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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 CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

Reference is made to (i) the announcement of the Company dated 12 November 2019 and the circular of the Company dated 3 December 2019 in relation to the fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture; (ii) the announcement of the Company dated 8 July 2020 in relation to the agrichemical framework agreement entered into between Sinochem Fertilizer and Syngenta Group; and (iii) the announcement of the Company dated 22 July 2020 in relation to the fertilizer framework agreement entered into between Sinochem Fertilizer and ChemChina. All of the above Existing Agreements will expire on 31 December 2020.

Each of Sinochem Agriculture and Syngenta Group is a subsidiary of ChemChina. In order to streamline the continuing connected transactions between Sinochem Fertilizer and subsidiaries of ChemChina in relation to the purchase and sale of agricultural products, Sinochem Fertilizer and ChemChina entered into the Framework Agreement on 29 October 2020, pursuant to which Sinochem Fertilizer will continue to purchase from and/or sell to subsidiaries of ChemChina certain agricultural products (including all types of products under the Existing Agreements) during the period from 1 January 2021 to 31 December 2021 (both days inclusive).

IMPLICATIONS OF THE LISTING RULES

ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare and finalize certain information for inclusion in the circular, the Company will dispatch the circular to its shareholders on or around 7 December 2020, which contains, among others things, details of the Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice to convene the SGM.

BACKGROUND

Reference is made to (i) the announcement of the Company dated 12 November 2019 and the circular of the Company dated 3 December 2019 in relation to the fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture; (ii) the announcement of the Company dated 8 July 2020 in relation to the agrichemical framework agreement entered into between Sinochem Fertilizer and Syngenta Group; and (iii) the announcement of the Company dated 22 July 2020 in relation to the fertilizer framework agreement entered into between Sinochem Fertilizer and ChemChina. All of the above Existing Agreements will expire on 31 December 2020.

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PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

Date

29 October 2020

Parties

- (a) Sinochem Fertilizer
- (b) ChemChina

Nature of transactions

Pursuant to the Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds.

Pricing

Pursuant to the Framework Agreement, prices of agricultural products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of ChemChina submits its purchase plan for the relevant products.

In determining the fair market price of agricultural products, the Group mainly makes reference to the prices provided by key suppliers and the ex-factory prices of large factories at the places of origin of the relevant products. The Group maintains regular contacts with producers, distributors and traders of agricultural products, keeping abreast of the latest prices of agricultural products.

With respect to the purchase of agricultural products, the Group will obtain reference prices from three or more suppliers before placing a purchase order with the relevant subsidiary of ChemChina. The Group will also take into account the demand of its downstream customers when determining the prices of the transactions. With respect to the sale of agricultural products, the Group will take into account the purchase prices from its upstream suppliers, and the terms (including the prices) of the sale of agricultural products by Sinochem Fertilizer to the relevant subsidiary of ChemChina will be no less favourable to the Group than those entered into by the Group with independent third parties. The purchase and sale prices will be reported to the manager of the basic fertilizer department and the distribution business department of Sinochem Fertilizer, and then submitted to the person in charge of purchase and sale of the relevant products of Sinochem Fertilizer for approval.

The Group also makes reference to weekly reports published by certain independent commodity information providers such as Baiinfo (百川盈孚) and OilChem China (隆眾資訊). 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, with respect to agrichemicals, the Group also refers to the China Pesticide Information Network, the website of the Institute for the Control of Agrochemicals, the Ministry of Agriculture of the PRC, for the regulatory updates and latest news of the agrichemical industry.

As the purchase and sale 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 shall enter into specific agreements with the relevant subsidiary of ChemChina pursuant to the Framework Agreement in relation to the type, quantity, price and delivery schedule of the agricultural products. Payments for agricultural products shall mainly be settled by way of payment on delivery or advance payment.

Term

The term of the Framework Agreement is from 1 January 2021 to 31 December 2021 (both days inclusive).

ANNUAL CAPS

The Company estimates that the annual cap for the year ending 31 December 2021 in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina will be RMB494,800,000, and the annual cap for the year ending 31 December 2021 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina will be RMB700,600,000.

The parties have determined such annual caps based on Sinochem Fertilizer's purchase and sale plans, and the projected prices and quantities of purchase and sale of agricultural products.

