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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**

### **CONNECTED TRANSACTIONS UNDER THE LEASE CONTRACT**

The Board announces that on 31 December 2021, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Junmao Real Estate, pursuant to which Sinochem Fertilizer (as the lessee) agreed to lease the Properties from Junmao Real Estate (as the lessor) as office premises.

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

Sinochem Holdings 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. Junmao Real Estate is an indirect non-wholly-owned subsidiary of Sinochem Holdings, and is therefore also a connected person of the Company.

In accordance with HKFRS 16 “Leases”, the rental payment to be made by Sinochem Fertilizer under the Lease Contract will be recognised as a right-of-use asset and will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The payment of the property management fees to be made by Sinochem Fertilizer under the Lease Contract will be recognised as expenses of the Group over the lease term of the Lease Contract. As such, pursuant to Chapter 14A of the Listing Rules, the payment of rentals under the Lease Contract constitutes a one-off connected transaction of the Company, and the payment of property management fees under the Lease Contract constitutes a continuing connected transaction of the Company.

Given that the relevant applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Lease Contract are more than 0.1% but less than 5%, the transactions contemplated under the Lease Contract and the payment of rentals thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Given that all applicable percentage ratios in respect of the annual amount of the property management fees are less than 0.1%, the payment of property management fees is exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Board announces that on 31 December 2021, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Junmao Real Estate, pursuant to which Sinochem Fertilizer (as the lessee) agreed to lease the Properties from Junmao Real Estate (as the lessor) as office premises.

## **PRINCIPAL TERMS OF THE LEASE CONTRACT**

### ***Date***

31 December 2021

### ***Parties***

- (a) Sinochem Fertilizer (as the lessee)
- (b) Junmao Real Estate (as the lessor)

### ***Leased Properties***

Units 1601-1613 on the 16th floor of Royal International Mansion. The Properties have a total gross floor area of 2,778.84 square metres, and will be used by Sinochem Fertilizer as office premises.

### ***Rentals and Property Management Fees***

The rentals of the Properties are RMB608,632.65 (inclusive of tax) per month, payable by Sinochem Fertilizer to Junmao Real Estate on a quarterly basis. The property management fees of the Properties are RMB77,807.52 (inclusive of tax) per month, payable by Sinochem Fertilizer to the property management company designated by Junmao Real Estate on a quarterly basis.

The rentals and property management fees of the Properties are determined based on arm's length negotiations between the Group and Junmao Real Estate on normal commercial terms. When determining the rentals and property management fees, the Group has made reference to the rates of similar types of properties in the surrounding areas and the rates charged by Junmao Real Estate to other tenants of Royal International Mansion. The rentals and property management fees charged by Junmao Real Estate to Sinochem Fertilizer are not higher than the rates charged by Junmao Real Estate to its other tenants.

### ***Term***

The Lease Contract will have a term from 31 December 2021 to 30 March 2025, including a rental free period from 31 December 2021 to 30 March 2022.

## **ACCOUNTING TREATMENT**

In accordance with HKFRS 16 “Leases”, the payments to be made by Sinochem Fertilizer under the Lease Contract consist of lease (i.e. rentals) and non-lease (i.e. property management fees) components and hence different accounting treatments will be applied.

The Group will recognise a right-of-use asset and related lease liability in its consolidated statement of financial position in connection with the Lease Contract. The estimated value of the right-of-use asset to be recognised by the Group under the Lease Contract amounts to approximately RMB18,897,530, which is the present value of rental payment and estimated reinstatement cost in accordance with HKFRS 16. A discount rate of 4.5% per annum is adopted in calculating the present value of the lease payment. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

The property management fees will be recognised as expenses in the consolidated statement of profit or loss of the Group.

## **REASONS AND BENEFITS FOR THE CONNECTED TRANSACTIONS**

Sinochem Fertilizer has insufficient office spaces in Beijing and therefore intends to lease the Properties to expand its office spaces. The entering into of the Lease Contract can provide Sinochem Fertilizer with stable and necessary office premises to satisfy its business operation needs.

The Directors (including the independent non-executive Directors) are of the view that the Lease Contract is entered into in the ordinary course of business of the Group and on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the rentals and property management fees under the Lease Contract are fair and reasonable. None of the Directors is regarded as having a material interest in the transactions contemplated under the Lease Contract, and hence none of the Directors has abstained from voting on the Board resolution to approve the transactions contemplated under the Lease Contract.

## **IMPLICATIONS OF THE LISTING RULES**

Sinochem Holdings 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. Junmao Real Estate is an indirect non-wholly-owned subsidiary of Sinochem Holdings, and is therefore also a connected person of the Company.

In accordance with HKFRS 16 “Leases”, the rental payment to be made by Sinochem Fertilizer under the Lease Contract will be recognised as a right-of-use asset and will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The payment of the property management fees to be made by Sinochem Fertilizer under the Lease Contract will be recognised as expenses of the Group over the lease term of the Lease Contract. As such, pursuant to Chapter 14A of the Listing Rules, the payment of rentals under the Lease Contract constitutes a one-off connected transaction of the Company, and the payment of property management fees under the Lease Contract constitutes a continuing connected transaction of the Company.

Given that the relevant applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Lease Contract are more than 0.1% but less than 5%, the transactions contemplated under the Lease Contract and the payment of rentals thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Given that all applicable percentage ratios in respect of the annual amount of the property management fees are less than 0.1%, the payment of property management fees is exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements 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 provision of 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 Holdings, the ultimate controlling shareholder of the Company, is a large-scale chemical conglomerate. It operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is the SASAC.

Junmao Real Estate is the operator of Royal International Mansion. It is mainly engaged in real estate development and sales, property management, leasing of office spaces and commercial properties, and corporate management and consultation. Junmao Real Estate is an indirect non-wholly-owned subsidiary of Sinochem Holdings.

## 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”                    | has the same meaning ascribed to it under the Listing Rules   |
| “connected transaction(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  |
| “Group”                               | the Company and its subsidiaries  |
| “HKFRS”                               | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants   |
| “Hong Kong”                           | The Hong Kong Special Administrative Region of the PRC  |
| “Junmao Real Estate”                  | 北京俊茂置業有限公司 (Beijing Junmao Real Estate Co., Ltd.), a company incorporated in the PRC with limited liability and the operator of Royal International Mansion       |
| “Lease Contract”                      | the lease contract dated 31 December 2021 entered into between Sinochem Fertilizer and Junmao Real Estate in respect of the lease of the Properties               |
| “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              |

|                               |   |
|-------------------------------|---|
| “Properties”                  | Units 1601-1613 on the 16th floor of Royal International Mansion  |
| “RMB”                         | Renminbi, the lawful currency of the PRC  |
| “Royal International Mansion” | Royal International Mansion (佑安國際大廈), an office building located in Building 17, No. 2 Xitieying Middle Road, Fengtai District, Beijing, the PRC  |
| “SASAC”                       | the State-owned Assets Supervision and Administration Commission of the State Council   |
| “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 Holdings”           | 中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), a state-owned enterprise established in the PRC, which is wholly owned by SASAC and is 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  
**SINOFERT HOLDINGS LIMITED**  
**Qin Hengde**

*Executive Director and Chief Executive Officer*

Hong Kong, 31 December 2021

*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.*