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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 CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcement of the Company dated 7 November 2018 in relation to (i) the Existing Agreement for the Use of Fund entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the lender), and Sinochem Agriculture and Sinochem Corporation (each as a borrower), and (ii) the Existing Entrusted Loan Contract entered into among Sinochem Fertilizer (as the lender), Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent). The Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract will expire on 14 December 2019 and 15 December 2019, respectively. As at the date of this announcement, the total outstanding amount owed by Sinochem Agriculture and Sinochem Corporation to Sinochem Fertilizer under the Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract was RMB928 million.

On 8 November 2019, Sinochem Fertilizer (as the lender) entered into the New Agreement for the Use of Fund with Sinochem Agriculture (as the borrower), pursuant to which the parties agree that upon repayment by Sinochem Agriculture and Sinochem Corporation of the above outstanding amount under the Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract, Sinochem Fertilizer will continue to provide the Fund in an amount of not more than RMB250 million to Sinochem Agriculture.

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. Sinochem Agriculture, a wholly-owned subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction under the New Agreement for the Use of Fund constitutes a connected transaction of the Company. Given that the relevant applicable percentage ratios in respect of the transaction under the New Agreement for the Use of

Fund are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 7 November 2018 in relation to (i) the Existing Agreement for the Use of Fund entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the lender), and Sinochem Agriculture and Sinochem Corporation (each as a borrower), and (ii) the Existing Entrusted Loan Contract entered into among Sinochem Fertilizer (as the lender), Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent). The Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract will expire on 14 December 2019 and 15 December 2019, respectively. As at the date of this announcement, the total outstanding amount owed by Sinochem Agriculture and Sinochem Corporation to Sinochem Fertilizer under the Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract was RMB928 million.

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PRINCIPAL TERMS OF THE NEW AGREEMENT FOR THE USE OF FUND

Parties : (a) Sinochem Fertilizer (as the lender); and
(b) Sinochem Agriculture (as the borrower)

Total amount of the Fund : Not more than RMB250 million of a revolving nature. Sinochem Agriculture may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.

Interest rate : 4.2% per annum.

Term : The New Agreement for the Use of Fund shall become effective from the date of execution, with a term of one year. Sinochem Agriculture shall make withdrawal applications to Sinochem Fertilizer in writing during the term of the New Agreement for the Use of Fund and within the total amount of the Fund. Sinochem Fertilizer shall release the Fund under the New Agreement for the Use of Fund only after the repayment by Sinochem Agriculture and Sinochem Corporation of the outstanding amount under the Existing Agreement for the Use of Fund and the Existing Entrusted Loan Contract. Sinochem Fertilizer shall issue a written confirmation for the release of each fund at the time of its release, setting out the amount of each fund, date of release and maturity date. The maturity date of each fund shall not exceed the term of the New Agreement for the Use of Fund.

- Repayment** : Sinochem Agriculture shall repay each fund to Sinochem Fertilizer on the maturity date of such fund, and shall pay any interest accrued on such fund to Sinochem Fertilizer on a quarterly basis. Sinochem Agriculture may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.
- Use of proceeds** : Sinochem Agriculture shall use the Fund for its daily working capital and acquisition of fixed assets.
- Other provisions** : Sinochem Agriculture shall provide detailed information concerning the use of each fund to Sinochem Fertilizer at the time of applying for such fund. Sinochem Fertilizer shall have the right to decide whether to release the fund to Sinochem Agriculture based on the information provided by it. If, during the term of the New Agreement for the Use of Fund, Sinochem Agriculture intends to invest any project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.
- Liabilities for breach of contract** : If Sinochem Agriculture fails to perform its obligations under the New Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture is unable to repay the Fund and any interest accrued thereon as scheduled or fails to use the Fund in accordance with the use specified in the New Agreement for the Use of Fund, Sinochem Fertilizer shall also have the right to impose on Sinochem Agriculture an additional interest of 50% on the overdue amount or the amount used in breach of the New Agreement for the Use of Fund.

PRICING BASIS

The terms of the New Agreement for the Use of Fund are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market price and market practices. When determining the amount of the Fund, the Group has taken into account its cash and cash equivalents on hand, the financial needs of Sinochem Agriculture and its use of proceeds, as well as the assessment of the Group on the financial and business conditions of Sinochem Agriculture. When determining the interest rate of the Fund, the Group has made reference to the latest loan prime rate quotations for one-year loan as published by the People's Bank of China and the interest rates of loans of the similar term previously offered by independent commercial banks to Sinochem Agriculture.

PROVISION OF GUARANTEE

Sinochem Group issued the Letter of Undertaking to Sinochem Fertilizer on 7 November 2019, pursuant to which Sinochem Group has undertaken to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund. If Sinochem Agriculture fails to repay the Fund and any interest accrued thereon pursuant to the New Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to require Sinochem Group to make repayments for Sinochem Agriculture by serving a prior written notice of ten business days to Sinochem Group.

The liabilities of Sinochem Group under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and any interest accrued thereon pursuant to the New Agreement for the Use of Fund. Sinochem Group shall issue a letter of guarantee in respect of each fund provided by Sinochem Fertilizer to Sinochem Agriculture on an individual basis in accordance with the Letter of Undertaking.

