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Press Release - Ad-hoc announcement pursuant to Art. 53 LR

Jiangsu Eastern Shenghong Co., Ltd.
Announcement on the Capital Increase and Share
Expansion of a Subsidiary, Jiangsu Guowang Hi-Tech Fiber Co.,
Ltd.

The Company and all members of the Board of Directors warrant that the content of the information disclosure is true, accurate and complete, and there are no false representations, misleading statements or material omissions.

Special Notice:

1. A subsidiary of Jiangsu Eastern Shenghong Co., Ltd. (hereinafter referred to as "the Company," or "Eastern Shenghong"), Jiangsu Guowang Hi-Tech Fiber Co., Ltd. (hereinafter referred to as "Guowang Hi-Tech"), intends to increase its capital and expand its shares by introducing Agricultural Bank of China Financial Asset Investment Co., Ltd. (hereinafter referred to as "ABC Investment") and Bank of China Financial Asset Investment Co., Ltd. (hereinafter referred to as "BC Investment"). ABC Investment shall contribute RMB1 billion into Guowang Hi-Tech in cash, and BC Investment shall contribute RMB500 million into Guowang Hi-Tech in cash (hereinafter referred to as "this transaction").

2. The Company's wholly-owned subsidiary, Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd. (hereinafter referred to as "Shenghong Chemical Fiber"), as the controlling shareholder of Guowang Hi-Tech, will waive its preemptive subscription rights regarding this transaction. Upon completion of this transaction, Shenghong Chemical Fiber will continue to be the controlling shareholder of Guowang Hi-Tech and will maintain actual control over Guowang Hi-Tech.

3. The waiver of preemptive subscription rights by Shenghong Chemical Fiber does not harm the interests of the Company and all shareholders, especially minority shareholders, and is in compliance with relevant laws and regulations, including the Company Law, the Shenzhen Stock Exchange's Listing Rules, and the Articles of Association of the Company.

4. This transaction does not constitute a major asset reorganization as stipulated by the

"Administrative Measures for the Significant Asset Restructuring of Listed Companies", nor does it constitute a related party transaction.

5. If this transaction is implemented, the cumulative transaction amount for the capital increase and share expansion by the Company's subsidiary over the past twelve months will reach 10% of the Company's latest audited net assets. This matter has been considered and approved by the 22th meeting of the 9th Board of Directors of the Company and does not need to be submitted to the shareholders' meeting for approval.

I. Overview of this Transaction

(I) Basic information of this Transaction

In line with the Company's strategic planning and development needs, Guowang Hi-Tech will introduce new investors through a capital increase and share expansion. ABC Investment will contribute RMB1 billion, of which RMB515,329,979.97 is allocated to registered capital and RMB484,670,020.03 is allocated to capital reserves. BC Investment will contribute RMB 500 million, of which RMB257,664,989.99 is allocated to registered capital and RMB242,335,010.01 is allocated to capital reserves.

Upon the completion of this capital increase, Guowang Hi-Tech's registered capital will increase from RMB5,359,431,791.82 to RMB6,132,426,761.78. The changes in the equity structure are as follows:

Shareholder name	Before this transaction		After this transaction	
	Subscribed capital contribution amount (RMB)	Shareholding percentage	Subscribed capital contribution amount (RMB)	Shareholding percentage
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd	4,895,634,809.84	91.346154%	4,895,634,809.84	79.831933%
Industrial and Commercial Bank of China Financial Asset Investment Co., Ltd.	309,197,987.99	5.769231%	309,197,987.99	5.042017%
China Construction Bank Financial Asset Investment Co., Ltd.	154,598,993.99	2.884615%	154,598,993.99	2.521008%
Agricultural Bank of China Financial Asset Investment Co., Ltd.			515,329,979.97	8.403361%
Bank of China Financial Asset Investment Co., Ltd.			257,664,989.99	4.201681%
Total	5,359,431,791.82	100.00%	6,132,426,761.78	100.00%

