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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)

CONTINUING CONNECTED TRANSACTIONS WITH SINOCHEM FINANCE

The Existing Financial Services Framework Agreement is due to expire on 20 December 2012. On 13 December 2012, the Company entered into the Financial Services Framework Agreement with Sinochem Finance pursuant to which the Group will continue to utilise the financial services available from Sinochem Finance as it deems necessary for a term commencing on 21 December 2012 and expiring on 31 December 2013 (both days inclusive).

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 at the date of this announcement, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Financial Services Framework Agreement will constitute continuing connected transactions of the Company.

As the applicable percentage ratios (other than the profits ratio) of each of the transaction amount of the Deposit Services and the other financial services (save for the provision of loans to the Group) if aggregated on an annual basis under the Financial Services Framework Agreement exceed 0.1% but less than 5%, the Deposit Services and the other financial services (save for the provision of loans to the Group) and the proposed transaction caps are subject to the reporting and announcement but are exempt from the independent shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Existing Financial Services Framework Agreement is due to expire on 20 December 2012. On 13 December 2012, the Company entered into the Financial Services Framework Agreement with Sinochem Finance pursuant to which the Group will continue to utilise the financial services available from Sinochem Finance as it deems necessary for a term commencing on 21 December 2012 and expiring on 31 December 2013 (both days inclusive).

DETAILS OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date

13 December 2012

Parties

- (a) Sinochem Finance
- (b) The Company

Provision of financial services by Sinochem Finance to the Group

Pursuant to the Financial Services Framework Agreement, the Group will, from time to time, utilise the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (a) Deposit Services;
- (b) provision of loans to the Group (excluding entrustment loans) where no security over the assets of the Group will be granted;
- (c) arrangement of entrustment loans for the Group whereby Sinochem Finance serves as a financial agency through which funds of one member of the Group may be channeled for use by another member of the Group. It is relevant to note that PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. Sinochem Finance may not make investments with the funds deposited by the Group for the purposes of entrustment loans. Such funds deposited by the Group will be applied for the purposes of entrustment loans to members of the Group only;
- (d) commercial bills of exchange services which include the provision to the Group on normal commercial terms of services relating to the issuance, acceptance and discount of commercial bills of exchange, where no security over the assets of the Group will be granted;
- (e) buyer financing services which include the provision to the clients of the Group on normal commercial terms of financing services including but not limited to the extension of loans, the issuance of commercial bills of exchange and the granting of credit for the purpose of purchasing goods or services from the Group only;
- (f) settlement services which include settlement of transactions between members of the Group, and for transactions between members of the Group and member units of the Sinochem Corporation Group or other third parties, and the utilisation by Sinochem Finance of the electronic payment and settlement systems it has set up with a number of banks to settle payments from distribution clients of members of the Group to members of the Group;

- (g) provision of guarantees at the request of any member of the Group for financing, lease financing, bidding activities or the fulfillment of contracts to member units of the Sinochem Corporation Group or other third parties, while any member of the Group needs not provide counter-guarantee;
- (h) internet banking services; and
- (i) any other financial services as approved by the CBRC.

Interests, fees and charges

Interests, fees and charges payable to and from Sinochem Finance under the Financial Services Framework Agreement are determined on the following basis:

- (a) *Deposit Services*: interest rates are determined in accordance with and shall not be lower than the relevant rates promulgated by the PBOC from time to time;
- (b) *provision of loans to the Group*: interest rates are determined in accordance with and shall not be higher than the rates for loans of the same tenure and under the same terms obtainable from independent commercial banks, and shall be in compliance with the requirements set out by the PBOC;
- (c) *arrangement of entrustment loans for the Group*: the annual service fee payable by the Group is set at such rate that the aggregate amount of service fee will not exceed the service fee payable on an entrustment loan of the same tenure under the same terms obtainable from independent commercial banks;
- (d) *commercial bills of exchange services*: the service fee and discount interest payable by the Group is set at such rate that the aggregate amount of service fee and discount interest together will not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks;
- (e) *buyer financing services*: no service fee is payable by the Group;
- (f) *settlement services*: the service fee payable by the Group shall not exceed the service fee payable on such services under the same terms obtainable from independent settlement service entities; and
- (g) *provision of guarantees, internet banking services and other financial services as approved by the CBRC*: the service fees charged for such other financial services shall not be more than the prevailing market rates or standard rates as promulgated by the PBOC from time to time (if applicable).