REASONS FOR AND BENEFITS OF THE TRANSACTION

After taking into account the following factors, the Company believes that the transaction under the New Agreement for the Use of Fund will enable the Group to make use of its surplus funds in a better way at an acceptable level of risk:

- (i) Sinochem Agriculture has commenced businesses in areas such as the northeast, northwest, southwest and Huanghuai of China, and the regions in which its customers locate can serve as an effective replenishment to the existing markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. Sinochem Agriculture intends to use the Fund for its daily working capital and acquisition of fixed assets, which will promote its business development, and will in turn facilitate Sinochem Fertilizer to further extend sales channels through Sinochem Agriculture and increase the operating revenue and profitability of Sinochem Fertilizer.
- (ii) The interest rate of the Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group may obtain a higher interest income through the transaction under the New Agreement for the Use of Fund to increase its rate of return on cash and cash equivalents, thereby improving its investment income. The Group has also considered the possibility of increasing its rate of return by investing in industry-related projects. However, given that the domestic fertilizer industry is currently suffering from excess capacity, the Group will be exposed to rather high risks if it invests in industry-related projects in the market, and therefore, it has not identified any proper project for investment; and
- (iii) All of the Fund will be financed by the Group from its surplus funds. Therefore, the Company is of the view that the provision of the Fund will not affect the working capital or daily operations of the Group, and the Group currently has no intention to seek additional loans to finance its daily operations during the term of the New Agreement for the Use of Fund. Moreover, pursuant to the New Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date, which increases the flexibility of fund management by Sinochem Fertilizer. Sinochem Fertilizer can recover the Fund

within a short period of time when there is any funding requirement to conduct its daily operations and to repay its existing debts.

INTERNAL CONTROL MEASURES

In order to properly mitigate investment risks while generating investment returns, the Group will take the following risk control measures:

- (i) Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by Sinochem Agriculture at the time of its application for the Fund, so as to ensure the safe use of the Fund and to mitigate the recovery risks during the process of determining the release of the Fund. Sinochem Fertilizer shall be under no obligation to provide the Fund, in whole or in part, to Sinochem Agriculture under the New Agreement for the Use of Fund;
- (ii) Sinochem Agriculture shall use the Fund strictly in accordance with the use specified in the New Agreement for the Use of Fund, and Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use by Sinochem Agriculture of the Fund to ensure that the Fund will be used for specified purposes and applied in the projects with development prospect and in compliance with the industrial policies of the PRC;
- (iii) The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture. Sinochem Group has obtained facilities from various financial institutions, and subsidiaries of Sinochem Group (including Sinochem Agriculture) are permitted by such financial institutions to use funds within such facilities. Therefore, Sinochem Agriculture may utilize such facilities to make repayment (or even early repayment) of the Fund to Sinochem Fertilizer when necessary; and
- (iv) Sinochem Group has agreed to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund, thus further mitigating the risks of the Group in the transaction under the New Agreement for the Use of Fund.

As such, the Directors (including the independent non-executive Directors) are of the view that the transaction under the New Agreement for the Use of Fund 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. Mr. Yang Lin, being a Director of the Company and a management member of Sinochem Group, has abstained from voting on the relevant Board resolution to approve the transaction under the New Agreement for the Use of Fund.

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. Sinochem Agriculture, a wholly-owned subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction under the New Agreement for the Use of Fund constitutes a connected transaction of the Company. Given that the relevant applicable percentage ratios in respect of the transaction under the New Agreement for the Use of

Fund are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but 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.

Sinochem Agriculture is a wholly-owned subsidiary of Sinochem Group. Its core businesses include the promotion of integrated planting solutions, land trust, design of agricultural input packages, auxiliary facilities for agricultural mechanization, technology tracking, as well as the services in relation to the sale of agricultural products, food banks and agricultural informatization, and the businesses such as agricultural and production credit, agricultural and financial leasing, and agricultural insurance. Sinochem Agriculture also carries out projects on the renovation of low- and medium-yield farmlands, improvement of soil, demonstration of precision agriculture and utilization of agricultural waste as resources.

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
“connected transaction”	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
“Existing Agreement for the Use of Fund”	the agreement for the use of fund dated 21 November 2018 entered into between Sinochem Fertilizer (as the lender) and Sinochem Agriculture and Sinochem Corporation (each as a borrower)

“Existing Entrusted Loan Contract”	the entrusted loan contract dated 26 November 2018 entered into among Sinochem Fertilizer (as the lender), Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent)
“Fund”	the fund in an amount of not more than RMB250 million to be provided by Sinochem Fertilizer to Sinochem Agriculture pursuant to the New Agreement for the Use of Fund
“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
“Letter of Undertaking”	the letter of undertaking issued by Sinochem Group to Sinochem Fertilizer on 7 November 2019
“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
“New Agreement for the Use of Fund”	the agreement for the use of fund dated 8 November 2019 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao 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 Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Sinochem Group
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability incorporated in the PRC, a subsidiary of Sinochem Group and the indirect controlling shareholder 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 Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Sinochem Corporation
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate 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, 8 November 2019

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 director of the Company is Mr. Yang Lin; 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*