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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 25% EQUITY INTEREST IN THREE CIRCLES-SINOCHEM-MOSAIC**

The Board wishes to announce that on 11 August 2016, Sinochem Fertilizer and Yuntianhua entered into the Equity Transfer Contract and the Supplemental Agreement, pursuant to which Sinochem Fertilizer agreed to transfer its 25% equity interest in Three Circles-Sinochem-Mosaic to Yuntianhua for a preliminary consideration of RMB90,148,450 (subject to the deduction of dividends distributed to the shareholders of Three Circles-Sinochem-Mosaic in the year 2015 and employees' benefits and bonus fund appropriated in the year 2015, as well as any adjustment that may be made based on an audit by an independent auditor on Three Circles-Sinochem-Mosaic for the Transitional Period).

As the applicable percentage ratios of the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 23 June 2016 in relation to the proposed disposal of 25% equity interest in Three Circles-Sinochem-Mosaic by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, to Yuntianhua.

The Board wishes to announce that on 11 August 2016, Sinochem Fertilizer and Yuntianhua entered into the Equity Transfer Contract and the Supplemental Agreement, pursuant to which Sinochem Fertilizer agreed to transfer its 25% equity interest in Three Circles-Sinochem-Mosaic to Yuntianhua for a preliminary consideration of RMB90,148,450 (subject to the deduction of dividends distributed to the shareholders of Three Circles-Sinochem-Mosaic in the year 2015 and employees' benefits and bonus fund appropriated in the year 2015, as well as any adjustment that may be made based on an audit by an independent auditor on Three Circles-Sinochem-Mosaic for the Transitional Period).

# **THE EQUITY TRANSFER CONTRACT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

## **Date**

11 August 2016

## **Parties**

Seller: Sinochem Fertilizer

Purchaser: Yuntianhua

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Yuntianhua and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **Interest to be disposed of**

Sinochem Fertilizer agreed to transfer its 25% equity interest in Three Circles-Sinochem-Mosaic to Yuntianhua. Upon completion of the Transaction, Sinochem Fertilizer will cease to hold any equity interest in Three Circles-Sinochem-Mosaic.

## **Consideration and payment**

Pursuant to the Equity Transfer Contract, the preliminary consideration of the Transaction is RMB90,148,450, being the value of the 25% equity interest of Three Circles-Sinochem-Mosaic as at 30 June 2015 based on the valuation by an independent valuer using asset-based method, which was determined during the listing-for-sale process organized by the CBEX. Given that Yuntianhua had paid a deposit in the amount of RMB27,044,535 to the bank account designated by the CBEX prior to the execution of the Equity Transfer Contract, Yuntianhua shall pay, in a lump sum, an amount equal to the preliminary consideration less such deposit to the bank account designated by the CBEX within 5 working days after the Equity Transfer Contract takes effect.

Pursuant to the Supplemental Agreement, Sinochem Fertilizer and Yuntianhua acknowledged that the profit and loss of Three Circles-Sinochem-Mosaic during the Transitional Period shall be shared by its shareholders in proportion to their shareholdings in Three Circles-Sinochem-Mosaic. Thus, the preliminary consideration shall be adjusted based on an audit by an independent auditor on Three Circles-Sinochem-Mosaic for the Transitional Period. In addition, Three Circles-Sinochem-Mosaic has distributed dividends to its shareholders in the year 2015, and appropriated employees' benefits and bonus fund in the year 2015. Out of such dividends as well as employees' benefits and bonus fund, the portion attributable to Sinochem Fertilizer shall be deducted from the payment to be made by Yuntianhua to Sinochem Fertilizer in respect of the Transaction.

## Conditions precedent

The Transaction is subject to the approval from the relevant commerce authorities of the PRC.

## Completion

Sinochem Fertilizer shall call a meeting of the board of directors and a meeting of shareholders of Three Circles-Sinochem-Mosaic to amend its articles of association as soon as practicable, and shall procure Three Circles-Sinochem-Mosaic to complete the equity transfer registration with the administrative authorities of industry and commerce. Completion of the Transaction shall take place on the date when the equity transfer registration is completed.

