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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 DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 18 November 2019 in relation to the existing financial services framework agreement entered into between the Company and Sinochem Finance. Such agreement will expire on 31 December 2020. On 11 December 2020, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2021 to 31 December 2021 (both days inclusive).

#### **Implications of the Listing Rules**

Sinochem Finance is a subsidiary of Sinochem Corporation, which is in turn a subsidiary of Sinochem Group. Following the change of the ultimate controlling shareholder of the Company from Sinochem Group to ChemChina (for details, please refer to the announcement of the Company dated 17 June 2020), Sinochem Group, Sinochem Corporation and Sinochem Finance are no longer connected persons of the Company, and the transactions under the Financial Services Framework Agreement are no longer continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement are more than 5% but less than 25%, the Deposit Services constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 18 November 2019 in relation to the existing financial services framework agreement entered into between the Company and Sinochem Finance. Such agreement will expire on 31 December 2020. On 11 December 2020, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2021 to 31 December 2021 (both days inclusive).

## **PRINCIPAL TERMS OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### ***Date***

11 December 2020

### ***Parties***

- (a) The Company
- (b) Sinochem Finance

### ***Provision of financial services by Sinochem Finance to the Group***

The Group will, from time to time, utilize the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (i) Deposit Services, including but not limited to demand deposits, call deposits and term deposits;
- (ii) provision of the loan services (excluding entrustment loans) to members of the Group on normal commercial terms, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (iii) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency through which funds of one member of the Group may be channeled for use by another member of the Group. Such funds deposited by members of the Group will be applied for the purposes of providing entrustment loans to members of the Group only;
- (iv) commercial bills of exchange services which include the provision to members of the Group on normal commercial terms of services relating to the issuance, acceptance, custody, collection (when due) and discount of commercial bills of exchange, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (v) buyer financing services which include the provision to the clients of members of the Group on normal commercial terms of financing services, including but not limited to the extension of loans and the granting of credit for the purposes of purchasing goods or services from members of the Group only;

- (vi) settlement services which include settlement of transactions between members of the Group, and of transactions between members of the Group and third parties, the utilization by Sinochem Finance of the electronic payment and settlement systems it has set up with a number of banks to settle payments from distribution clients of members of the Group to members of the Group, and the utilization by Sinochem Finance of the settlement systems it has set up with banks to audit the settlement business of members of the Group;
- (vii) provision of guarantees at the request of members of the Group for financing, lease financing, bidding activities or the fulfillment of contracts to third parties, where no counter-guarantee by members of the Group is required;
- (viii) internet banking services; and
- (ix) any other financial services as approved by the CBIRC.

The Group utilizes the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all.

### ***Interests, fees and charges***

Interests, fees and charges payable to and from Sinochem Finance under the Financial Services Framework Agreement are determined on the following basis:

- (i) Deposit Services: interest rates shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time, or the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC (whichever is higher);
- (ii) loan services: interest rates shall not be higher than the interest rates for loans of the same tenure and type as offered by the independent commercial banks with which the Group maintains cooperation in the PRC;
- (iii) entrustment loan services: the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks;
- (iv) commercial bills of exchange services: the service fee and discount interest payable by the Group shall not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks;
- (v) buyer financing services: the service fee and interest payable by the Group shall not exceed the service fee and interest payable on such services under the same terms obtainable from independent commercial banks;
- (vi) settlement services: no service fee is payable by the Group; and
- (vii) provision of guarantees, internet banking services and other financial services as approved by the CBIRC: the service fees charged for these services shall not be higher than the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

### ***Term***

The Financial Services Framework Agreement will have a term from 1 January 2021 to 31 December 2021 (both days inclusive). Sinochem Finance and members of the Group shall enter into separate agreements which set out the specific scope of services and the terms and conditions of providing such services according to the principles laid down by the Financial Services Framework Agreement.

### ***Right of set-off***

In the event that any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off.

### ***Undertakings***

Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the CBIRC in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with the banking institutions approved by the CBIRC.

Sinochem Finance has also undertaken that at all times the sum of the outstanding amount of the loans it provides to its customers (excluding the Group) shall not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and the deposits received from parties other than the Group.

Whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement, Sinochem Finance shall compensate the Group for the full amount of the loss suffered. Sinochem Corporation will issue an undertaking in favour of the Company, pursuant to which Sinochem Corporation will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement.

### ***Other provisions***

Pursuant to the Financial Services Framework Agreement, Sinochem Finance shall: (i) provide a report on any changes in its credit ratings to the Company every six months; (ii) deliver to the Company a monthly report on the status of the Group's deposits placed with Sinochem Finance on the third day of each month; and (iii) provide the Company each month with its financial statements for the previous month.