For the two years ended 31 December 2019 and the nine months ended 30 September 2020, the historical amounts of the purchase of agricultural products by Sinochem Fertilizer from the relevant entities were approximately RMB39,200,000, RMB23,680,000 and RMB244,621,000, respectively. For the two years ended 31 December 2019 and the nine months ended 30 September 2020, the historical amounts of the sale of agricultural products by Sinochem Fertilizer to the relevant entities were approximately RMB120,484,000, RMB433,718,000 and RMB531,114,000, respectively.

As Sinochem Fertilizer intends to expand its procurement channel for agricultural products, with its plan to step up effort in developing its fertilizer business and to increase the purchase of related products, the amount of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina in 2021 is expected to increase substantially as compared to the above historical amounts. Sinochem Fertilizer also intends to expand its scale of sale to subsidiaries of ChemChina in 2021. In particular, as Sinochem Agriculture (a subsidiary of ChemChina) continued to expand its customer base and service network, the quantity of agricultural products sold by Sinochem Fertilizer to Sinochem Agriculture has increased year by year. With the further expansion of the coverage of its service territory and the establishment of more technical service centers, it is expected that the demand of Sinochem Agriculture for the purchase of agricultural products will further increase. Taking into account the purchase and sale plans of Sinochem Fertilizer as mentioned above, the Directors are of the view that the annual caps for the year ending 31 December 2021 are fair and reasonable despite the difference between the historical amounts and the annual caps.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Subsidiaries of ChemChina have a good reputation in the industry and can provide sufficient supply of agricultural products covering a wide range of categories with reasonable prices. The purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina can diversify the product mix of the Group and enhance its capability of supplying products. Meanwhile, subsidiaries of ChemChina have extensive customer base which can serve as an effective replenishment to the established markets of Sinochem Fertilizer, and the sale of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina can boost up the sale revenues of the Group.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular, are of the view that the continuing connected transactions contemplated under the 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 caps for the continuing connected transactions contemplated under the Framework Agreement are fair and reasonable.

Mr. Qin Hengde and Mr. Feng Mingwei, being Directors of the Company and management members of China Region of Syngenta Group, have abstained from voting on the Board resolution to approve the transactions contemplated under the Framework Agreement.

IMPLICATIONS OF THE LISTING RULES

ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions

contemplated under the Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare and finalize certain information for inclusion in the circular, the Company will dispatch the circular to its shareholders on or around 7 December 2020, which contains, among others things, details of the Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice to convene the SGM.

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.

ChemChina is primarily engaged in the production and sale of chemical raw materials, chemical products, chemical minerals, fertilizers, agrichemicals (excluding hazardous chemicals), plastics, tyres, rubber products, membrane equipment and chemical equipment; the production and sale of mechanical products, electronic products, instruments and apparatus, construction materials, textiles, light industrial products, forest products and forest chemical products; and the research, development, design and construction of chemical equipment, chemical cleaning, anticorrosion, petrochemicals and water technology. The sole shareholder of ChemChina is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“ChemChina”	中國化工集團有限公司 (China National Chemical Corporation Limited), a limited liability company incorporated in the PRC, and the ultimate controlling shareholder 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”	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
“Existing Agreements”	the fertilizer sale framework agreement dated 12 November 2019 entered into between Sinochem Fertilizer and Sinochem Agriculture, the agrichemical framework agreement dated 8 July 2020 entered into between Sinochem Fertilizer and Syngenta Group, and the fertilizer framework agreement dated 22 July 2020 entered into between Sinochem Fertilizer and ChemChina
“Framework Agreement”	the framework agreement dated 29 October 2020 entered into between Sinochem Fertilizer and ChemChina in relation to the purchase and sale of agricultural products
“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
“Independent Board Committee”	the independent board committee of the Company formed to consider the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	shareholders other than ChemChina and its associates
“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
“SGM”	a special general meeting of the Company to be convened to consider and approve the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“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 an indirect wholly-owned subsidiary of ChemChina
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Syngenta Group”	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of ChemChina, and the indirect controlling shareholder of the Company
“%”	percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 29 October 2020

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is 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*