Prior to this transaction, Guowang Hi-Tech had already introduced Industrial and Commercial Bank of China Financial Asset Investment Co., Ltd. (hereinafter referred to as "ICBC Investment")

and China Construction Bank Financial Asset Investment Co., Ltd. (hereinafter referred to as "CCB Investment") through a capital increase and share expansion, and it signed "Capital Increase Agreements" with both ICBC Investment and CCB Investment. ICBC Investment and CCB Investment jointly increased Guowang Hi-Tech's capital by RMB 900 million in cash, with ICBC Investment contributing RMB 309,197,987.99 to registered capital and CCB Investment contributing RMB 154,598,993.99 to registered capital. Both ICBC Investment and CCB Investment have paid their respective capital increase contributions to Guowang Hi-Tech. Pursuant to the agreement, ICBC Investment and CCB Investment have become shareholders of Guowang Hi-Tech and enjoy shareholder rights. As of the date of this announcement, the capital increase by ICBC Investment and CCB Investment has not yet completed the registration or filing procedures with the industrial and commercial administration.

(II) Review Procedure

On November 11, 2024, the Company held the 22th meeting of the 9th Board of Directors, and the Proposal on "Capital Increase and Share Expansion of Subsidiary Jiangsu Guowang Hi-tech Fiber Co., Ltd." was approved with a voting result of 7 votes for, 0 votes against, and 0 abstentions.

Pursuant to the relevant provisions of the "Shenzhen Stock Exchange Listing Rules" and the "Articles of Association," each transaction in relation to the subject matters under the same category shall be calculated for twelve consecutive months on a cumulative basis. In the past twelve months, the capital increase and share expansion of the Company's subsidiaries are as follows:

1. ICBC Investment increased its capital in Guowang Hi-tech by RMB600 million, holding 5.769231% of the equity; CCB Investment increased its capital in Guowang Hi-tech by RMB300 million, holding 2.884615% of the equity.

2. ICBC Investment increased its capital in Jiangsu Sierbang Petrochemical Co., Ltd. by RMB600 million, holding 2.027027% of the equity; CCB Investment increased its capital in Jiangsu Sierbang Petrochemical Co., Ltd. by RMB500 million, holding 1.689189% of the equity.

The total transaction amount of the subsidiary's capital increase and share expansion over the past twelve months will reach 10% of the Company's latest net assets upon the implementation of this transaction. According to the regulations of the "Shenzhen Stock Exchange Listing Rules", this transaction shall be submitted to the Board of Directors for consideration and approval. This transaction has been approved by the Company's 22th meeting of the 9th Board of Directors and does not need to be submitted to the Shareholder's Meeting for approval.

(III) Whether this transaction constitutes a related party transaction and significant asset

restructuring

This transaction does not constitute a significant asset restructuring stipulated in the "Administrative Measures for the Significant Asset Restructuring of Listed Companies" and does not constitute a related party transaction.

II. Basic Information of the Transaction Party.

(I) Agricultural Bank of China Financial Asset Investment Co., Ltd.

Name of Capital Increasing Party: Agricultural Bank of China Financial Asset Investment Co., Ltd.

Unified Social Credit Code: 91110108MA00GP8H2H

Establishment Date: August 1, 2017

Registered Address: 701, 702, 703, 8th, 9th, and 23rd Floors, No. 23, Jia, Fuxing Road, Haidian District, Beijing

Type of Enterprise: Limited Liability Company (Wholly State-owned)

Business Scope: (I) Acquisition of bank claims against enterprises for the purpose of debt-to-equity swaps, converting claims into equity and managing the equity. (II) Restructuring, transferring, and disposing of claims that cannot be converted into equity. (III) Investment in enterprise equity for the purpose of debt-to-equity swaps, with the enterprise using all equity investment funds to repay existing debts. (IV) Legally and in accordance with regulations, raising funds from qualified investors and issuing private asset management products to support the implementation of debt-to-equity swaps. (V) Issuing financial bonds. (VI) Raising funds through bond repurchase, interbank lending, and borrowing among peers. (VII) Necessary investment management of self-owned funds and raised funds, allowing self-owned funds to engage in activities such as interbank deposits, interbank lending, and purchasing government bonds or other fixed-income securities. Funds raised must be used for the purposes agreed upon in the fundraising agreement. (VIII) Financial advisory and consulting services related to debt-to-equity swap business. (IX) Other businesses approved by the banking regulatory agency of the State Council. (Market entities choose their business projects independently in accordance with the law; projects requiring approval shall conduct activities according to the approved content after obtaining approval from relevant departments; there shall be no engagement in business activities prohibited or restricted by national and municipal industrial policies.)

