and port storage service are based on the estimated unit rate and unit of service to be acquired by the Group under the Long Term Storage and Loading Services Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amount of fees paid by the Group to Jiahua Energy Chemical Co.; (ii) the expected unit fees paid by the Group; (iii) the expected unit of service to be required by the Group for docking and port storage and loading services; and (iv) the expected market conditions and increase in demand for docking and port storage and loading services from the Company.

In respect of the substantial growth in the annual cap for the year ending 31 December 2024 as compared to the historical amount for the previous year, we have reviewed the amount breakdown by services. We note that while the Group has only procured the port storage service since July during 2023, the transacted amount contributed from the port storage service represented around 32% of total transacted

LETTER FROM LEGO CORPORATE FINANCE LIMITED

amount for the docking and port storage and loading services during the eleven months ended 30 November 2023. The estimation of the annual cap amount for the port storage service for the year ending 31 December 2024 on a full year basis therefore led to a substantial disproportionate increase in expected transaction amount for such service for the year ending 31 December 2024. In particular, the transaction quantity is expected to increase from 0.47 million tonnes in 2023 to 1.5 million tonnes in 2024, representing an increment of approximately 219.15%. In view of such, we have further enquired with the Management on the underlying reason for the increasing demand for port storage service for the coming years and were advised that such increase was owing to the additional demand for ethane and propane as feedstock input for the Group's new production device which only commenced trial operation during the second half of 2023. On the other side, we notice that the substantial increase of Proposed Annual Caps for the year ending 31 December 2024 from the historical transaction amount in 2023 is also resulted from the expected increasing demand with respect to the docking and loading services of designated chemicals such as ethane, propane and methanol, as the Company expects to procure more of such chemicals due to the expected increase in production level in 2024 and onwards in response to the improving economic condition and business sentiment, as further detailed in the paragraph headed "Market demand for the Group's major products" under the above sub-section headed "4.1 Purchase of steam under Long Term Steam Supply Framework Agreement".

As regards the estimated unit price for port storage service, we note that it is equivalent to the historical unit price for port storage service during the eleven months ended 30 November 2023, while it is also at the lower end of the prescribed price range of RMB100 per tonne to RMB250 per tonne pursuant to the terms of the Long Term Storage and Loading Services Framework Agreement. As to the estimated unit price for docking and loading services for a vast range of chemical products, we have selectively assessed the unit price for ethane, propane and methanol, the expected transaction amount of which accounted for a majority of over 80% in aggregate of the proposed transaction amount for docking and loading services for the year ending 31 December 2024. Based on our review and discussions with the Management, it is noted that the estimated unit price for docking and loading services with respect to each of ethane, propane and methanol is either consistent with or approximate to the corresponding historical average unit prices in 2023. We further note that the estimated unit price for the docking and loading services for all the other designated chemicals are within the prescribed price range of RMB25 per tonne to RMB100 per tonne pursuant to the Long Term Storage and Loading Services Framework Agreement. The Proposed Annual Caps for the years ending 31 December 2025 and 2026 remains the same as the Company expects the demand and unit price for the port storage and docking and loading services would be stable.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Storage and Loading Services Framework Agreement is fair and reasonable.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.4 Supply of Ethylene under Long Term Ethylene Supply Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts				Proposed Annual Caps	
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supply of ethylene	—	—	454,235	1,080,000	1,765,000	2,000,000

As seen from the table above, it is noted that the Proposed Annual Caps for the eleven months ending 31 December 2024 amounted to RMB1,080.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB50.0 million under the Short Term Ethylene Supply Agreement would imply the annual cap for the year ending 31 December 2024 of RMB1,130.0 million. Such annual cap represented an increase of approximately 128.04% from the annualised amount of approximately RMB495.53 million for the year ended 31 December 2023 as extrapolated from the historical amount for the eleven months ended 30 November 2023 to a full year basis. The Proposed Annual Caps for the two years ending 31 December 2025 and 2026 represent year-on-year increases of approximately 56.19% and 13.31% from the respective previous years. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amounts of purchases of ethylene made by Jiahua Energy Chemical Co. from the Group; (ii) the expected amount of purchases of ethylene by Jiahua Energy Chemical Co., based on its production capacity ramp-up plan; and (iii) the expected unit price of ethylene. Based on our review of the computations of the Proposed Annual Caps provided by the Company, we note that the Proposed Annual Caps for the year ending 31 December 2024 is the multiple of the expected sales volume of ethylene by the Group and the expected market unit price.

