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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO SINOCHEM PINGYUAN

Following the Completion of the Capital Increase, Sinochem Pingyuan ceased to be a subsidiary of the Company.

Yangmei Chemical and Sinochem Fertilizer will be responsible for all debts owed by Sinochem Pingyuan to Sinochem Fertilizer (which are in the form of entrustment loans and guarantees for bank facilities given by Sinochem Fertilizer) in proportion to the percentage agreed between them pursuant to the Capital Increase Agreement, namely, Yangmei Chemical will be responsible for 58% and Sinochem Fertilizer will be responsible for 42%.

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in relation to the aggregate amount of the Financial Assistance provided by Sinochem Fertilizer to Sinochem Pingyuan exceeds 5% but all less than 25%, the provision of the Financial Assistance constitutes a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the announcements published by the Company on 25 October 2012 and 31 October 2012, respectively.

Pursuant to the Capital Increase Agreement, Sinochem Fertilizer, Yangmei Chemical, Pingyuan Juyuan and Sinochem Pingyuan agreed that the registered share capital of Sinochem Pingyuan be increased by way of an injection of cash capital of approximately RMB260 million by Yangmei Chemical in return for 51% equity interests in Sinochem Pingyuan. After the Capital Increase, the equity interests in Sinochem Pingyuan would be owned as to 51% by Yangmei Chemical, as to 36.75% by Sinochem Fertilizer and as to the remaining 12.25% by Pingyuan Juyuan.

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FINANCIAL ASSISTANCE PRIOR TO AND AFTER COMPLETION

In relation to the aforesaid entrustment loans (which were originated from one of the financial services provided to the Group by the Sinochem Finance under the Financial Services Framework Agreement dated 21 December 2009 between the Company and Sinochem Finance) and guarantees for bank facilities given by Sinochem Fertilizer to Sinochem Pingyuan (“**Financial Assistance**”), Yangmei Chemical agreed, and the Board approved on 6 December 2012, that Yangmei Chemical shall gradually take over the liabilities and assume the obligations for Financial Assistance in proportion to the agreed percentages, namely, Yangmei Chemical will be responsible for 58% and Sinochem Fertilizer will be responsible for 42%, within 2 years from the completion of the Capital Increase.

Completion of the Capital Increase took place on 31 October 2012 (“**Completion**”). As at the date of the Completion, the aggregate amount of Financial Assistance was RMB1,754,060,000, of which entrustment loans balance amounted to RMB1,287,000,000 and the external bank facilities guaranteed by Sinochem Fertilizer amounted to RMB467,060,000.

Brief particulars of the major terms of the entrustment loans provided by Sinochem Fertilizer, as of the date of the Completion, are set out below:

Date of advance	Date of repayment	Entrustment loan amount (RMB'000)
24 May 2012*	24 November 2012	95,000
29 October 2012*	29 November 2012	30,000
30 May 2012*	30 November 2012	350,000
1 June 2012*	30 November 2012	85,000
19 October 2012	19 December 2012	93,000
19 October 2012	19 December 2012	17,000
13 June 2012	12 January 2013	25,000
26 October 2012	26 January 2013	135,000
26 October 2012	26 January 2013	135,000
27 August 2012	19 March 2013	35,000
19 September 2012	19 March 2013	105,000
19 September 2012	19 March 2013	150,000
28 September 2012	19 March 2013	32,000
		1,287,000

* As of the date hereof, these entrustment loans matured after the Completion and were replaced by certain entrustment loans (“**Replacement Loans**”) which were provided by Sinochem Fertilizer (between 26 November 2012 to 28 November 2012) and are of, in aggregate, the same amount.

As of the date of the Completion, the balance of external facilities advanced by various PRC commercial banks for which guarantees were provided by Sinochem Fertilizer for Sinochem Pingyuan amounted, in aggregate, to RMB467,060,000. The brief particulars of the major terms of these bank facilities are set out below:

Lending bank	Date of advance	Date of repayment
Bank of China	25 May 2010	25 May 2013
Bank of China	12 June 2010	25 May 2013
China CITIC Bank	21 June 2010	21 June 2013
China Guangfa Bank	13 May 2010	13 May 2013
China Guangfa Bank	27 May 2010	27 May 2013
China Guangfa Bank*	30 May 2012	30 November 2012
China Guangfa Bank*	8 June 2012	8 December 2012
China Guangfa Bank	15 June 2012	15 December 2012
China Guangfa Bank	20 June 2012	20 December 2012
China Guangfa Bank	31 October 2012	30 April 2013
Shanghai Pudong Development Bank*	19 November 2009	18 November 2012
Shanghai Pudong Development Bank	12 June 2010	11 June 2013

