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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 FERTILIZER FRAMEWORK AGREEMENT

The Board announces that in order to streamline the continuing connected transactions between Sinochem Fertilizer and subsidiaries of ChemChina in relation to the purchase and sale of fertilizer products, Sinochem Fertilizer and ChemChina entered into the Fertilizer Framework Agreement on 22 July 2020, pursuant to which Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products for a period up to 31 December 2020.

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares 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 Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Fertilizer 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

Reference is made to the announcement of the Company dated 17 June 2020 in relation to the change of ultimate controlling shareholder of the Company from Sinochem Group Co., Ltd. to ChemChina. After the Shareholding Change, ChemChina and its associates have become connected persons of the Company.

Reference is also made to the announcement of the Company dated 8 July 2020 in relation to two Sales Contracts entered into between Sinochem Fertilizer (an indirect wholly-owned subsidiary of the Company) and Bluestar Adisseo (an indirect non-wholly owned subsidiary of ChemChina) after the Shareholding Change, pursuant to which Sinochem Fertilizer purchased an aggregate of 12,000 tonnes of ammonium sulphate crystal (a type of fertilizer) from Bluestar Adisseo at a total consideration of RMB5,784,000.

The Board announces that in order to streamline the continuing connected transactions between Sinochem Fertilizer and subsidiaries of ChemChina in relation to the purchase and sale of fertilizer products, Sinochem Fertilizer and ChemChina entered into the Fertilizer Framework Agreement on 22 July 2020, pursuant to which Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products for a period up to 31 December 2020. After the entering into of the Fertilizer Framework Agreement, the Sales Contracts have been included in and regulated by the Fertilizer Framework Agreement, and the transaction amounts under the Sales Contracts have been included in the annual caps set by the Company in respect of the Fertilizer Framework Agreement.

PRINCIPAL TERMS OF THE FERTILIZER FRAMEWORK AGREEMENT

Date

22 July 2020

Parties

(a) Sinochem Fertilizer

(b) ChemChina

Nature of transactions

Pursuant to the Fertilizer Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain fertilizers and related products.

Pricing

Pursuant to the Fertilizer Framework Agreement, prices of fertilizers 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 ChemChina submits its purchase plan for the relevant products.

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

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

The Group also makes reference to weekly reports published by certain independent commodity information providers such as Baiinfo (百川盈孚) and OilChem China (隆衆資訊). 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.

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 ChemChina pursuant to the Fertilizer Framework Agreement in relation to the type, quantity, price and delivery schedule of the fertilizers and related products. Payments for fertilizers and related products shall mainly be settled by way of payment on delivery or advance payment.

Term

The Fertilizer Framework Agreement shall take effect upon signing by the parties and shall expire on 31 December 2020.

ANNUAL CAPS

The Company estimates that the annual cap for the year ending 31 December 2020 in respect of the purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina will be RMB50,000,000, and the annual cap for the year ending 31 December 2020 in respect of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina will be RMB30,000,000. The parties have determined such annual caps based on Sinochem Fertilizer's purchase and sale plans, and the projected prices and quantities of purchase and sale of fertilizer and related products. Such annual caps do not include the amount of relevant transactions between Sinochem Fertilizer and subsidiaries of ChemChina before the Shareholding Change (such transactions before the Shareholding Change were not continuing connected transactions of the Company).

For the two years ended 31 December 2019 and the five months ended 31 May 2020, the historical amounts of the purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina were approximately RMB39,200,000, RMB23,680,000 and RMB7,510,000, respectively. For the two years ended 31 December 2019 and the five months ended 31 May 2020, the historical amounts of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina were approximately RMB32,670,000, RMB21,440,000 and RMB8,640,000, respectively.

The historical amounts of the purchase of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina for the year ended 31 December 2019 and the five months ended 31 May 2020 are relatively low as compared to the annual cap set by the Company for the year ending 31 December 2020, which is mainly due to the fact that Sinochem Fertilizer purchased fertilizers and related products from only one subsidiary of ChemChina in the year of 2019 and the first five months of 2020. As Sinochem Fertilizer intended to expand its procurement channel and purchase fertilizers and related products from more subsidiaries of ChemChina in the second half of 2020, the purchase volume of fertilizers and related products by Sinochem Fertilizer from subsidiaries of ChemChina is expected to increase substantially as compared to those for the year of 2019 and the first five months of 2020. In addition, as Sinochem Fertilizer also intended to expand its scale of sale to subsidiaries of ChemChina in the second half of 2020, the transaction amount of the sale of fertilizers and related products by Sinochem Fertilizer to subsidiaries of ChemChina is also expected to increase substantially as compared to that for the first five months of 2020. Taking into account the purchase and sale plans of Sinochem Fertilizer as disclosed above, the Directors are of the view that the annual caps for the year ending 31 December 2020 are fair and reasonable despite the difference between the historical amounts and the annual caps.

During the period from the date of completion of the Shareholding Change to the date of this announcement, there was no transaction between Sinochem Fertilizer and subsidiaries of ChemChina with respect to the purchase and sale of fertilizers and related products, save for the transactions under the Sales Contracts as already disclosed by the Company (the transaction amounts of which have been included in the above annual caps).

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

IMPLICATIONS OF THE LISTING RULES

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares 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 Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Fertilizer 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.

ChemChina is primarily engaged in the production and sale of chemical raw materials, chemical products, chemical minerals, fertilizers, agrichemicals (excluding hazardous chemicals), plastics, tyres, rubber products, membrane equipment and chemical equipment; the production and sale of mechanical products, electronic products, instruments and apparatus, construction materials, textiles, light industrial products, forest products and forest chemical products; and the research, development, design and construction of chemical equipment, chemical cleaning, anticorrosion, petrochemicals and water technology. The sole shareholder of ChemChina is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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
“Bluestar Adisseo”	Bluestar Adisseo Nanjing Co., Ltd. (藍星安迪蘇南京有限公司), a limited liability company incorporated under the laws of the PRC, and an indirect non-wholly owned subsidiary of ChemChina
“Board”	the board of Directors of the Company
“ChemChina”	China National Chemical Corporation Limited (中國化工集團有限公司), a limited liability company incorporated under the laws of the PRC, and the ultimate controlling shareholder of the Company after the Shareholding Change
“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 Framework Agreement”	the framework agreement dated 22 July 2020 entered into between Sinochem Fertilizer and ChemChina in relation to the purchase and sale of fertilizers and related products
“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
“Sales Contracts”	two sales contracts entered into between Sinochem Fertilizer and Bluestar Adisseo after the Shareholding Change in relation to the purchase of ammonium sulphate crystal (a type of fertilizer), as described in detail in the announcement of the Company dated 8 July 2020
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholding Change”	the change of ultimate controlling shareholder of the Company from Sinochem Group Co., Ltd. to ChemChina, as described in detail in the announcement of the Company dated 17 June 2020
“Sinochem Fertilizer”	Sinochem Fertilizer Company Limited (中化化肥有限公司), a limited liability company incorporated under the laws of 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
“%”	percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde

Executive Director and Chief Executive Officer

Hong Kong, 22 July 2020

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. 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*