Based on our review of the computations of the Proposed Annual Caps, we note that the increase in expected transaction amount for the year ending 31 December 2024 is primarily due to the substantial increase in sales volume of ethylene by the Group and the increase in expected market price of ethylene from that of 2023. In particular, it is noted that the expected sales quantity of ethylene represents a growth of approximately 107.88% from the annualised historical sales quantity for the previous year. Based on our discussions with the Company, we understand that the estimated sales quantity of ethylene is mainly determined based on the demand required by Jiahua Energy Chemical Co. for the production of PVC, which uses ethylene as feedstock, among others. In this regard, we have obtained from the Company and reviewed the required production level of Jiahua Energy Chemical Co., during the three years ending 31 December 2024, 2025 and 2026 and the expected ramp-up

schedule of commercial operation of its production devices. While we note that the demand for ethylene from Jiahua Energy Chemical Co. for the year ending 31 December 2024 remains relatively stable as 2023, the volume of ethylene sold by the Group was limited by its small production in 2023. As advised by the Company, the Group expects to produce more ethylene starting in 2024 therefore the sales of ethylene to Jiahua Energy Chemical Co. will increase accordingly in order to meet the strong demand for ethylene from Jiahua Energy Chemical Co.. Further, in addition to the existing production device, phase two of production device of Jiahua Energy Chemical Co. shall commence operation from 2025, doubling its production level and therefore the demand for ethylene required for the year ending 31 December 2025 and 2026 shall increase correspondingly in order to meet its designated output level. With respect to the demand of ethylene, we note from the National Bureau of Statistics of the PRC that the national production of ethylene has been on a growing trend which amounted to approximately 28.26 million tonnes, 28.98 million tonnes and 29.15 million tonnes for 2021, 2022 and the eleven months ended 30 November 2023, respectively, showing a growth rate of approximately 9.73% from 2022 to 2023 on an annualised basis. Further, the Ministry of Industry and Information Technology of the PRC together with six other departments of the PRC jointly issued the 《石化化工行業穩增長工作方案》 (Work Plan for steady growth of the Petrochemical Industry*) in August 2023, which proposed an average annual industrial growth rate of 5%, and ethylene production is targeted to exceed 50 million tonnes in 2024, among other things. In view of such, it is expected that the production and demand for ethylene will continue to exhibit growth in the next years. We note that the Company has applied a buffer of not more than 10% to give the expected sales volume of ethylene, which as explained by the Company is to cater for any unexpected increase demand from Jiahua Energy Chemical Co.. At the same time, we have also obtained and reviewed the production capacity of the relevant production facilities of the Group and noted that the estimated sales volume of ethylene for each of the year ending 31 December 2024, 2025 and 2026 is within the designated maximum annual output amount of ethylene of the Group.

We note that the projected unit price of ethylene remains constant for the three years ending 31 December 2024, 2025 and 2026. We understand the Company has made reference to the historical price of ethylene in determination of the unit price of ethylene under the Proposed Annual Caps. Based on the computations provided by the Company, we note that the estimated unit price of ethylene for the year ending 31 December 2024 represents an increase of around 9.67% to the average unit price of ethylene for the eleven months ended 30 November 2023. With reference to OilChem China (隆眾資訊) (www.oilchem.net), it is noted that the market price of ethylene in the PRC fluctuated within the range from RMB6,350 per tonne to RMB7,500 per tonne with an average of RMB6,865 per tonne during the one year period prior to 25 December 2023, being the date of the Long Term Ethylene Supply Framework Agreement. The average unit price of ethylene sold by the Group to Jiahua Energy Chemical Co. falls within the aforesaid market price range. As understood from the Company, the increase over the average unit price serves as a buffer, which is less than 10%, to cater for any unexpected fluctuation in market price of ethylene for the three years ending 31 December 2024, 2025 and 2026 which we consider to be justifiable.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Ethylene Supply Framework Agreement is fair and reasonable.

4.5 Supply of Toluene under Long Term Toluene Supply Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supply of toluene	—	—	4,337	120,000	145,000	145,000

As seen from the table above, it is noted that the Proposed Annual Cap for the eleven months ending 31 December 2024 amounted to RMB120.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB25.0 million under the Short Term Toluene Supply Agreement would imply the annual cap for the year ending 31 December 2024 of RMB145.0 million. Such annual cap represents a substantial increase of approximately 2,965.54% from the annualised amount of approximately RMB4.73 million for the year ended 31 December 2023 as extrapolated from the historical amount for the eleven months ended 30 November 2023 to a full year basis. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amounts of sales of toluene by the Group; (ii) the expected amount of sales of toluene by the Group; and (iii) the expected unit price of toluene. Based on our review of the computations of the Proposed Annual Caps provided by the Company, we note that the Proposed Annual Caps for the year ending 31 December 2024 is the multiple of the expected sales volume of toluene by the Group and the expected market unit price.