* *As of the date hereof, these bank facilities have been repaid by Sinochem Pingyuan and accordingly the balance of external facilities for which guarantees were provided by Sinochem Fertilizer for Sinochem Pingyuan has been reduced to RMB239,041,000.*

No fee or commission was payable by Sinochem Pingyuan to Sinochem Fertilizer for the provision of the guarantees by Sinochem Fertilizer.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the lending banks (which are principally engaged in the provision of typical commercial banking and related financial services) of the external facilities to Sinochem Pingyuan for which Sinochem Fertilizer provided guarantees as above and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

According to the agreed arrangement, Yangmei Chemical shall gradually take over part of the liabilities and assume the obligations for the Financial Assistance from Sinochem Fertilizer in the following manner:

Period	Proportion of the Financial Assistance to be assumed or taken over by Yangmei Chemical from Sinochem Fertilizer
(1) From 1 November 2012 to 30 April 2013	Not less than 20%
(2) From 1 May 2013 to 31 October 2013	Not less than 40%
(3) From 1 November 2013 to 30 April 2014	Not less than 50%
(4) From 1 May 2014 to 31 October 2014	Up to 58%

If Yangmei Chemical fails to take over liabilities and assume obligations for the Financial Assistance from Sinochem Fertilizer on the proportion mentioned above within each of the prescribed periods, Yangmei Chemical shall repay the debts owed by Sinochem Pingyuan in cash to make up any shortfall in the due proportion and to provide, on a joint basis, a guarantee or counter-guarantee (for entrustment loans and guarantee respectively) in respect of the shortfall in the due proportion of the Financial Assistance in favour of Sinochem Fertilizer. Sinochem Fertilizer shall also be entitled to charge Yangmei Chemical default interest on the corresponding shortfall.

FINANCIAL IMPACT

After the Completion of the Capital Increase, Sinochem Pingyuan ceased to be the subsidiary of the Company and became an affiliated company of the Company. Accordingly, the financial statements of Sinochem Pingyuan will no longer be consolidated into the consolidated financial statements of the Group. The balance of entrustment loans provided by Sinochem Fertilizer to Sinochem Pingyuan will be presented separately as loan receivables under the items of assets in the Group's consolidated financial statements. Interest income derived from the entrustment loans, with the maximum annual amount of approximately RMB72,000,000, which is calculated based on the interest rate determined between the parties at a level which will not exceed the interest rate payable on an entrustment loan of the same tenure under the same terms obtainable from independent commercial banks and in compliance with relevant rules and regulations of the People's Bank of China, will be included in the consolidated statement of comprehensive income of the Group. In respect of the amount of guarantees provided by Sinochem Fertilizer to external lending banks for the benefit of Sinochem Pingyuan, there will not be any difference in the consolidated financial statements of the Group before or after the Completion, however, the Group will assess on whether a disclosure in contingent liabilities will be made in the interim and annual report of the Group.

The Company will use its internal resources to discharge its liabilities should any obligation arise under the guarantees.

REASONS FOR THE FINANCIAL ASSISTANCE

Sinochem Pingyuan was a subsidiary of the Company during the provision of Financial Assistance by Sinochem Fertilizer. The Company trusted that the provision of Financial Assistance would facilitate the obtaining of sufficient finance for sustainable development of business operation of Sinochem Pingyuan. The Replacement Loans were advanced to Sinochem Pingyuan in order to facilitate the smooth transition both from the perspective of continuing normal operations of Sinochem Pingyuan and the aforesaid arrangements with the new controlling shareholder of Sinochem Pingyuan.

Apart from the synergy effect of having Yangmei Chemical as a strategic investor for Sinochem Pingyuan, which the Directors believe will help enhance the overall competitiveness of Sinochem Pingyuan in the future, Yangmei Chemical will also gradually take over part of the Financial Assistance advanced by Sinochem Fertilizer. The Directors believe that in the long run such arrangement will relieve the Group's financial commitment and obligation in Sinochem Pingyuan.

