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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 REVISION OF PURCHASE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE AGRICULTURAL PRODUCTS PURCHASE AND SALE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 22 November 2021 in relation to the Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Holdings. Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products within the PRC during the period from 1 January 2022 to 31 December 2024 (both days inclusive).

The Company estimates that the amounts of purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement for the two years ending 31 December 2024 will exceed the original Purchase Annual Caps. As such, the Company intends to revise the Purchase Annual Caps for the two years ending 31 December 2024. The annual caps for the two years ending 31 December 2024 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement will remain unchanged. As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement have not exceeded the original annual caps.

#### **Implications of the Listing Rules**

Sinochem Holdings is the ultimate controlling shareholder of the Company, 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 Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are more than 5%, the revision of the Purchase Annual Caps is 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 revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. An Independent Board Committee

of the Company has been formed to advise the Independent Shareholders in respect of the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. 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 Agricultural Products Purchase and Sale Framework Agreement, 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 22 November 2021 in relation to the Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Holdings. Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products within the PRC during the period from 1 January 2022 to 31 December 2024 (both days inclusive).

The Company estimates that the amounts of purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement for the two years ending 31 December 2024 will exceed the original Purchase Annual Caps. As such, the Company intends to revise the Purchase Annual Caps for the two years ending 31 December 2024. The annual caps for the two years ending 31 December 2024 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement will remain unchanged. As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement have not exceeded the original annual caps.

## **PRINCIPAL TERMS OF THE AGRICULTURAL PRODUCTS PURCHASE AND SALE FRAMEWORK AGREEMENT**

### ***Date***

22 November 2021

### ***Parties***

- (a) Sinochem Fertilizer
- (b) Sinochem Holdings

### *Nature of transactions*

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds within the PRC.

### *Pricing*

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, prices of agricultural 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 Sinochem Holdings submits its purchase plan for the relevant products.

In determining the fair market price of agricultural 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 of the relevant products. The Group maintains regular contacts with producers, distributors and traders of agricultural products, keeping abreast of the latest prices of agricultural products.

The Group also makes reference to the reports published by certain independent commodity information providers (the “**Independent Commodity Information Providers**”) such as Baiinfo (百川盈孚, www.baiinfo.com) and OilChem China (隆眾資訊, www.oilchem.net). 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.

### *Purchase of agricultural products*

With respect to the purchase of agricultural products, the Group will compare three or more reference prices and take into account the demand of its downstream customers when determining the prices of the transactions.

Before placing a purchase order with the relevant subsidiary of Sinochem Holdings for fertilizer products, the Group will compare (i) its historical prices for the purchase of relevant fertilizer products, (ii) the prices offered by independent third parties and subsidiaries of Sinochem Holdings, and (iii) the latest market prices published by the Independent Commodity Information Providers. The Group will only place purchase order with the relevant subsidiary of Sinochem Holdings when the terms are no less favourable to the Group than those offered by independent third parties for the provision of a comparable quantity of the relevant fertilizer products.

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, as prices of agrichemicals and seeds vary largely among types and specifications, reference prices from independent third parties may not be available or comparable. In order to ensure that the pricing terms are no less favourable to the Group, the Group will look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of Sinochem Holdings, and (i) compare such prices against the Group’s historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group’s historical gross profit margin from the same or similar type of product.

### *Sale of agricultural products*

With respect to the sale of agricultural products, in order to ensure that the terms (including the prices) of the sales of agricultural products by Sinochem Fertilizer to the relevant subsidiary of Sinochem Holdings are no less favourable to the Group than those entered into by the Group with independent third parties, the Group will take into account the then purchase prices from its upstream suppliers and make comparison of selling prices of similar type of agricultural products to independent third parties. The Group will also make reference to the latest data and price trend published by the Independent Commodity Information Providers to ensure that the selling prices to subsidiaries of Sinochem Holdings are in line with the latest market prices of the relevant products.

### *Internal approval process*

The purchase and sale prices will be reported to the manager of the relevant department, and then submitted to the person in charge of the business for approval.

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 Sinochem Holdings pursuant to the Agricultural Products Purchase and Sale Framework Agreement in relation to the type, quantity, price and delivery schedule of the agricultural products. Payments for agricultural products shall mainly be settled by way of payment on delivery or advance payment.

### ***Term***

The Agricultural Products Purchase and Sale Framework Agreement has a term from 1 January 2022 to 31 December 2024 (both days inclusive).

## **REVISION OF PURCHASE ANNUAL CAPS**

### *Revised Purchase Annual Caps and historical figures*

The Company estimates that the amounts of purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement for the two years ending 31 December 2024 will exceed the original Purchase Annual Caps. As such, the Company intends to revise the Purchase Annual Caps for the two years ending 31 December 2024 from RMB520,000,000 and RMB630,000,000 to RMB975,000,000 and RMB1,326,000,000, respectively. The parties have determined such revised Purchase Annual Caps based on Sinochem Fertilizer's purchase plans, and the projected prices and quantities of purchase of agricultural products. The annual caps for the two years ending 31 December 2024 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement will remain unchanged at RMB3,430,000,000 and RMB4,480,000,000, respectively.