Since the Group has only begun to sell toluene to Jiafu New Material since July 2023 as the sulfonation device of Jiafu New Material commenced initial operation, the substantial increase of the Proposed Annual Cap for the year ending 31 December 2024 as compared to 2023 is mostly resulted from the disproportionate period of comparison. Based on our discussions with the Company, we understand that the estimated sales quantity of toluene is mainly determined based on the demand required by Jiahua Energy Chemical Co. for operation of its sulfonation device. In this regard, we have obtained from the Company and reviewed the anticipated production level of the sulfonation device of Jiahua Energy Chemical Co., during the three years ending 31 December 2024, 2025 and 2026. We note that the expected demand of toluene by Jiahua Energy Chemical Co. under the Proposed Annual Caps for each of the three years ending 31 December 2024, 2025 and 2026 are equivalent and are all within the

LETTER FROM LEGO CORPORATE FINANCE LIMITED

expected input of toluene required, which represents about 56.25% of the annual level of toluene required to reach the designated output of the device. On the other hand, the expected supply of toluene is also within the expected output capacity of toluene of the Group's extraction unit annually such that the Group is able to meet the estimated quantity to be sold under the Proposed Annual Caps.

As regards the expected unit price of toluene, the Company has made reference to the historical unit price sold to Jiafu New Material in 2023. Based on our review, the estimated unit price of toluene for determination of the Proposed Annual Caps represents an increase of 27.10% from the average unit price of toluene sold by the Group to Jiafu New Material during the eleven months ended 30 November 2023. In this regard, we have performed independent research and as observed from OilChem China (隆眾資訊) (www.oilchem.net), the price of toluene as disclosed by Sinopec Shanghai, being a common indicator of prevailing market price as advised by the Company, fluctuated within the range from RMB6,000 per tonne to RMB8,300 per tonne, showing a maximum difference of more than 38%, with an average of RMB7,240 per tonne during the one year period prior to 25 December 2023, being the date of the Long Term Toluene Supply Framework Agreement. The price of toluene also showed a CAGR of approximately 20.26% during the period from 2020 to 2023. In view of the historical increment and fluctuation, we are of the view that adopting the same estimated unit price of toluene in determining the Proposed Annual Caps is fair and reasonable. The Proposed Annual Caps for the years ending 31 December 2025 and 2026 remains the same as the Company expects the demand from Jiahua Energy Chemical Co. would be stable.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Toluene Supply Framework Agreement is fair and reasonable.

4.6 Supply of gas under Long Term Gas Supply Framework Agreement

Set out below are the historical transaction amounts for the years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023, and the Proposed Annual Caps for the eleven months ending 31 December 2024, and the years ending 31 December 2025 and 2026, respectively:

Transaction	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the eleven	For the eleven	For the year ending	
	31 December		months ended	months ending	31 December	
	2021	2022	30 November	31 December	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

LETTER FROM LEGO CORPORATE FINANCE LIMITED

As seen from the table above, it is noted that the Proposed Annual Cap for the eleven months ending 31 December 2024 amounted to RMB125.0 million, and when aggregated with the proposed cap amount for the two months ending 29 February 2024 of RMB25.0 million under the Short Term Gas Supply Agreement would imply the annual cap for the year ending 31 December 2024 of RMB150.0 million. Such annual cap represents a substantial increase of approximately 320.52% from the annualised amount of approximately RMB35.67 million for the year ended 31 December 2023 as extrapolated from the historical amount for the eleven months ended 30 November 2023 to a full year basis. While the Company expects the market price for oxygen, nitrogen, hydrogen and fuel gas will be stable, the sales volume is expected to increase such that the Proposed Annual Caps for the years ending 31 December 2025 and 2026 represent year-on-year growths of approximately 56.67% and 6.38% from the respective previous years. With reference to the Letter from the Board, the Proposed Annual Caps are determined based on (i) the historical amounts of purchase of oxygen, nitrogen, hydrogen and fuel gas by Jiahua Energy Chemical Co. from the Group; (ii) the expected amount of purchases to be made by Jiahua Energy Chemical Co. from the Group; and (iii) the expected market price of oxygen, nitrogen, hydrogen and fuel gas. Based on our review of the computations of the Proposed Annual Caps provided by the Company, we note that the Proposed Annual Caps for the year ending 31 December 2024 is the multiple of the expected sales volume of oxygen, nitrogen, hydrogen and fuel gas by the Group and their respective expected market unit prices.

