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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 REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 22 July 2020 in relation to the Fertilizer Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and ChemChina. Pursuant to the Fertilizer Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products for a period up to 31 December 2020.

The Company estimates that the amount of purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina under the Fertilizer Framework Agreement for the year ending 31 December 2020 will exceed the original Purchase Annual Cap. As such, the Company intends to revise the Purchase Annual Cap for the year ending 31 December 2020. The annual cap for the year ending 31 December 2020 in respect of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina under the Fertilizer Framework Agreement will remain unchanged. As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Fertilizer Framework Agreement have not exceeded the Original Annual Caps.

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. 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 Fertilizer Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the revised Purchase Annual Cap for continuing connected transactions contemplated under the Fertilizer 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 Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 22 July 2020 in relation to the Fertilizer Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and ChemChina. Pursuant to the Fertilizer Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products for a period up to 31 December 2020.

The Company estimates that the amount of purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina under the Fertilizer Framework Agreement for the year ending 31 December 2020 will exceed the original Purchase Annual Cap. As such, the Company intends to revise the Purchase Annual Cap for the year ending 31 December 2020. The annual cap for the year ending 31 December 2020 in respect of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina under the Fertilizer Framework Agreement will remain unchanged. As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Fertilizer Framework Agreement have not exceeded the Original Annual Caps.

PRINCIPAL TERMS OF THE FERTILIZER FRAMEWORK AGREEMENT

Date

22 July 2020

Parties

- (a) Sinochem Fertilizer
- (b) ChemChina

Nature of transactions

Pursuant to the Fertilizer Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products.

Pricing

Pursuant to the Fertilizer Framework Agreement, prices of fertilizers and related 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 fertilizers and related 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. The Group maintains regular contacts with producers, distributors and traders of fertilizers and related products, keeping abreast of the latest prices of fertilizers and related products.

With respect to the purchase of fertilizers and related products, the Group usually obtains reference prices from three or more suppliers before placing a purchase order with the relevant subsidiary of ChemChina. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. With respect to the sale of fertilizers and related products, the Group will take into account the purchase prices from its upstream suppliers, and the terms (including the prices) of the sale of fertilizers and related 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 fertilizers 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.

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 Fertilizer Framework Agreement in relation to the type, quantity, price and delivery schedule of the fertilizers and related products. Payments for fertilizers and related products shall mainly be settled by way of payment on delivery or advance payment.

Term

The Fertilizer Framework Agreement shall take effect upon signing by the parties and shall expire on 31 December 2020.

REVISION OF ANNUAL CAP

Revised Purchase Annual Cap and historical figures

The Company estimates that the amount of purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina under the Fertilizer Framework Agreement for the year ending 31 December 2020 will exceed the original Purchase Annual Cap. As such, the Company intends to revise the Purchase Annual Cap for the year ending 31 December 2020 from RMB50,000,000 to RMB58,000,000. Such revised Purchase Annual Cap is determined based on Sinochem Fertilizer's purchase plans, and the projected prices and quantities of purchase of fertilizer and related products. The annual cap for the year ending 31 December 2020 in respect of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina under the Fertilizer Framework Agreement will remain unchanged at RMB30,000,000.

For the two years ended 31 December 2019 and the ten months ended 31 October 2020, the historical amounts of the purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina were approximately RMB39,200,000, RMB23,680,000 and RMB26,544,000, respectively.

As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Fertilizer Framework Agreement have not exceeded the Original Annual Caps.

Reasons for the revision of Purchase Annual Cap

After ChemChina became the ultimate controlling shareholder of the Company on 17 June 2020, Sinochem Fertilizer and ChemChina entered into the Fertilizer Framework Agreement for the purpose of streamlining the continuing connected transactions between Sinochem Fertilizer and subsidiaries of ChemChina in relation to the purchase and sale of fertilizer products. At the time when Sinochem

Fertilizer set the Original Annual Caps under the Fertilizer Framework Agreement, the cooperation between Sinochem Fertilizer and subsidiaries of ChemChina was at a preliminary stage. With the steady and continued development of their cooperation and also in consideration of the diversity and reasonable price of the fertilizer products provided by subsidiaries of ChemChina, Sinochem Fertilizer has expanded the geographical area of its procurement of fertilizer products from subsidiaries of ChemChina from one single province to the whole country, thus resulting in an increase in the purchase amount of Sinochem Fertilizer. After taking into account the historical purchase amount for the ten months ended 31 October 2020 which is close to the original Purchase Annual Cap, the Company intends to moderately increase the Purchase Annual Cap so as to satisfy the needs of Sinochem Fertilizer for its business development.

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 products covering a wide range of categories of fertilizers and related products with reasonable prices. The purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina can diversify the product mix of the Group and enhance its capability of supplying products, and the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina can boost up the sale revenues of the Group.

The Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions contemplated under the Fertilizer 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 revised Purchase Annual Cap for the continuing connected transactions contemplated under the Fertilizer Framework Agreement is fair and reasonable.

Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei, being Directors of the Company and management members of Syngenta Group and/or its China Region (a subsidiary of ChemChina), have abstained from voting on the Board resolution to approve the transactions contemplated under the Fertilizer Framework Agreement and the revised Purchase Annual Cap.

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. 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 Fertilizer Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the revised Purchase Annual Cap for continuing connected transactions contemplated under the Fertilizer 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 Chapter 14A of 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.

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:

“Board”	the board of Directors of the Company
“ChemChina”	China National Chemical Corporation Limited (中國化工集團有限公司), a limited liability company incorporated under the laws of 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
“Fertilizer Framework Agreement”	the framework agreement dated 22 July 2020 entered into between Sinochem Fertilizer and ChemChina in relation to the purchase and sale of fertilizers and related 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Original Annual Caps”	the original annual caps for the continuing connected transactions under the Fertilizer Framework Agreement for the year ending 31 December 2020 as disclosed in the announcement of the Company dated 22 July 2020
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Purchase Annual Cap”	the annual cap for the year ending 31 December 2020 in respect of the purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina under the Fertilizer Framework Agreement
“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 Fertilizer”	Sinochem Fertilizer Company Limited (中化化肥有限公司), a limited liability company incorporated under the laws of 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
“%”	percent

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

Hong Kong, 20 November 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. J. Erik Fyrwald (Chairman); 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*