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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**

#### **POTENTIAL CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER PURCHASE AND SALE FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 23 January 2020 and 31 March 2021 in relation to the Strategic Restructuring between ChemChina, the indirect controlling shareholder of the Company, and Sinochem Group. Upon completion of the Strategic Restructuring, ChemChina and Sinochem Group will be consolidated into a new holding company established by SASAC. ChemChina and SASAC will remain as the indirect controlling shareholder and the de facto controller of the Company, respectively, and Sinochem Group will become an associate of ChemChina upon completion of the Strategic Restructuring. As at the date of this announcement, the Strategic Restructuring has not been completed.

During its ordinary and usual course of business, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, from time to time purchases from and/or sells to subsidiaries of Sinochem Group certain fertilizer and related products. It is expected that such transactions will continue upon completion of the Strategic Restructuring. As such, on 24 August 2021, Sinochem Fertilizer and Sinochem Group entered into the Fertilizer Purchase and Sale Framework Agreement, pursuant to which Sinochem Fertilizer will continue to purchase from and/or sell to subsidiaries of Sinochem Group certain fertilizer and related products.

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

ChemChina is the indirect controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Upon completion of the Strategic Restructuring, ChemChina and Sinochem Group will be wholly owned by a new holding company established by SASAC. As such, Sinochem Group will become an associate of ChemChina and therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement will constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the cap amounts for continuing connected transactions contemplated under the Fertilizer Purchase and Sale 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**

References are made to the announcements of the Company dated 23 January 2020 and 31 March 2021 in relation to the Strategic Restructuring between ChemChina, the indirect controlling shareholder of the Company, and Sinochem Group. Upon completion of the Strategic Restructuring, ChemChina and Sinochem Group will be consolidated into a new holding company established by SASAC. ChemChina and SASAC will remain as the indirect controlling shareholder and the de facto controller of the Company, respectively, and Sinochem Group will become an associate of ChemChina upon completion of the Strategic Restructuring. As at the date of this announcement, the Strategic Restructuring has not been completed.

During its ordinary and usual course of business, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, from time to time purchases from and/or sells to subsidiaries of Sinochem Group certain fertilizer and related products. It is expected that such transactions will continue upon completion of the Strategic Restructuring. As such, on 24 August 2021, Sinochem Fertilizer and Sinochem Group entered into the Fertilizer Purchase and Sale Framework Agreement, pursuant to which Sinochem Fertilizer will continue to purchase from and/or sell to subsidiaries of Sinochem Group certain fertilizer and related products.

## **PRINCIPAL TERMS OF THE FERTILIZER PURCHASE AND SALE FRAMEWORK AGREEMENT**

### *Date*

24 August 2021

### *Parties*

- (a) Sinochem Fertilizer
- (b) Sinochem Group

### *Nature of transactions*

Pursuant to the Fertilizer Purchase and Sale Framework Agreement, Sinochem Fertilizer will continue to purchase from and/or sell to subsidiaries of Sinochem Group certain fertilizer and related products.

### *Pricing*

Pursuant to the Fertilizer Purchase and Sale Framework Agreement, prices of fertilizer 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 Sinochem Group submits its purchase plan for the relevant products.

In determining the fair market price of fertilizer 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 fertilizer and related products, keeping abreast of the latest prices of fertilizer and related products.

With respect to the purchase of fertilizer and related products, the Group usually obtains reference prices from three or more suppliers before placing a purchase order with the relevant subsidiary of Sinochem Group. 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 fertilizer 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 fertilizer and related products by Sinochem Fertilizer to the relevant subsidiary of Sinochem Group 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 relevant department, and then submitted to the person in charge of the business for approval.

The Group also makes reference to the reports published by certain independent commodity information providers such as Baiinfo (百川盈孚). Such reports, usually updated on a regular 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 Sinochem Group pursuant to the Fertilizer Purchase and Sale Framework Agreement in relation to the type, quantity, price and delivery schedule of the fertilizer and related products. Payments for fertilizer and related products shall mainly be settled by way of payment on delivery or advance payment.

### ***Term***

The Fertilizer Purchase and Sale Framework Agreement shall take effect upon signing by the parties and shall expire on 31 December 2021.

### **Cap Amounts**

The Company estimates that the cap amount for the term of the Fertilizer Purchase and Sale Framework Agreement in respect of the purchase of fertilizer and related products by Sinochem Fertilizer from subsidiaries of Sinochem Group will be RMB20,000,000, and the cap amount for the term of the Fertilizer Purchase and Sale Framework Agreement in respect of the sale of fertilizer and related products by Sinochem Fertilizer to subsidiaries of Sinochem Group will be RMB40,000,000. Such cap amounts have been estimated based on Sinochem Fertilizer's purchase and sale plans, and the projected prices and quantities of purchase and sale of fertilizer and related products.

For the seven months ended 31 July 2021, the historical amount of the purchase of fertilizer and related products by Sinochem Fertilizer from subsidiaries of Sinochem Group was approximately RMB5,730,000, and the historical amount of the sale of fertilizer and related products by Sinochem Fertilizer to subsidiaries of Sinochem Group was approximately RMB20,845,000.

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

Subsidiaries of Sinochem Group have a good reputation in the industry and can provide sufficient supply of products covering a wide range of categories of fertilizer and related products with reasonable prices. The purchase of fertilizer and related products by Sinochem Fertilizer from subsidiaries of Sinochem Group can diversify the product mix of the Group and enhance its capability of supplying products, and the sale of fertilizer and related products by Sinochem Fertilizer to subsidiaries of Sinochem Group 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 Purchase and Sale 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 cap amounts for the continuing connected transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement are fair and reasonable.

None of the Directors is regarded as having a material interest in the transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement, and hence none of the Directors has abstained from voting on the Board resolution to approve the transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement.

## **IMPLICATIONS OF THE LISTING RULES**

ChemChina is the indirect controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Upon completion of the Strategic Restructuring, ChemChina and Sinochem Group will be wholly owned by a new holding company established by SASAC. As such, Sinochem Group will become an associate of ChemChina and therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement will constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the cap amounts for continuing connected transactions contemplated under the Fertilizer Purchase and Sale 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.

Sinochem Group is a key state-controlled enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, agriculture, real estate and finance, etc.

## 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 state-owned enterprise incorporated in the PRC and the indirect 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 Purchase and Sale Framework Agreement”	the purchase and sale co-operation framework agreement for fertilizer and related products dated 24 August 2021 entered into between Sinochem Fertilizer and Sinochem Group
“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
“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
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council

“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company
“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 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
“Strategic Restructuring”	the strategic restructuring between ChemChina and Sinochem Group as described in the announcements of the Company dated 23 January 2020 and 31 March 2021
“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, 24 August 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.*