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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 FERTILIZER AGENCY SALE FRAMEWORK AGREEMENT

On 10 March 2017, Sinochem Fertilizer and Sinochem Group (for and on behalf of its subsidiaries) entered into the Fertilizer Agency Sale Framework Agreement, pursuant to which Sinochem Fertilizer will entrust subsidiaries of Sinochem Group to act as its agent to sell its fertilizer products by taking advantage of their extensive customer bases in the agricultural sector for a term up to 31 December 2017.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group 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. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Agency Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual cap for the continuing connected transactions under the Fertilizer Agency 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 the Listing Rules.

BACKGROUND

On 10 March 2017, Sinochem Fertilizer and Sinochem Group (for and on behalf of its subsidiaries) entered into the Fertilizer Agency Sale Framework Agreement, pursuant to which Sinochem Fertilizer will entrust subsidiaries of Sinochem Group to act as its agent to sell its fertilizer products by taking advantage of their extensive customer bases in the agricultural sector for a term up to 31 December 2017.

PRINCIPAL TERMS OF THE FERTILIZER AGENCY SALE FRAMEWORK AGREEMENT

Date

10 March 2017

Parties

- (a) Sinochem Fertilizer
- (b) Sinochem Group (for and on behalf of its subsidiaries)

Nature of transactions

Pursuant to the Fertilizer Agency Sale Framework Agreement, Sinochem Fertilizer will entrust subsidiaries of Sinochem Group to act as its agent to sell its fertilizer products by taking advantage of their extensive customer bases in the agricultural sector.

Pricing and payment

Pursuant to the Fertilizer Agency Sale Framework Agreement, Sinochem Fertilizer will supply fertilizer products to subsidiaries of Sinochem Group at the fair market price of such fertilizer products at the time of the transaction. When subsidiaries of Sinochem Group sell fertilizer products to end users, the selling price shall be the price of the purchase made by such subsidiaries from Sinochem Fertilizer, plus any necessary costs incurred by the relevant subsidiaries (including transportation cost and management cost) but without any profits.

In determining the fair market price of fertilizer products supplied by Sinochem Fertilizer to subsidiaries of Sinochem Group, the Group generally makes reference to weekly reports published by certain independent commodity information providers such as Baichuan (百川資訊). Such reports, usually updated on a weekly 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 producers, distributors and traders of fertilizer products, keeping abreast of the latest prices of fertilizer products. The Group also takes into account the purchase price from its upstream suppliers when determining the prices of the transactions. Such prices will be reported to the manager of the fertilizer department of Sinochem Fertilizer or its branch offices for approval.

As the sale 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.

Sinochem Fertilizer will enter into specific agreements with subsidiaries of Sinochem Group pursuant to the Fertilizer Agency Sale Framework Agreement in relation to the type, specification, quantity, price and payment schedule of fertilizer products. Subsidiaries of Sinochem Group will make payments to Sinochem Fertilizer by way of wire transfer or acceptance bill.

Term

The Fertilizer Agency Sale Framework Agreement shall take effect upon signing by the parties and shall expire on 31 December 2017. The term of the Fertilizer Agency Sale Framework Agreement may be extended with the consent of the parties.

Where a party to the Fertilizer Agency Sale Framework Agreement has breached any terms of the Fertilizer Agency Sale Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party requesting remedy of the breach, the other party may terminate the Fertilizer Agency Sale Framework Agreement. In addition, during the term of the Fertilizer Agency Sale Framework Agreement, either party is entitled to terminate the Fertilizer Agency Sale Framework Agreement by giving one month's notice to the other party.

ANNUAL CAP

The Company estimates that the annual cap for the supply of fertilizer products by Sinochem Fertilizer to subsidiaries of Sinochem Group under the Fertilizer Agency Sale Framework Agreement for the year ending 31 December 2017 will be RMB60,000,000. Such annual cap has been determined based on Sinochem Fertilizer's sale plan and projected price and quantity of the sale of fertilizer products, and taking into account the historical transaction amount of approximately RMB1,800,000 for the supply of fertilizer products by Sinochem Fertilizer to subsidiaries of Sinochem Group for the two months ended 28 February 2017.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

As a leading integrated service provider of agrochemical products in China, Sinochem Group has a number of subsidiaries that possess extensive customer bases and relatively strong service capabilities in their respective agricultural sectors. The sale of fertilizer products marked with the trademark of Sinochem Fertilizer through the sale channels of subsidiaries of Sinochem Group will help increase the coverage and reputation of Sinochem Fertilizer in the end-user market. Therefore, Sinochem Fertilizer entered into the Fertilizer Agency Sale Framework Agreement with Sinochem Group (for and on behalf of its subsidiaries).

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under the Fertilizer Agency 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 the shareholders as a whole, and that the annual cap for the continuing connected transactions under the Fertilizer Agency Sale Framework Agreement is fair and reasonable.

Mr. Zhang Wei and Mr. Yang Lin, being employees of Sinochem Group, have abstained from voting on the Board resolution passed to approve the Fertilizer Agency Sale Framework Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group 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. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Agency Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual cap for the continuing connected transactions under the Fertilizer Agency 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 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.

Sinochem Group is a key state-controlled enterprise established in 1950. It indirectly holds a 98% equity interest in Sinochem HK, which in turn owns approximately 52.65% of the Company. Sinochem Group's core business is as follows: petroleum, fertilizer, trade, distribution and logistics of chemicals, crude oil, fuel oil and natural rubber futures; overseas oil and gas exploitation and production, refinery, chemical mining and washing, fertilizer and chemicals production; hotel and real estate development and operation.

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
“continuing connected transactions”	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 Agency Sale Framework Agreement”	the fertilizer agency sale cooperation framework agreement entered into between Sinochem Fertilizer and Sinochem Group dated 10 March 2017
“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
“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”	中國中化集團公司(Sinochem Group), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Sinochem HK”	Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong with limited liability and the immediate 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, 10 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Zhang Wei (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*