Shareholder information:

Item	Shareholder name	Subscribed capital contribution amount (RMB billion)	Shareholding percentage
1	Agricultural Bank of China Co., Ltd.	20	100%
Total		20	100%

As of the end of 2023, the total assets of ABC Investment was RMB 122.131 billion and net assets was RMB 31.712 billion. In 2023, it achieved an operating income of RMB 5.852 billion and net profit of RMB 3.767 billion.

ABC Investment has no relation with the Company and, upon inquiry, is not classified as a person subject to enforcement for dishonesty.

(II) Bank of China Financial Asset Investment Co., Ltd.

Name of Capital Increasing Party: Bank of China Financial Asset Investment Co., Ltd.

Unified Social Credit Code: 91110000MA018TBC9L

Establishment Date: November 16, 2017

Registered Address: 402 to 1302, Block 1, No. 2 North Chaoyangmen Street, Dongcheng District, Beijing

Type of Enterprise: Limited Liability Company (Wholly State-owned)

Business Scope: (I) Acquisition of bank claims against enterprises for the purpose of debt-to-equity swaps, converting claims into equity and managing the equity. (II) Restructuring, transferring, and disposing of claims that cannot be converted into equity. (III) Investment in enterprise equity for the purpose of debt-to-equity swaps, with the enterprise using all equity investment funds to repay existing debts. (IV) Legally and in accordance with regulations, raising funds from qualified investors and issuing private asset management products to support the implementation of debt-to-equity swaps. (V) Issuing financial bonds. (VI) Raising funds through bond repurchase, interbank lending, and borrowing among peers. (VII) Necessary investment management of self-owned funds and raised funds, allowing self-owned funds to engage in activities such as interbank deposits, interbank lending, and purchasing government bonds or other fixed-income securities. Funds raised must be used for the purposes agreed upon in the fundraising agreement. (VIII) Financial advisory and consulting services related to debt-to-equity swap business. (IX) Other businesses approved by the banking regulatory agency of the State Council. (Market entities choose their business projects independently in accordance with the law; projects requiring approval shall conduct activities according to the approved content after obtaining approval from relevant departments; there shall be no engagement in business activities prohibited or restricted by national and municipal industrial policies.)

Shareholder information:

Item	Shareholder name	Subscribed capital contribution amount (RMB billion)	Shareholding percentage
1	Bank of China Co., Ltd.	14.5	100%
	Total	14.5	100%

As of the end of 2023, the total assets of BC Investment was RMB 87.917 billion and net assets was RMB 23.133 billion. In 2023, it achieved an operating income of RMB 2.865 billion and net profit of ABC RMB 2.711 billion.

BC Investment has no relation with the Company and, upon inquiry, is not classified as a person subject to enforcement for dishonesty.

III. Basic Information of the Target of the Capital Increase

(I) Basic Information of Guowang Hi-Tech (Before Capital Increase)

Company Name: Jiangsu Guowang Hi-Tech Fiber Co., Ltd.