### **MAXIMUM DAILY OUTSTANDING BALANCE OF THE DEPOSIT SERVICES**

The Company estimates that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for the year ending 31 December 2021 will be RMB1,000,000,000. Such maximum daily outstanding balance was determined after taking into account several factors, including the Group's cash and cash equivalents on hand, the need of the Group to deposit its funds in different financial institutions to spread risk, the demand of the Group for the free of charge

settlement services offered by Sinochem Finance, the capital management strategy, business development and financial needs of the Group, and the historical amounts of the Deposit Services.

For the two years ended 31 December 2019 and the ten months ended 31 October 2020, the maximum daily outstanding balances of the deposits placed by the Group with Sinochem Finance were approximately RMB931,687,000, RMB897,800,000 and RMB929,283,000, respectively.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBIRC and it provides its services in compliance with the relevant rules and operational requirements promulgated by the abovementioned authorities, including capital risk guidelines and requisite capital adequacy ratio requirements;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or, to the knowledge of the Company, breached any rules or operational requirements of such regulatory authorities during the past three years. In particular, the CBIRC monitors Sinochem Finance's compliance with relevant regulatory authorities and conducts on-site visits from time to time. To the knowledge of the Company, other than the opinions on corrective measures issued by the CBIRC during its on-site visits, the CBIRC has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation; and
- (iii) according to the relevant laws and regulations promulgated by the CBIRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Corporation, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting additional capital into Sinochem Finance based on its funding needs, to restore its financial position.

The advantages of utilizing financial services provided by Sinochem Finance over utilizing similar services provided by independent commercial banks are as follows:

- (i) Sinochem Finance has served as a financial service provider of the Group for over ten years. It can provide more favourable deposit portfolio for the Group based on the condition of the Group, which can increase capital returns while retaining the working capital flexibility of the Group;
- (ii) Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit its funds with Sinochem Finance to utilize the settlement services free of charge (especially during the peak season for the sale of fertilizer products when the funds of the Group are sufficient), therefore reducing the transaction costs; and

- (iii) Sinochem Finance can offer reliable and stable finance resource and mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group. The Company usually needs to make an appointment one week in advance or even longer to obtain loans from external banks while the loan drawdown procedure of Sinochem Finance is rather convenient and can be completed within 1-2 days, which can meet the capital demand of the Group's business in time.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Financial Services Framework Agreement, the Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost.

The Directors, including the independent non-executive Directors, are of the view that the transactions contemplated under the Financial Services 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 maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement is fair and reasonable.

## **IMPLICATIONS OF THE LISTING RULES**

Sinochem Finance is a subsidiary of Sinochem Corporation, which is in turn a subsidiary of Sinochem Group. Following the change of the ultimate controlling shareholder of the Company from Sinochem Group to ChemChina (for details, please refer to the announcement of the Company dated 17 June 2020), Sinochem Group, Sinochem Corporation and Sinochem Finance are no longer connected persons of the Company, and the transactions under the Financial Services Framework Agreement are no longer continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## **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 Finance is a non-bank financial institution established in the PRC with the approval of the PBOC and subject to the supervision of the CBIRC. Sinochem Finance is principally engaged in the businesses of financial and financing advisory service, credit authentication and related consulting service and agency service; provision of guarantees; entrusted loan and investment; bill acceptance and discount; settlement service; deposit service; loan and finance lease, etc. Sinochem Finance is an indirect subsidiary of Sinochem Group, and the sole shareholder of Sinochem Group 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:

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| “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 under the laws of the PRC, and the ultimate controlling shareholder of the Company                |
| “CBIRC”                                  | China Banking and Insurance Regulatory Commission  |
| “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  |
| “Deposit Services”                       | the deposit services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement  |
| “Director(s)”                            | the director(s) of the Company   |
| “Financial Services Framework Agreement” | the financial services framework agreement dated 11 December 2020 entered into between the Company and Sinochem Finance  |
| “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   |
| “maximum daily outstanding balance”      | the daily outstanding balance of the total deposits (including accrued interest) placed by the Group with Sinochem Finance, calculated at the close of business of Sinochem Finance on a daily basis |
| “PBOC”                                   | the People’s Bank of China, the central bank of the PRC  |

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|------------------------|--|
| “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 Corporation” | 中國中化股份有限公司 (Sinochem Corporation), a limited liability company established under the laws of the PRC, and a subsidiary of Sinochem Group                     |
| “Sinochem Finance”     | 中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company established under the laws of the PRC, and a subsidiary of Sinochem Corporation |
| “Sinochem Group”       | 中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC  |
| “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, 11 December 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*