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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 MOU WITH CANPOTEX

Reference is made to the announcement of the Company dated 8 March 2022 in relation to the Framework Agreement 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 Framework Agreement expired on 31 December 2022.

On 10 July 2023, Sinochem Macao and Canpotex entered into the MOU, pursuant to which Sinochem Macao will continue to purchase potash from Canpotex for a term up to 31 December 2025, subject to obtaining the approval from the Independent Shareholders at the SGM.

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 MOU 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 caps of the continuing connected transactions contemplated under the MOU 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 MOU, the transactions contemplated thereunder and the proposed annual caps. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the MOU, the transactions contemplated thereunder and the proposed annual caps. 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 MOU, 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. As the Company requires additional time to

prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to its shareholders on or before 30 August 2023.

BACKGROUND

Reference is made to the announcement of the Company dated 8 March 2022 in relation to the Framework Agreement 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 Framework Agreement expired on 31 December 2022.

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PRINCIPAL TERMS OF THE MOU

Date

10 July 2023

Parties

- (a) Sinochem Macao
- (b) Canpotex

Nature of transactions

Under the MOU, Sinochem Macao has agreed to purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2025. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of potash per year comprised of the following grades: red standard grade potash, red granular grade potash, white fine standard grade potash and white standard grade potash.

During the term of the MOU, Sinochem Macao will have exclusivity to purchase red standard grade potash from Canpotex for sale in the PRC market.

Pricing

Prices of potash will be determined through mutual negotiations between the parties with reference to 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) and Baiinfo (百川盈孚, 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 of potash to be purchased from 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 no less favourable than 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

Detailed payment terms will be set forth in the specific contracts to be entered into between the parties pursuant to the MOU, which will be in line with the Group's existing payment practice with independent suppliers.

Term and termination

Subject to obtaining the approval from the Independent Shareholders at the SGM, the MOU will have a term up to 31 December 2025. The MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

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 CAPS

The annual caps for the three years ending 31 December 2025 in respect of the continuing connected transactions contemplated under the MOU are US\$210,000,000, US\$240,000,000 and US\$260,000,000, respectively. Such annual caps are determined based on the estimated quantities of potash to be supplied by Canpotex pursuant to the MOU and the estimated prices of different grades of potash.

The historical amount of such continuing connected transactions for the year ended 31 December 2022 was approximately US\$245,610,000. Sinochem Macao did not purchase any potash from Canpotex during the five months ended 31 May 2023 after the expiry of the Framework Agreement. As a result, the Group's inventory of potash has fallen to a low level, but the demand of downstream customers for potash has continued to increase. As such, the Group intends to increase its import of potash to replenish its inventory level and cater for the increase in demand from downstream customers.

Sinochem Macao has resumed its purchase from Canpotex in June 2023 (please refer to the announcement of the Company dated 28 June 2023 in relation to Sinochem Macao's purchase of no more than 132,000 tonnes of potash from Canpotex pursuant to the Export Agreement). After the MOU takes effect, the transaction amount under the Export Agreement will be included in the above annual cap for the year ending 31 December 2023 in respect of the transactions under the MOU.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

By entering into the MOU, 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 potash to meet the increasing demand of potash for domestic agricultural production. The import of potash products from Canpotex under the MOU 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 MOU 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 caps for the continuing connected transactions contemplated under the MOU are fair and reasonable.

None of the Directors is regarded as having a material interest in the MOU and the transactions contemplated thereunder, and hence none of the Directors has abstained from voting on the Board resolution to approve the MOU 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 MOU 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 caps of the continuing connected transactions contemplated under the MOU 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 MOU, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice to convene the SGM will

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GENERAL INFORMATION

The Company is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP).

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 Agreement”	the export agreement dated 28 June 2023 entered into between Sinochem Macao and Canpotex, as further described in the announcement of the Company dated 28 June 2023

“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 MOU, the transactions contemplated thereunder and the proposed annual caps
“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 MOU, the transactions contemplated thereunder and the proposed annual caps
“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 10 July 2023 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 MOU, the transactions contemplated thereunder and the proposed annual caps
“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), 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
MA Yue
Executive Director and Chief Executive Officer

Hong Kong, 10 July 2023

As at the date of this announcement, the executive directors of the Company are Mr. Ma Yue (Chief Executive Officer), Mr. Wang Jun and Ms. Wang Ling; the non-executive director of the Company is Mr. Liu Hongsheng (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.