As advised by the Management, the expected quantity of gases used in determination of the Proposed Annual Caps are primarily indicated to the Group by Jiahua Energy Chemical Co. taking into consideration of their existing achievable production level and ramp-up plan of its phase two production device during each of the year ending 31 December 2024, 2025 and 2026, respectively. In respect of oxygen, nitrogen and fuel gas, as our independent assessment, we have enquired with the Management and reviewed the respective production level of the relevant production device of Jiahua Energy Chemical Co. which Jiahua Energy Chemical Co. has confirmed that the respective purchase quantities of gases from the Group as input to its production device is commercially achievable. We note that the expected demand for oxygen and nitrogen, being the major gases for the year ending 31 December 2024 approximates to their existing feedstock input capacity. According to the Management, the phase two production device of Jiahua Energy Chemical Co. which is planned to commence operation in 2025 shall double the existing production capacity (i.e. 100%) which will correspondingly double the input quantity of oxygen, nitrogen and fuel gas required, thereby supporting the year-on-year increment of estimated purchase quantity of the relevant gases in 2025 of around 88%, 43% and 33%, respectively.

With respect to the purchase of hydrogen, we were advised that the hydrogen supplied by the Group will be (1) processed and refined by Jiahua Energy Chemical Co. to give the pure hydrogen for sale to its customers mainly for vehicle use; or (2) used as input for the production of fatty alcohol by Jiahua Energy Chemical Co.. While Jiahua Energy Chemical Co. is capable to process the amount of hydrogen to be purchased from the Group for refinement based on its gas input capacity, Jiahua

Energy Chemical Co. has mainly made reference to the expected demand from its customers for pure hydrogen in estimating the quantity of hydrogen required. Moreover, the Group will also supply industrial use hydrogen to Jiahua Energy Chemical Co. for the production of fatty alcohol starting from 2025 onwards to cope with its phase two production device that will commence operation in 2025, leading to additional amount of hydrogen required by Jiahua Energy Chemical Co. for the two years ending 31 December 2025 and 2026. In assessing the fairness and reasonableness of the expected quantity of hydrogen, we have primarily performed research on the general market outlook of the hydrogen energy sector in the PRC. According to a market report published by KPMG China in September 2022, the quantity of hydrogen production in the PRC amounted to 33 million tonnes in 2021, showing a year-on-year increase of 32%, and it is expected that the annual demand for hydrogen in the PRC will reach 40 million tonnes during the period up to 2030 and 130 million tonnes in 2060, respectively. With reference to the 《氫能產業發展中長期規劃(2021–2035年)》 (“Development Plan of Hydrogen Energy for the 2021–2035 period”) jointly published by the National Development and Reform Commission and the National Energy Administration in March 2022, it is stressed that hydrogen energy development is the key strategic direction which forms an important part of the future national energy system in the PRC. In particular, with the supportive policy favoring the development of hydrogen energy, it is one of the primary targets that the annual hydrogen production from renewable energy reaches 100,000 tonnes to 200,000 tonnes in 2025, among other things. As such, it is expected that the demand for hydrogen will continue to grow in the next years. On the other hand, it is noted that the current annual output level of the Group’s gas production device is far exceeding the estimated supply of oxygen, nitrogen and hydrogen by the Group under the Proposed Annual Caps such that the Group is able to meet the demand of Jiahua Energy Chemical Co. for the three years ending 31 December 2024, 2025 and 2026. In view of the above, we consider that the expected quantity of gases including the increments for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 is fair and reasonable.