Location: Meiyuan Industrial Concentration Zone, Pingwang Town, Wujiang District, Suzhou City, Jiangsu Province

Nature of the Enterprise: Limited Liability Company (Wholly Owned by Natural Person Investment or Holding)

At the time of signing this agreement, the equity structure of the target Company is:

Shareholder name	Subscribed capital contribution amount (RMB)	Paid-in capital contribution amount (RMB)	Subscribed capital percentage	Paid-in capital percentage
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd	4,895,634,809.84	4,895,634,809.84	91.346154%	91.346154%
Industrial and Commercial Bank of China Financial Asset Investment Co., Ltd.	309,197,987.99	309,197,987.99	5.769231%	5.769231%
China Construction Bank Financial Asset Investment Co., Ltd.	154,598,993.99	154,598,993.99	2.884615%	2.884615%
Total	5,359,431,791.82	5,359,431,791.82	100.00%	100.00%

Legal Representative: Tang Junsong

Registered Capital in Business Registration: RMB 4,895,634,809.84 (As of the date of this announcement, the business change/filing procedures for the capital increase by ICBC Investment and CCB Investment have not yet been completed.)

Unified Social Credit Code: 91320509678314441A

Establishment Date: September 3, 2008

Business Scope: Research and development, production of differentiated chemical fibers (PTT, CDP, ultrafine denier polyester low-elastic filaments), sales of self-produced products, operation of hazardous chemicals (in accordance with the scope listed in the hazardous chemicals operation license certificate Number: Su (Su) Hazardous Chemicals Management (Wujiang) 000172), engaged in the procurement and export business of related products; warehousing services; sales of chemical products and raw materials (excluding hazardous chemicals and precursors); wholesale, commission agency (excluding auction) and import-export business of machinery and equipment; supply of coal-water slurry heating. Production of differentiated chemical fibers (limited to branch operation). (Projects that require approval according to law may only be carried out after approval by relevant departments.) General projects: wastewater treatment and its recycling (for projects that do not require approval by law, business activities can be independently carried out in accordance with the business license).

Ownership Status: Guowang Hi-Tech is a holding subsidiary of Shenghong Chemical Fiber, which is a wholly-owned subsidiary of the Company. There are no mortgages, pledges, or other third-party rights on the equity held by Shenghong Chemical Fiber in Guowang Hi-Tech, and there are no significant disputes, litigation, or arbitration matters concerning the related assets, nor are there any judicial measures such as seizure or freezing.

Other Remarks: As of the date of this announcement, Guowang Hi-Tech is not a person subject to enforcement for dishonesty.

(II) Financial Data of Guowang Hi-Tech for the Latest Year and Period

As of December 31, 2023, the audited total assets of Guowang Hi-Tech was RMB19.828 billion and net assets was RMB7.081 billion. In 2023, it achieved an operating income of RMB18.866 billion and a net profit of RMB109 million.

As of June 30, 2024, the unaudited total assets of Guowang Hi-Tech was RMB22.235 billion and net assets was RMB7.611 billion. From January to June 2024, it achieved an operating income of RMB9.970 billion and a net profit of RMB388 million.

IV. Main Content and Performance Arrangements of the Relevant Agreement

The Company intends to sign the “Jiangsu Guowang Hi-Tech Fiber Co., Ltd. Capital Increase Agreement” (hereinafter referred to as “this Agreement” or “the Capital Increase Agreement”) with ABC Investment and BC Investment. The main content of the agreement is as follows:

Parties:

- Eastern Shenghong (hereinafter referred to as “Party A1” in this Agreement)

- Shenghong Chemical Fiber (hereinafter referred to as "Party A2", collectively referred to as "Party A" with Party A1 in this Agreement)

- ABC Investment (hereinafter referred to as "Party B1" in this Agreement)

- BC Investment (hereinafter referred to as "Party B2", collectively referred to as "Party B" or "new shareholders" with Party B1 in this Agreement)

- Guowang Hi-Tech (hereinafter referred to as "Party C" or "target Company" in this Agreement).

With consensus of all parties, Guowang Hi-Tech intends to introduce ABC Investment and BC Investment as new shareholders. All parties warrant that the representations and warranties set forth in this Agreement are true, legal, and valid.

(I) Capital Increase Plan

1. Amount of Capital Increase and Method of Contribution

ABC Investment will contribute RMB1 billion in cash, of which RMB 515,329,979.97 will be included in the registered capital, and RMB484,670,020.03 will be included in the capital reserve. BC Investment will contribute RMB500 million in cash, of which RMB257,664,989.99 will be included in the registered capital, and RMB242,335,010.01 will be included in the capital reserve. Upon the completion of the capital increase, the registered capital of Guowang Hi-Tech will increase from RMB5,359,431,791.82 to RMB 6,132,426,761.78.