## INFORMATION ON THREE CIRCLES-SINOCHEM-MOSAIC

Three Circles-Sinochem-Mosaic is a joint venture company established in May 2001 with a registered capital of US\$29,800,000. It is primarily engaged in the production and sale of diammonium phosphate. The joint venture term of Three Circles-Sinochem-Mosaic is 15 years. Prior to the completion of the Transaction, the shareholding percentage of Three Circles-Sinochem-Mosaic is as follows:

Name of shareholder	Shareholding percentage
雲南雲天化國際化工有限公司 (Yunnan Yuntianhua International Chemical Co., Ltd.), a subsidiary of Yuntianhua	35%
GNS II (U.S.) LLC, a subsidiary of Mosaic	35%
Sinochem Fertilizer	25%
煙台市農業生產資料總公司 (Yantai Agricultural Means of Production General Corporation)	5%

Based on the financial statements of Three Circles-Sinochem-Mosaic prepared in accordance with Chinese Accounting Standards for Business Enterprises, its audited net asset value as at 31 December 2015 is approximately RMB384,790,000, and its audited profits for the two years ended 31 December 2015 were as follows:

	For the year ended 31 December 2014 (Approx. RMB million)	For the year ended 31 December 2015 (Approx. RMB million)
Audited profit before taxation	35.89	86.95
Audited profit after taxation	30.30	64.24

## **FINANCIAL IMPACT**

Upon completion of the Transaction, the Group is expected to recognize a loss of approximately RMB6,449,000 based on the preliminary consideration of RMB90,148,450 and the carrying value of Sinochem Fertilizer's interest in Three Circles-Sinochem-Mosaic of RMB96,597,444 as at 30 June 2015. The actual amount of the gain or loss will be determined based on the final consideration of the Transaction after adjustment and the carrying value of Sinochem Fertilizer's interest in Three Circles-Sinochem-Mosaic as at the date of completion of the Transaction.

The proceeds from the Transaction will be used to replenish the working capital of the Group.

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

The joint venture term of Three Circles-Sinochem-Mosaic will expire soon. Mosaic (through GNS II (U.S.) LLC, a subsidiary of Mosaic) as one of the largest investors in Three Circles-Sinochem-Mosaic, intended to exit its investment in Three Circles-Sinochem-Mosaic upon expiry of its joint venture term. In light of Mosaic's exit, Sinochem Fertilizer also intended to sell its equity interest in Three Circles-Sinochem-Mosaic, and Yuntianhua agreed to purchase from the shareholders of Three Circles-Sinochem-Mosaic (including Mosaic and Sinochem Fertilizer) their respective equity interests in Three Circles-Sinochem Mosaic.

The Directors are of the view that the Transaction is conducted by the Company 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.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios of the Transaction are more than 5% but less than 25%, the Transaction 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 and distribution of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses. The Company aims to serve the agricultural industry in the PRC by introducing quality resources from overseas and to ensure food security in the PRC.

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.

Yuntianhua is a comprehensive chemical enterprise focusing on phosphate businesses, manufacturing phosphate and nitrogen fertilizers and polyoxymethylene.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors of the Company
“CBEX”	China Beijing Equity Exchange
“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
“Director(s)”	the director(s) of the Company
“Equity Transfer Contract”	the equity transfer contract dated 11 August 2016 entered into between Sinochem Fertilizer and Yuntianhua in relation to the Transaction
“Group”	the Company and its subsidiaries
“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
“Mosaic”	The Mosaic Company, a company incorporated under the laws of Delaware, the United States of America, the shares of which are listed on the New York Stock Exchange
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 11 August 2016 entered into between Sinochem Fertilizer and Yuntianhua in relation to the Transaction

“Three Circles-Sinochem-Mosaic”	雲南三環中化美盛化肥有限公司 (Yunnan Three Circles-Sinochem-Mosaic Fertilizers Co., Ltd.), a limited liability company incorporated in the PRC
“Transitional Period”	the period from 1 July 2015 to 31 July 2016
“Yuntianhua”	雲南雲天化股份有限公司 (Yunnan Yuntianhua Co., Ltd.), a limited liability company incorporated in the PRC
“Transaction”	the disposal of the 25% equity interest in Three Circles-Sinochem-Mosaic by Sinochem Fertilizer to Yuntianhua pursuant to the Equity Transfer Contract and the Supplemental Agreement
“US\$”	US dollars, the lawful currency of the United States of America
“%”	Percent

For and on behalf of the Board  
**SINOFERT HOLDINGS LIMITED**  
**Wang Hong Jun**  
*Executive Director and Chief Executive Officer*

Hong Kong, 12 August 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Hong Jun (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Ning Gao Ning (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; 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*