According to OilChem China (隆眾資訊) (www.oilchem.net), we note that the historical average listing price of oxygen was approximately RMB560 per tonne during the one year period before the date of the Long Term Gas Supply Framework Agreement, and the estimated market price of oxygen showed an increase of 10% over such historical average price which we consider fair and reasonable in view of the potential unexpected increase in market price and cost of production. In respect of the expected market price of nitrogen adopted in the Proposed Annual Caps, it is equivalent to the historical market price of nitrogen sold by the Group to Jiahua Energy Chemical Co. for the eleven months ended 30 November 2023. We consider fair and reasonable given the historical stable price trend of nitrogen sold by the Group to Jiahua Energy Chemical Co. in the last two years. With respect to the market price of hydrogen, as observed from OilChem China (隆眾資訊) (www.oilchem.net), the historical market unit price of high purity hydrogen in Zhejiang Province, where the Group principally operates, was around RMB2.8 during the one year prior to the date of the Long Term Gas Supply Framework Agreement. As certain hydrogen to be sold to Jiahua Energy Chemical Co. is not refined, in the absence of historical price of

hydrogen sold by the Group as reference, the Company has derived the estimated selling price of hydrogen after taking into account the historical market unit price of high purity hydrogen in Zhejiang Province of RMB2.8 per normal cubic meter and the cost arising from the refinement process. As to the selling price of fuel gas, given there is no historical reference price of fuel gas sold by the Group, the Company has made reference to the prevailing purchase price of natural gas, being a widely used fuel gas as advised by the Company, as purchased by Jiahua Energy Chemical Co. from its independent suppliers based on the invoices issued in the second half of 2023 which we consider fair and reasonable.

Based on the above, we are of the view that the determination of the Proposed Annual Caps for the eleven months ending 31 December 2024 and the years ending 31 December 2025 and 2026 under the Long Term Gas Supply Framework Agreement is fair and reasonable.

5. Internal control procedures and annual review

As disclosed in the Letter from the Board, the Company will, on a regular basis, obtain and compare the quotations or selling prices of the relevant chemical products and/or servicing fees from other independent third parties to ensure that the terms of the transactions contemplated under each of the CCT Agreements are no less favorable to the Group than those provided by/offered to independent third parties. The Board will also 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 LEGO CORPORATE FINANCE LIMITED

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that the entering into of the CCT Agreements and the respective proposed annual caps contemplated thereunder 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 and the respective proposed annual caps contemplated thereunder 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 favor of the relevant resolutions to be proposed at the EGM to approve the CCT Agreements and the respective proposed annual caps contemplated thereunder.

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	Number of Shares			Total	Approximate % of issued share capital ³
		Family Interest	Trust/ Corporate Interest			
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 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 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	Number of Shares			Total	Approximate % of issued share capital ²
		Personal Interest	Family Interest	Trust/ Corporate Interest		
Ms. Han	Sure Capital	—	—	506,451,000 ¹	506,451,000	43.30%
Ms. Guan	Sure Capital	—	—	506,451,000 ¹	506,451,000	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. Accordingly, each of Mr. Guan, Ms. Han and 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.

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 nitrogen gas sales agreement dated 1 January 2022 entered into between 三江化工有限公司 (Sanjiang Chemical Co. Ltd.*), a company established in the PRC which is an indirect wholly-owned subsidiary of the Company, (“**Sanjiang Chemical**”) and 浙江嘉化新材料有限公司 (Zhejiang Jiahua New Material Co., Ltd.*) (“**Jiahua 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;
- (b) (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.*) (“**Sanjiang New Material**”), 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.*) (“**Xing Xing**”), 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;

- (c) (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;
- (d) (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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) the energy management agreements all dated 1 January 2023 entered into between Jiahua Energy Chemical Co. and Sanjiang New Material and Jiahua Energy Chemical Co. and Xing Xing as disclosed in the announcement of the Company dated 3 January 2023;

- (i) 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 (Jiaxing 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;
- (j) the framework agreement for the provision of pipeline network usage services dated 12 January 2023 entered into between 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*). All 嘉興市乍浦建設投資有限公司, 嘉興濱海控股集團有限公司 and 嘉興市人民政府國有資產監督管理委員會 are government bodies and third parties independent of the Company and its connected persons and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 12 January 2023;
- (k) the framework agreement for the provision of port services dated 12 January 2023 entered into between 嘉興杭州灣石油化工有限公司 (Jiaxing Hangzhou Bay Petrochemical Logistics Co., Ltd*) (“**Hangzhou Bay Petrochemical Logistics**”) and the Company as disclosed in the announcement of the Company dated 12 January 2023;
- (l) (i) the propylene sale and purchase agreement dated 4 April 2023 entered into between 浙江美福石油化工有限責任公司 (Zhejiang Mei Fu Petrochemical Co., Ltd*) (“**Mei Fu Petrochemical**”), a company established in the PRC with limited liability, is owned as to 33.00% by Sure Capital, 31.85% by Hangzhou Haoming, 18.00% by Jianghao Investment and 17.15% by Ningbo Yongsheng 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**”), a company established in the PRC with limited liability which is an indirect wholly-owned subsidiary of the Company; (ii) the propane sale and purchase agreement dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang Chemical; (iii) the naphtha sale and purchase agreement dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang Chemical; (iv) the commissioned processing and rental agreement dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang Chemical; (v) the liquefied petroleum gas sale and purchase agreement dated 4 April 2023 entered into between Mei Fu Petrochemical and Sanjiang