2. Capital Increase Price

The valuation of the target Company is based on the asset evaluation report of "The Total Equity Valuation Assessment Report of Jiangsu Guowang Hi-Tech Fiber Co., Ltd. for the Proposed Capital Increase" (Report No.: Dongzhou Evaluation Report No. [2024] 2245) and confirmed through arm's length negotiations among all parties, establishing a pre-investment valuation of RMB 9.5 billion for the target Company.

All parties agree and confirm that from the closing date (referring to the date when ABC Investment and BC Investment respectively pay their capital increase subscription amounts to the target Company's account), all undistributed profits, capital reserves, surplus reserves, etc., formed by the target Company up to the closing date will be jointly enjoyed by all shareholders, including the new shareholders, according to their respective actual contribution ratios at that time.

(II) Payment and Use of Capital Increase Funds

Under the premise that all payment prerequisites set out in this Agreement are met, such as the formal signing and effectiveness of transaction documents, opening a regulatory account, ensuring

that representations and commitments are true and valid, no significant adverse effects have occurred, and relevant procedures are fulfilled, ABC Investment and BC Investment shall pay the capital increase funds to the target Company. From the date of signing this Agreement, Party A and Guowang Hi-Tech shall use their best efforts to fulfill all the prerequisites within 60 working days from the date of signing and effectiveness of this Agreement.

Once all payment prerequisites are achieved, ABC Investment and BC Investment must pay the capital increase funds to the target Company via bank transfer.

The capital increase funds contributed by ABC Investment and BC Investment shall be used to repay agreed financial liabilities. The target Company and/or Party A commit that the capital increase funds paid by ABC Investment and BC Investment shall not be used to repay real estate-related financing, such as real estate, land reserve loans, etc., nor shall they involve local government implicit debts.

(III) Equity Transfer

ABC Investment and BC Investment shall become shareholders of the target Company from their respective closing dates.

The target Company shall, within 60 days after the closing date: make a shareholders' resolution (or shareholder decision) to review and approve the amendments to the target Company's articles of association after the capital increase, and elect supervisors nominated by ABC Investment and BC Investment; submit all required change registration application materials related to this transaction to the competent enterprise registration authority, and complete the relevant change registration/filing procedures.

If the closing fails, both ABC Investment and BC Investment shall have the right to require the target Company and Party A to jointly return the full amount of the capital increase funds paid by ABC Investment and BC Investment, and to pay them the funds occupation fee in accordance with this Agreement.

(IV) Corporate Governance and Related Arrangements

During the period when ABC Investment and BC Investment hold shares, they shall each have the right to nominate one supervisor.

(V) Transfer and Exit Arrangements

ABC Investment and BC Investment have the right to exit through methods such as agreement-based transfer, reverse restructuring, and consensual acquisition as agreed in the agreement.

(VI) Special Provisions

The Capital Increase Agreement stipulates matters regarding transfer restrictions on the new shareholders' equity, anti-dilution, tag-along rights, drag-along rights, equal treatment, and exclusion of financial support, etc.

(VII) Establishment and Effectiveness of the Agreement

This Agreement shall come into effect upon the signature or seal by the legal representatives/executive partners or authorized representatives of each party, and the affixing of the Company seal.

(VIII) Liability for Breach of Contract

If any party to this Agreement fails to fulfill its obligations or commitments under this Agreement, or if any representation, statement, or warranty made by any party contains fraudulent or false elements, it shall constitute a breach of contract. The non-breaching party shall have the right to choose to continue performance and require the breaching party to compensate for losses, and to enforce in accordance with the terms of this Agreement.