For the two years ended 31 December 2022 and the six months ended 30 June 2023, the historical amounts of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings were approximately RMB285,066,000, RMB336,705,000 and RMB350,838,000, respectively.

As at the date of this announcement, the transaction amounts of the continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement have not exceeded the original annual caps.

#### *Reasons for the revision of Purchase Annual Caps*

In determining the revised Purchase Annual Caps, the Company has considered various factors, including:

- the increasing trend of the historical amounts. In particular, the purchase amount for the six months ended 30 June 2023 has exceeded the full year amount for the year ended 31 December 2022, and accounted for approximately 67.5% of the original Purchase Annual Cap for the year ending 31 December 2023;
- the increase in demand of the Group for agricultural products. In particular, after Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (“**Sinochem Fuling**”), a non-wholly owned subsidiary of the Company, completed the relocation of its production facilities, it has commenced the trial production of fine phosphates and ancillary novel special fertilizers on the new production site since 2023. With the increase in the production capacity of Sinochem Fuling, it is expected that its demand for fertilizer products, which are part of the raw materials for its production, will increase significantly;
- more high quality suppliers of agricultural products identified by the Group. With the business development of Sinochem Holdings, more of its subsidiaries are capable of supplying high quality and reasonably priced agricultural products. For example, Yitong Shuke Technology Co., Ltd., a non-wholly owned subsidiary of Sinochem Holdings, can utilize its Fertex platform, an e-platform for agricultural materials, to attract more sources of high quality goods and provide more choices in pricing, which may lower the procurement cost of Sinochem Fertilizer. Another example is Junhua Ecological Engineering Co., Ltd. (“**Junhua Ecological**”), a non-wholly owned subsidiary of Sinochem Holdings, who can provide fertilizer products with price advantages. Junhua Ecological is located in the central region of the PRC, which provides a transportation cost advantage for shipping products to the Group’s regional network that matches with the Group’s strategic layout in the central region of the PRC. Given that subsidiaries of Sinochem Holdings can provide a wide range of agricultural products at reasonable prices, the Group intends to increase its procurement from subsidiaries of Sinochem Holdings to further enhance its product supply capability to downstream customers nationwide; and
- the strategic transformation of the Group in agrichemicals business. The Group intends to increase its purchase of high-end agrichemicals, and further optimize its product structure with particular focus on products with high profit margin. Resources of such products are concentrated in a limited number of large-scale suppliers, some of which are subsidiaries of Sinochem Holdings, including Syngenta Group Co., Ltd. and ADAMA Ltd., both being leading crop protection companies. Business collaboration with such subsidiaries of Sinochem Holdings that can provide high-end agrichemicals may further promote the

development of the agrichemicals business of the Group and satisfy the demand of its downstream customers.

## **REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

Subsidiaries of Sinochem Holdings have a good reputation in the industry and can provide sufficient supply of agricultural products covering a wide range of categories at reasonable prices. The purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings can diversify the product mix of the Group and enhance its capability of supplying products. Meanwhile, subsidiaries of Sinochem Holdings have extensive customer base which can serve as an effective replenishment to the established markets of the Group, and the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings can boost up the sale revenues 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 Agricultural Products Purchase and 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 its shareholders as a whole, and that the revised Purchase Annual Caps for the continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are fair and reasonable.

Mr. Liu Hongsheng and Mr. Ma Yue, being Directors of the Company and management members of subsidiaries of Sinochem Holdings, have abstained from voting on the Board resolution passed to approve the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement.

## **IMPLICATIONS OF THE LISTING RULES**

Sinochem Holdings is the ultimate controlling shareholder of the Company, 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 Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are more than 5%, the revision of the Purchase Annual Caps is 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 revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. 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 Agricultural Products Purchase and Sale Framework Agreement, 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.

## **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 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 Holdings, the ultimate controlling shareholder of the Company, is a large-scale chemical conglomerate. It operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is the State-owned Assets Supervision and Administration Commission of the State Council.

## **DEFINITIONS**

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

“Agricultural Products Purchase and Sale Framework Agreement”	the framework agreement for the purchase and sale of agricultural products dated 22 November 2021 entered into between Sinochem Fertilizer and Sinochem Holdings
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“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 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

“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 revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement
“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 revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement
“Independent Shareholders”	shareholders other than Sinochem Holdings and its associates
“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
“Purchase Annual Caps”	the annual caps for the two years ending 31 December 2024 in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be convened to consider and approve the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement
“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 Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation 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**  
**MA Yue**  
*Executive Director and Chief Executive Officer*

Hong Kong, 31 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.*