- Chemical; (vi) the mixed C4 supply agreement dated 4 April 2023 entered into between Sanjiang Chemical and Mei Fu Petrochemical; and (vii) the industrial cracking C9 supply agreement dated 4 April 2023 entered into between Sanjiang Chemical and Mei Fu Petrochemical as disclosed in the announcement and circular of the Company dated 4 April 2023 and 28 April 2023 respectively;
- (m) the naphtha transportation services agreement dated 27 July 2023 entered into between Sanjiang Chemical and 浙江高宇海運有限公司 (Zhejiang Gaoyu Shipping Co., Ltd.*), is a company established in the PRC with limited liability, and a company which is owned as to 40% by Jiahua; 35% by 宋正剛 (Song Zhenggang*); 10% by 沈永樵 (Shen Yongqiao*); 10% by 王強 (Wang Qiang*) and 5% by 劉現亮 (Liu Xianliang*) as disclosed in the announcement of the Company dated 27 July 2023;
- (n) the toluene sales agreement dated 27 July 2023 entered into between Sanjiang Chemical and 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. as disclosed in the announcement of the Company dated 27 July 2023;
- (o) the pipeline network usage service agreement dated 27 July 2023 entered into between Sanjiang Chemical and 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. as disclosed in the announcement of the Company dated 27 July 2023;
- (p) the framework agreement for port services dated 29 December 2023 entered into between Hangzhou Bay Petrochemical Logistics and the Company as disclosed in the announcement of the Company dated 29 December 2023;
- (q) (i) the ethylene storage and transportation services agreement dated 29 December 2023 entered into between the Company and Jiahua Energy Chemical Co.; (ii) the condensate water and miscellaneous materials purchase agreements dated 29 December 2023 entered into between the Company and Jiahua Energy Chemical Co.; and (iii) the desalinated water and miscellaneous materials supply agreements dated 29 December 2023 entered into between the Company and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 29 December 2023;
- (r) the energy management framework agreement dated 29 December 2023 entered into between the Company and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 29 December 2023; and

- (s) the framework agreement for the provision of pipeline network usage service dated 29 December 2023 entered into between the Company and Jiahua Energy Chemical Co. as disclosed in the announcement of the Company dated 29 December 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 their name in form and context in which it appears.

7. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has 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) 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;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Lego Corporate Finance Limited, the text of which is set out in this circular;
- (d) the written consent from Lego Corporate Finance Limited referred to in the section headed "CONSENT OF EXPERT" in this Appendix I; and
- (e) this circular.



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 at 9 February 2024, 12:00p.m. 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 22 January 2024.

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 long term steam supply framework agreement (the “**Long Term Steam Supply Framework Agreement**”) dated 25 December 2023 entered into between 浙江嘉化能源化工股份有限公司 (“**Jiahua Energy Chemical Co.**”) and China Sanjiang Fine Chemicals Company Limited (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) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Steam Supply Framework 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 Long Term Steam Supply Framework Agreement and the transactions contemplated thereunder.”
2. **“THAT:**
- (a) the 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 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Fatty Alcohol Supply Framework 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 Long Term Fatty Alcohol Supply Framework Agreement and the transactions contemplated thereunder.”
3. **“THAT:**
- (a) the 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 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Storage and Loading Services Framework 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 Long Term Storage and Loading Services Framework Agreement and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. **“THAT:**

- (a) the 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 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Ethylene Supply Framework 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 Long Term Ethylene Supply Framework Agreement and the transactions contemplated thereunder.”

5. **“THAT:**

- (a) the 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 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Toluene Supply Framework 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 Long Term Toluene Supply Framework Agreement and the transactions contemplated thereunder.”

6. **“THAT:**

- (a) the 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 and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the proposed annual caps for the period from 1 February 2024 to 31 December 2024 and the two years ending 31 December 2026 in relation to the transactions contemplated under the Long Term Gas Supply Framework 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 Long Term Gas Supply Framework 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, 22 January 2024

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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 EGM, the register of members of the Company will be closed from Tuesday, 6 February 2024 to Friday, 9 February 2024, 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 Monday, 5 February 2024.
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.
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.