The Directors are of the view that the terms of the Financial Assistance are fair and reasonable and the on-going provision of the Financial Assistance is in the best interests of the shareholders of the Company as a whole. The on-going provision of the Financial Assistance to Sinochem Pingyuan would facilitate Sinochem Pingyuan to continue its business operation, with a view of generating additional financial benefits to the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules in relation to the aggregate amount of the Financial Assistance provided by Sinochem Fertilizer to Sinochem Pingyuan exceeds 5% but all less than 25%, the provision of the Financial Assistance constitutes a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the assets ratio as defined under Rule 14.07(1) of the Listing Rules does not exceed 8%, the provision of Financial Assistance does not give rise to a general disclosure obligation under Rule 13.16 of the Listing Rules.

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, an indirect controlling shareholder of the Company holding approximately an effective 52.65% of the Company as of 7 December 2012, and Sinochem Finance is therefore a connected person of the Company under the Listing Rules. The provision of entrustment loans by Sinochem Fertilizer to Sinochem Pingyuan involved the arrangement of engaging Sinochem Finance as the entrusted party which constituted continuing connected transactions of the Group. However, these continuing connected transactions are exempt from the reporting, announcement and independent shareholders' approval requirements, as each of the percentage ratios (other than the profits ratio), where applicable, in relation to the fees paid to Sinochem Finance for its entrustment loan service in these continuing connected transactions, if aggregated, are less than 0.1% under Rule 14A.33 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 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 Fertilizer is a wholly-owned subsidiary of the Company.

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of People's Bank of China. It is subject to the supervision of China Banking Regulatory Commission. According to its business licence, it is authorised to provide to the Group certain financial services and provide similar services to other member units of Sinochem Corporation Group (but not other parties).

Yangmei Chemical is principally engaged in investment activities and provision of technical service in the coal chemical industry. As at the date hereof, Yangmei Chemical is ultimately controlled by Yangmei Group. To the best of the Directors' knowledge, information and belief, other than being a shareholder holding 51% equity interest in Sinochem Pingyuan, Yangmei Chemical and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Pingyuan Juyuan is a company incorporated in the PRC and is principally engaged in management and operation of state-owned assets as authorized by relevant governmental authority and provision of guarantees to loans extended to major enterprises as working capital and funds for technical improvement. To the best of the Directors' knowledge, information and belief, other than being a shareholder holding 12.25% equity interests of Sinochem Pingyuan, Pingyuan Juyuan and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Sinochem Pingyuan is principally engaged in the production and sale of urea, methanol, ammonium acid carbonate and melamine. Other than 36.75% of its equity interests which is held by Sinochem Fertilizer, Sinochem Pingyuan and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Capital Increase”	the increase of registered share capital of Sinochem Pingyuan by way of an injection of cash capital of approximately RMB260 million by Yangmei Chemical into Sinochem Pingyuan in return for 51% equity interests in Sinochem Pingyuan

“Capital Increase Agreement”	the agreement dated 24 October 2012 among Sinochem Fertilizer, Yangmei Chemical, Pingyuan Juyuan and Sinochem Pingyuan in relation to the Capital Increase
“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 persons”	has the same meaning as provided in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	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
“Pingyuan Juyuan”	平原縣聚源國有資產經營有限公司 (Juyuan State-owned Assets Operation Co., Ltd. of Pingyuan County), a company incorporated in the PRC
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC
“Sinochem Corporation Group”	Sinochem Corporation and its member units (excluding the Group)
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Co., Ltd), a company incorporated in the PRC and a 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 wholly-owned subsidiary of Sinochem Corporation

“Sinochem Pingyuan”	中化平原化工有限公司 (Sinochem Pingyuan Chemical Co., Ltd.), whose company name has been changed to Yangmei Pingyuan Chemical Company Limited, effective from 31 October 2012, a company incorporated in the PRC and currently owned as to 51% by Yangmei Chemical, as to 36.75% by Sinochem Fertilizer and as to the remaining 12.25% by Pingyuan Juyuan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the same meaning as provided in the Listing Rules
“Yangmei Chemical”	陽泉煤業集團陽煤化工投資有限責任公司 (Yangmei Chemical Investment Co., Ltd.), a company incorporated in the PRC and currently ultimately controlled by Yangmei Group
“Yangmei Group”	陽泉煤業(集團)有限責任公司 (Yangquan Coal Industry (Group) Co., Ltd.), a company incorporated in the PRC
“%”	per cent

As at the date of this announcement, the executive directors of the Company are Mr. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (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, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Feng Zhi Bin
Executive Director and Chief Executive Officer

Hong Kong, 11 December 2012

* *For identification purposes only*