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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNOUNCEMENT

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE FERTILIZER SALE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 11 December 2017 in relation to, among other things, the existing fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Such agreement will expire on 31 December 2018. On 24 December 2018, Sinochem Fertilizer and Sinochem Agriculture entered into the Fertilizer Sale Framework Agreement, pursuant to which Sinochem Fertilizer will, during the period from 1 January 2019 to 31 December 2019 (both days inclusive), continue to sell its fertilizer products to Sinochem Agriculture who will then sell such products to its customers, so as to expand the market share of Sinochem Fertilizer by taking advantage of Sinochem Agriculture's extensive customer base in the agricultural sector.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. Sinochem Agriculture, a wholly-owned subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual cap for continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 11 December 2017 in relation to, among other things, the existing fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Such agreement will expire on 31 December 2018. On 24 December 2018, Sinochem Fertilizer and Sinochem Agriculture entered into the Fertilizer Sale Framework Agreement, pursuant to which Sinochem Fertilizer will, during the period from 1 January 2019 to 31 December 2019 (both days inclusive), continue to sell its fertilizer products to Sinochem Agriculture who will then sell such products to its customers, so as to expand the market share of Sinochem Fertilizer by taking advantage of Sinochem Agriculture's extensive customer base in the agricultural sector.

PRINCIPAL TERMS OF THE FERTILIZER SALE FRAMEWORK AGREEMENT

Date

24 December 2018

Parties

- (a) Sinochem Fertilizer
- (b) Sinochem Agriculture

Nature of transactions

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will continue to sell its fertilizer products to Sinochem Agriculture who will then sell such products to its customers, so as to expand the market share of Sinochem Fertilizer by taking advantage of Sinochem Agriculture's extensive customer base in the agricultural sector.

Pricing

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will sell fertilizer products to Sinochem Agriculture at the fair market price of such fertilizer products at the time of the transaction.

In determining the fair market price of fertilizer products sold by Sinochem Fertilizer to Sinochem Agriculture, the Group generally makes reference to weekly reports published by certain independent commodity information providers such as Baichuan (百川資訊). Such reports, usually updated on a weekly basis and available to the Group by subscription, provide up to date information on market trend and prevailing market prices. In addition, the Group maintains regular contacts with producers, distributors and traders of fertilizer products, keeping abreast of the latest prices of fertilizer products. The Group also takes into account the purchase price from its upstream suppliers, and the terms (including the prices) of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture

will be no less favourable to the Group than those entered into by the Group with independent third parties. The sale prices will be reported to the manager of the fertilizer department of Sinochem Fertilizer or its branch offices for approval.

As the sale and approval process involves reference to industry reports as well as up to date market prices as mentioned above, the Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Payment

Sinochem Fertilizer will enter into specific agreements with Sinochem Agriculture pursuant to the Fertilizer Sale Framework Agreement in relation to the type, specification, quantity, price and payment schedule of fertilizer products. Payments for fertilizer products shall be made by Sinochem Agriculture to Sinochem Fertilizer by way of payment on delivery or advance payment.

Term

The term of the Fertilizer Sale Framework Agreement is from 1 January 2019 to 31 December 2019 (both days inclusive), which can be extended with mutual consent of the parties.

Where a party to the Fertilizer Sale Framework Agreement has breached any terms of the Fertilizer Sale Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party requesting remedy of the breach, the other party may terminate the Fertilizer Sale Framework Agreement. In addition, during the term of the Fertilizer Sale Framework Agreement, either party is entitled to terminate the Fertilizer Sale Framework Agreement by giving one month's notice to the other party.

ANNUAL CAPS

The Company estimates that the annual cap for the year ending 31 December 2019 in respect of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture will be RMB250,000,000. Such annual cap has been determined based on Sinochem Fertilizer's sale plans in 2019 and projected prices and quantities of the sale of fertilizer products, and taking into account the expected increase in Sinochem Agriculture's demand for fertilizer products due to its expansion of service territory.

The historical amounts of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture for the year ended 31 December 2017 and the eleven months ended 30 November 2018 were approximately RMB18,159,000 and RMB77,908,000. There was no historical transaction of a similar nature between the parties for the year ended 31 December 2016.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

Customers of Sinochem Agriculture are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialization that are engaged in the production of staple foods and economic crops, the business model of which is different from that of Sinochem Fertilizer whose customers are distributors. Sinochem Agriculture has commenced businesses in areas such as the northeast, northwest, southwest and Huanghuai of China, and the regions in which its customers locate can serve as an effective replenishment to the established markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. As such, Sinochem Fertilizer intends to sell and promote its own fertilizer products by taking advantage of Sinochem Agriculture's extensive customer base and service network in order to further expand its sale channels and enhance its market reputation. Therefore, Sinochem Fertilizer entered into the Fertilizer Sale Framework Agreement with Sinochem Agriculture.

The Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual cap for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement are fair and reasonable.

Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, have abstained from voting on the Board resolution passed to approve the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. Sinochem Agriculture, a wholly-owned subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual cap for continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

GENERAL INFORMATION

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, distribution and agricultural services of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses.

Sinochem Fertilizer is engaged in the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related business and products.

Sinochem Group is a key state-controlled enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, agriculture, real estate and finance, etc.

Sinochem Agriculture is a wholly-owned subsidiary of Sinochem Group. Its core businesses include the promotion of integrated planting solutions, land trust, design of agricultural input packages, auxiliary facilities for agricultural mechanization, technology tracking, as well as the services in relation to the sale of agricultural products, food banks and agricultural informatization, and the businesses such as agricultural and production credit, agricultural and financial leasing, and agricultural insurance. Sinochem Agriculture also carries out projects on the renovation of low-and medium-yield farmlands, improvement of soil, demonstration of precision agriculture and utilization of agricultural waste as resources.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fertilizer Sale Framework Agreement”	the fertilizer sale framework agreement dated 24 December 2018 entered into between Sinochem Fertilizer and Sinochem Agriculture
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company
“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Sinochem Group
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“%”	percent

For and on behalf of the Board of
Sinofert Holdings Limited
QIN Hengde
Executive Director and Chief Executive Officer

Hong Kong, 24 December 2018

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Zhang Wei (Chairman) and Mr. Yang Lin; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

* *For identification purposes only*