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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**

#### **CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT WITH CANPOTEX**

Reference is made to the announcement of the Company dated 28 December 2017 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex for the supply of potash by Canpotex to Sinochem Macao. The MOU expired on 31 December 2020.

On 8 March 2022, Sinochem Macao and Canpotex entered into the Framework Agreement, pursuant to which Sinochem Macao will continue to purchase potash from Canpotex for a term up to 31 December 2022.

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

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien indirectly holds approximately 22.26% equity interest in the Company, and is therefore an indirect substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual cap of the continuing connected transactions contemplated under the Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual cap. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual cap. Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice to convene the SGM will be dispatched to the shareholders of the Company on or before 8 April 2022

as the Company requires additional time to prepare and finalize certain information for inclusion in the circular.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 28 December 2017 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex for the supply of potash by Canpotex to Sinochem Macao. The MOU expired on 31 December 2020.

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

### ***Date***

8 March 2022

### ***Parties***

- (a) Sinochem Macao
- (b) Canpotex

### ***Nature of transactions***

Pursuant to the Framework Agreement, Canpotex has agreed to sell and Sinochem Macao has agreed to purchase approximately 600,000 tonnes (+/- 10% at seller's option) of potash produced in Canada during the term of the Framework Agreement.

### ***Pricing***

Products to be supplied under the Framework Agreement will consist of one or more grades of potash. The unit price of red standard grade potash shall be US\$590 per tonne, and the unit price of other grades of potash shall be determined through mutual negotiations between the parties.

Prices of potash (including the fixed price of red standard grade potash and prices of other grades of potash to be further negotiated between the parties) have been and will be determined with reference to the prevailing international market potash prices and competitive sea import prices to the PRC.

In determining such prices, the parties generally make reference to the reports published by certain independent commodity information providers such as Argus Media ([www.argusmedia.com](http://www.argusmedia.com)) and Baiinfo (百川盈孚, [www.baiinfo.com](http://www.baiinfo.com)). 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. In addition, the Group maintains regular contacts with domestic and overseas potash producers, distributors and traders, keeping abreast of the latest international and domestic market prices.

When determining the prices and quantities of the transactions with Canpotex, the Group usually makes reference to the prices under its long-term agreements with independent suppliers and takes into account the demand of its downstream customers. The Group will check the latest prices published by Argus Media and Baiinfo, and compare the prices, quantities, types and specifications of potash offered by Canpotex with those offered by independent suppliers, so as to ensure that the prices offered by Canpotex are consistent with the latest prices published by Argus Media and Baiinfo, and are within the range of the prices offered by independent suppliers. Such information will be reported to the manager of the potash department, and then submitted to the vice president in charge of the potash business for approval.

As the procurement and approval 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***

Payments shall be settled by way of irrevocable letter of credit, which is in line with the Group's existing payment practice with independent suppliers.

### ***Delivery***

The loading port(s) for the potash shipped under the Framework Agreement shall be Vancouver, British Columbia, Canada, and/or Portland, Oregon, the United States of America, or such other ports as shall be designated by Canpotex. The potash shipped under the Framework Agreement shall be discharged at one or two main ports in the PRC to be further confirmed by the parties for each shipment.

### ***Term and termination***

The Framework Agreement shall become effective after the approval from the Independent Shareholders is obtained at the SGM, and shall expire on 31 December 2022. If the approval from the Independent Shareholders is not obtained on or before 15 May 2022, the Framework Agreement shall be terminated automatically.

In the event that Sinochem Macao purchases any potash from Canpotex before obtaining the approval from the Independent Shareholders at the SGM, the Company will comply with the relevant requirements under the Listing Rules in a timely manner with respect to each particular purchase.

### **ANNUAL CAP**

The annual cap for the year ending 31 December 2022 in respect of the continuing connected transactions contemplated under the Framework Agreement is US\$396,000,000. Such annual cap is determined based on the maximum quantity of potash to be supplied by Canpotex (i.e. 660,000 tonnes) pursuant to the Framework Agreement and the prices of different grades of potash (including the fixed price of red standard grade potash prescribed under the Framework Agreement and the estimated prices of other grades of potash).

The historical amounts of such continuing connected transactions for the year ended 31 December 2020 was approximately US\$81,985,000. Sinochem Macao did not import any potash from

Canpotex during the year ended 31 December 2021 and the two months ended 28 February 2022 after the expiry of the MOU, but has resumed its purchase from Canpotex in March 2022 (please refer to the announcement of the Company dated 3 March 2022 in relation to Sinochem Macao's purchase of no more than 77,000 tonnes of potash from Canpotex pursuant to the Export Contract). After the Framework Agreement takes effect, the transaction amount under the Export Contract will be included in the above annual cap for the transactions under the Framework Agreement.

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

By entering into the Framework Agreement, the Group will further enrich its operational resources and ensure a stable supply of the relatively rare mineral fertilizer of potash. The production of potash in the PRC falls short of domestic demand. Each year the PRC needs to import considerable quantities of potash to meet the increasing demand of potash for domestic agricultural production. The import of potash products from Canpotex under the Framework Agreement will help enrich the operational resources of the Group.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular, are of the view that the continuing connected transactions contemplated under the 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 the shareholders as a whole, and that the annual cap for the continuing connected transactions contemplated under the Framework Agreement is fair and reasonable.

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

## **IMPLICATIONS OF THE LISTING RULES**

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien indirectly holds approximately 22.26% equity interest in the Company, and is therefore an indirect substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual cap of the continuing connected transactions contemplated under the Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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A circular containing, among other things, details of the Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice to convene the SGM will be dispatched to the shareholders of the Company on or before 8 April 2022 as the Company requires additional time to prepare and finalize certain information for inclusion in the circular.

## **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 Macao is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas.

Canpotex is a joint venture owned by two large potash producers, Nutrien (a company listed on the Toronto Stock Exchange and the New York Stock Exchange) and The Mosaic Company (a company listed on the New York Stock Exchange), with each shareholder having an equal ownership in Canpotex. Canpotex is one of the world's largest suppliers of potash, and is principally engaged in offshore marketing of potash products for its two shareholders.

## **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
“Canpotex”	Canpotex Limited, a company incorporated in Canada, which is held as to 50% by Nutrien
“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
“Director(s)”	the director(s) of the Company
“Export Contract”	the export contract dated 3 March 2022 entered into between Sinochem Macao and Canpotex, as further described in the announcement of the Company dated 3 March 2022

“Framework Agreement”	the framework agreement for the supply of potash dated 8 March 2022 entered into between Sinochem Macao and Canpotex
“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
“Independent Board Committee”	the independent board committee of the Company formed to consider the Framework Agreement, the transactions contemplated thereunder and the proposed annual cap
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the proposed annual cap
“Independent Shareholders”	shareholders other than Nutrien and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macao”	The Macao Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 28 December 2017 entered into between Sinochem Macao and Canpotex
“Nutrien”	Nutrien Ltd., a corporation incorporated in Canada with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange, and an indirect substantial shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao and Taiwan
“SGM”	a special general meeting of the Company to be convened to consider and approve the Framework Agreement, the transactions contemplated thereunder and the proposed annual cap
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company

“Sinochem Macao”	中化化肥澳門有限公司 (Sinochem Fertilizer Macao Limited, formerly known as 中化化肥澳門離岸商業服務有限公司 (Sinochem Fertilizer Macao Commercial Offshore Limited)), a company incorporated in Macao on 16 November 2004, 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
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

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

Hong Kong, 8 March 2022

*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.*