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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 PROVISION OF GUARANTEE

On 31 March 2021, Yangmei Pingyuan entered into the Loan Contract with Sinochem Finance to seek the New Loan in a principal amount of RMB670,000,000 from Sinochem Finance. The New Loan will be due for repayment on 16 December 2022.

The Board announces that on 31 March 2021, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the guarantor) entered into the Guarantee Contract in favour of Sinochem Finance, pursuant to which Sinochem Fertilizer agreed to provide the Guarantee for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the Loan Contract. On the same day, Sinochem Fertilizer entered into the Guarantee Fee Agreement with Yangmei Pingyuan, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee on an annual basis at a rate of 1% per year of the maximum guarantee amount under the Guarantee Contract.

Given that one or more of the applicable percentage ratios in respect of the provision of the Guarantee are more than 5% but less than 25%, the provision of the Guarantee constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 31 March 2021, Yangmei Pingyuan entered into the Loan Contract with Sinochem Finance to seek the New Loan in a principal amount of RMB670,000,000 from Sinochem Finance. The New Loan will be due for repayment on 16 December 2022.

The Board announces that on 31 March 2021, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the guarantor) entered into the Guarantee Contract in favour of Sinochem Finance,

pursuant to which Sinochem Fertilizer agreed to provide the Guarantee for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the Loan Contract. On the same day, Sinochem Fertilizer entered into the Guarantee Fee Agreement with Yangmei Pingyuan, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee on an annual basis at a rate of 1% per year of the maximum guarantee amount under the Guarantee Contract.

PRINCIPAL TERMS OF THE GUARANTEE CONTRACT

- Date** : 31 March 2021
- Parties** : (a) Sinochem Fertilizer (as the guarantor); and
(b) Sinochem Finance (as the creditor)
- Guarantee** : Sinochem Fertilizer agreed to provide the Guarantee up to a maximum amount of RMB670,000,000 in favour of Sinochem Finance for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the Loan Contract, including but not limited to the principal amount of the New Loan under the Loan Contract, together with any interests, default interests, compensations, liquidated damages and any other expenses incurred by Sinochem Finance for the realization of its claims.
- Guarantee period** : From the date of the Guarantee Contract until the date falling on the second anniversary of the repayment due date under the Loan Contract.

PRINCIPAL TERMS OF THE GUARANTEE FEE AGREEMENT

- Date** : 31 March 2021
- Parties** : (a) Sinochem Fertilizer; and
(b) Yangmei Pingyuan
- Guarantee fee** : Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee on an annual basis at a rate of 1% per year of the maximum guarantee amount under the Guarantee Contract. Such guarantee fee is in line with the fee rates charged by guarantee companies in the market for providing similar services.
- Other provision** : If Yangmei Pingyuan fails to repay the principal of the New Loan or any interests accrued thereon pursuant to the Loan Contract, and Sinochem Finance therefore requests Sinochem Fertilizer to assume the debt obligations of Yangmei Pingyuan pursuant to the Guarantee Contract, then Sinochem Fertilizer shall have the right to withhold any amounts payable to Yangmei Pingyuan for its purchase of products from Yangmei Pingyuan, or request Yangmei Pingyuan to deliver its products to Sinochem Fertilizer, so as to set off against the principal of the New Loan or any interests accrued thereon as may be repaid by Sinochem Fertilizer for Yangmei Pingyuan.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE GUARANTEE

Yangmei Pingyuan is a supplier of Sinochem Fertilizer for nitrogen fertilizer products and also an associate of Sinochem Fertilizer. Sinochem Fertilizer is the second largest shareholder of Yangmei Pingyuan, holding its 36.75% equity interest. Yangmei Chemical and Sinochem Fertilizer (as the largest and the second largest shareholders of Yangmei Pingyuan, respectively) have been providing financial supports to Yangmei Pingyuan in accordance with the Capital Increase Agreement entered into by them with Yangmei Pingyuan (for details, please refer to the announcements of the Company dated 25 October 2012, 31 October 2012 and 11 December 2012). Sinochem Fertilizer provided the Entrusted Loan in a principal amount of RMB670,000,000 to Yangmei Pingyuan through Sinochem Finance, which was due for repayment on 22 July 2021 as originally scheduled (for details, please refer to the announcement of the Company dated 22 July 2020).