V. Valuation and Pricing of the Transaction Target

The price of the Guowang Hi-Tech is based on the valuation results of the "Asset Valuation Report on the Total Equity Value of Jiangsu Guowang Hi-Tech Fiber Co., Ltd. for the Proposed Capital Increase" (Report No.: Dongzhou Evaluation Report No. [2024] 2245) and confirmed through arm's length negotiations among all parties, establishing a pre-investment valuation of RMB 9.5 billion for the target Company.

VI. Other Arrangements Related to This Transaction

This transaction does not involve personnel placement, land leasing, debt restructuring, etc.

VII. Impact of This Transaction on the Listed Company

(I) Purpose of the Transaction

This transaction is beneficial for optimizing the Company's capital structure, strengthening the Company's advantageous position in the industry, and further improving the Company's overall capital strength and competitiveness.

(II) Impact on the Company

Upon completion of this capital increase, the shareholding of Shenghong Chemical Fiber, a wholly-owned subsidiary of the Company, in Guowang Hi-Tech will decrease from 91.346154% to 79.831933%. Guowang Hi-Tech will continue to be a controlled subsidiary of the Company, and

this will not affect the scope of the Company's consolidated financial statements.

The subscription of 12.605042% of the equity interest in Guowang Hi-Tech by ABC Investment and BC Investment,,alongside the decision of the wholly-owned subsidiary Shenghong Chemical Fiber to waive its preemptive subscription rights in Guowang Hi-Tech, is a prudent decision made on the basis of the comprehensive consideration of the development needs of the Company. This aligns with the Company's overall development planning and long-term interests, will not significantly impact the Company's financial condition or operating results, and will not affect the Company's ability to continue operations.

(III) Authorization for This Transaction

To ensure the efficient advancement of this transaction, the Board of Directors has authorized the Company's management to handle all aspects of this transaction, including but not limited to signing related agreements and documents, and processing changes with the industrial and commercial administration.

(IV) Risk Analysis of This Transaction

As of the date of this announcement, the transaction has not yet been completed, presenting certain uncertainties. There are prerequisites for the closing, and if these conditions are not met, there may be risks that the transaction cannot be implemented successfully. Investors are advised to pay attention to investment risks.

This is hereby announced.

Jiangsu Eastern Shenghong Co., Ltd.
Board of Directors
November 11, 2024

Contact Information

Name: Chenghao Li
Phone: +86 15373978088
Email: tzzgx@jssh.com

About Jiangsu Eastern Shenghong Co., Ltd.

Shenghong has established leading positions in business segments such as renewable energy materials, performance chemicals, petrochemicals, and chemical fiber industries. Underpinned by its leading position and high brand awareness, the products are widely adopted in downstream applications. In particular, Shenghong is a pioneer in the renewable energy materials and performance chemicals sector, and it intends to continually invest in this sector to capture its strong growth potential.

At present, the Company has the 16 million tons/year refining and chemical integration unit, 2.4 million tons/year MTO unit and 700,000 tons/year PDH unit, realizing the full coverage of three olefin production process routes, namely, "oil head", "coal head" and "gas head". Through the differentiated and diversified layout of raw material sources of "oil, coal and gas", the Company has more options and possibilities in terms of comprehensive cost control, coping with the risk of cyclical fluctuations, new product research and development, and process route selection of downstream high-end petrochemical products, building a solid foundation for the Company to further play the advantages of scale operation, reduce the operational risk caused by cyclical fluctuations of the industry, and better realize anti-cycle and cross - cycle steady development.

Disclaimer

This announcement may contain forward looking statements, estimates, opinions and projections with respect to the anticipated performance of the Company ("forward-looking statements"). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "forecast", "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements are based on the current views, expectations and assumptions of the management of the Company and involve significant known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. Any forward-looking statements included herein only speak as at the date of this release. We undertake no obligation, and do not expect to publicly update, or publicly revise, any of the information, forward-looking statements or the conclusions contained herein or to reflect new events or circumstances or to correct any inaccuracies which may become apparent subsequent to the date hereof, whether as a result of new information, future events or otherwise. We accept no liability whatsoever in respect of the achievement of such forward-looking statements and assumptions.