To satisfy its needs for business expansion, Sinochem Fertilizer has requested Yangmei Pingyuan to make an early repayment of the Entrusted Loan, and Yangmei Pingyuan has repaid the principal of the Entrusted Loan and any interests accrued thereon in full to Sinochem Fertilizer on 31 March 2021. In order to continue to perform its obligations under the Capital Increase Agreement to provide financial supports to Yangmei Pingyuan, Sinochem Fertilizer agreed to provide the Guarantee with respect to the New Loan sought by Yangmei Pingyuan from Sinochem Finance.

The provision of the Guarantee will enable Yangmei Pingyuan to obtain sufficient capitals for the furtherance of its business development and the enhancement of its overall competitiveness, thus facilitating the Group to have a constant supply of quality nitrogen fertilizers and increasing its investment income.

The Directors (including the independent non-executive Directors) are of the view that the provision of the Guarantee is entered into by the Group in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Given that one or more of the applicable percentage ratios in respect of the provision of the Guarantee are more than 5% but less than 25%, the provision of the Guarantee constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 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, an indirect wholly-owned subsidiary of the Company, is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to the crop nutrition business and products.

Yangmei Pingyuan is principally engaged in the production and sale of urea, methanol, ammonium acid carbonate and melamine, etc. Yangmei Pingyuan is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and Pingyuan Juyuan, respectively. Yangmei Chemical is ultimately owned by the State-owned Assets Supervision and Administration Commission of Shanxi Provincial Government, and Pingyuan Juyuan is ultimately owned by the State-owned Assets Supervision and

Administration Bureau of Pingyuan County. Other than 36.75% of its equity interest which is held by Sinochem Fertilizer, Yangmei Pingyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the People's Bank of China. It is subject to the supervision of the China Banking and Insurance Regulatory Commission. 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. Sinochem Finance and its ultimate beneficial owners are third parties independent of the Company and its connected persons, in particular, Sinochem Group has ceased to be the controlling shareholder of the Company after completion of the shareholding change (for details, please refer to the announcement of the Company dated 17 June 2020).

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
“Capital Increase Agreement”	the capital increase agreement dated 24 October 2012 entered into between Yangmei Pingyuan and its shareholders (including Sinochem Fertilizer and Yangmei Chemical)
“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
“Director(s)”	the director(s) of the Company
“Entrusted Loan”	the entrusted loan in a principal amount of RMB670,000,000 provided by Sinochem Fertilizer to Yangmei Pingyuan through Sinochem Finance pursuant to the entrusted loan contract dated 22 July 2020, which has been repaid in full on 31 March 2021
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by Sinochem Fertilizer pursuant to the Guarantee Contract
“Guarantee Contract”	the maximum amount guarantee contract dated 31 March 2021 entered into between Sinochem Fertilizer (as the guarantor) and Sinochem Finance (as the creditor)
“Guarantee Fee Agreement”	the guarantee fee agreement dated 31 March 2021 entered into between Sinochem Fertilizer and Yangmei Pingyuan

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Contract”	the loan contract for working capital dated 31 March 2021 entered into between Sinochem Finance (as the lender) and Yangmei Pingyuan (as the borrower)
“New Loan”	the loan in a principal amount of RMB670,000,000 provided by Sinochem Finance to Yangmei Pingyuan pursuant to the Loan Contract
“Pingyuan Juyuan”	平原縣聚源國有資產經營有限公司 (Pingyuan Juyuan State-owned Assets Operation Co., Ltd.), a limited liability company incorporated in the PRC and a shareholder of Yangmei Pingyuan
“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
“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 Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company incorporated in the PRC and an indirect subsidiary of Sinochem Group
“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
“Yangmei Chemical”	陽泉煤業集團陽煤化工投資有限責任公司 (Yangmei Chemical Investment Co., Ltd.), a limited liability company incorporated in the PRC and the largest shareholder of Yangmei Pingyuan
“Yangmei Pingyuan”	陽煤平原化工有限公司 (Yangmei Pingyuan Chemical Company Limited), a limited liability company incorporated in the PRC, which is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and Pingyuan Juyuan, respectively
“%”	percent

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

Hong Kong, 31 March 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.