Under the Financial Services Framework Agreement, any member of the Group will have a right of set off such that, in the event that the amounts deposited with Sinochem Finance by any member of the Group results in its inability to recover for whatever reason, such member of the Group will have the right to offset amounts due to any member of the Group from Sinochem Finance against amounts payable by the Group to Sinochem Finance. Sinochem Finance does not have such right of set off under the Financial Services Framework Agreement.

The Financial Services Framework Agreement has a term commencing on 21 December 2012 and expiring on 31 December 2013 (both days inclusive). Sinochem Finance and the Group may, from time to time, enter into separate agreements which set out a specific scope of services and the terms and conditions of providing such services according to the principles laid down by the Financial Services Framework Agreement. The terms of such separate agreements shall not exceed the term of the Financial Services Framework Agreement. Payment of each Continuing Connected Transactions will be settled in arrears in the manner agreed then between the parties.

The Group utilises the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all. Sinochem Finance is merely one of a number of financial institutions which provide financial services to the Group.

Under the Financial Services Framework Agreement, Sinochem Finance has undertaken to the Company that whenever the Group suffers any financial loss due to the non-performance or default of the Financial Services Framework Agreement by Sinochem Finance, Sinochem Finance shall compensate the Group for the full amount of the loss suffered. Sinochem Corporation will enter into an undertaking in favour of the Company, pursuant to which Sinochem Corporation will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement.

INFORMATION RELATING TO SINOCEM FINANCE

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the PBOC. It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the Financial Services Framework Agreement and provide similar services to other member units of Sinochem Corporation Group (but not other parties).

The registered capital of Sinochem Finance amounted to RMB3,000 million (equivalent to approximately HK\$3,697 million). 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 at the date of this announcement, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Financial Services Framework Agreement will constitute continuing connected transactions of the Company.

Under the Financial Services Framework Agreement, Sinochem Finance will deal with all the monies deposited by the Group in such activities as approved by CBRC and in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with banking institutions approved by the CBRC. Sinochem Finance has also undertaken that the total outstanding loans which it provides to member units of the Sinochem Corporation Group shall at all times not exceed the aggregate of Sinochem Finance's equity capital, reserve and deposits received from third parties. It is also a term under the Financial Services Framework Agreement that the total balance of deposit placed by the Group with Sinochem Finance shall at all times be less than the total loan amount provided by Sinochem Finance and other member units of the Sinochem Corporation Group to the Group.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Group will continue to adopt the following internal control procedures and corporate governance measures in relation to its utilisation of Sinochem Finance's services:

- When the Group needs to enter into any loan or credit facilities agreements with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least two comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of all such offers, together with the offer from Sinochem Finance, will forthwith be disclosed to the chief financial officer of the Company for review. The chief financial officer of the Company will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer.
- All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted by the Group in accordance with the terms approved by the chief executive officer of the Company or the Board, as appropriate.
- A report on any changes in the credit ratings of Sinochem Finance shall be provided by Sinochem Finance to the Company every six months.
- A monthly report on the status of the Group's deposits with Sinochem Finance will be delivered by Sinochem Finance to the Company on the third day of each month.
- The financial statements of Sinochem Finance for each month will be provided to the Company in the following month.

The Board considers that the above internal control procedures and corporate governance measures currently adopted by the Company concerning the Continuing Connected Transactions with Sinochem Finance are appropriate and sufficient, and that the procedures and measures give sufficient assurance that the Continuing Connected Transactions will be appropriately monitored by the Company.

REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBRC and it provides its services in compliance with the relevant rules and operational requirements including capital risks guidelines and requisite capital adequacy ratios of such regulatory authorities;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or to the knowledge of the Company breached any rules or operational requirements of such regulatory authorities; and
- (iii) according to the relevant laws and regulations promulgated by CBRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Corporation, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting additional capital into Sinochem Finance based on its funding needs, to restore its financial position.

The advantages of utilising financial services provided by Sinochem Finance over utilising similar services provided by independent commercial banks are as follows:

- (i) as the internal financing platform of Sinochem Corporation, credit line provided by Sinochem Finance will not be affected by external environmental changes, and can be the most reliable and stable finance resource for the Group; meanwhile, Sinochem Finance could provide mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group;
- (ii) against the background that domestic liquidity remains tight, the Company usually needs to make an appointment one week in advance or even longer to obtain loans from external banks while the loan drawdown procedure in Sinochem Finance is rather convenient and can be completed within 1-2 days, which can meet the capital demand of the Group's business in time;
- (iii) Sinochem Finance will provide more favourable deposit portfolio for the Group based on the condition of the Group, which would increase capital returns while retaining the working capital flexibility of the Group; and
- (iv) settlement service provided by Sinochem Finance would result in no commission for settlement among member companies of the Group, therefore reducing the transaction costs.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Financial Services Framework Agreement, the Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost.

IMPLICATIONS UNDER THE LISTING RULES

Deposit Services

In respect of the Deposit Services, the Company expects that the maximum amount on the outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance, on a daily basis, will not exceed RMB450 million (equivalent to approximately HK\$554 million) during the term of the Financial Services Framework Agreement. The cap has been estimated on the basis of several factors including (i) the capital management strategy of the Group; and (ii) the business development and financial needs of the Group. The maximum amount refers to the maximum daily outstanding balance during the term of the Financial Services Framework Agreement, and is not cumulative in nature.

As all of the percentage ratios (other than the profits ratio) of the maximum amount on the outstanding balance of deposit (including accrued interest) of the Deposit Services under the Financial Services Framework Agreement, on a daily basis, exceed 0.1% but less than 5%, the Deposit Services (including the proposed maximum amount) are subject to the reporting, annual review and announcement but are exempt from the independent shareholders' approval requirements under the Listing Rules.

Provision of loans

Pursuant to Rule 14A.65(4) of the Listing Rules, the continuing connected transactions involving the provision of loans to the Group by Sinochem Finance (excluding entrustment loans) as stated in paragraph (b) under the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement are exempt from the reporting, announcement and independent shareholders’ approval requirements as these constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Other financial services

In respect of the following Continuing Connected Transactions as stated in paragraphs (c) to (h) under the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement above, the Company expects that the transaction amount in relation to these categories, if aggregated on an annual basis, will not exceed RMB10 million (equivalent to approximately HK\$12.32 million). The cap has been estimated on the basis of several factors including (i) the capital management strategy of the Group; (ii) the business development and financial needs of the Group; and (iii) that the transaction amount in relation to the aforesaid categories for the period from 21 December 2009 to 31 December 2009, one year ended 31 December 2010, one year ended 31 December 2011 and the period from 1 January 2012 to 12 December 2012 are nil, RMB2.10 million (equivalent to approximately HK\$2.59 million), RMB2.14 million (equivalent to approximately HK\$2.64 million) and RMB2.25 million (equivalent to approximately HK\$2.78 million) respectively.

- arrangement of entrustment loans for the Company and its subsidiaries, whereby Sinochem Finance serves as a financial agency through which funds may be channeled for use by the Group;
- commercial bills of exchange services;
- buyer financing services;
- settlement services;
- provision of guarantees at the request of any members of the Group; and
- internet banking services.

As the applicable percentage ratios (other than the profits ratio) of the cap of the transaction amount in relation to the above categories, if aggregated on an annual basis, exceed 0.1% but less than 5%, such financial services (including the proposed cap) are subject to the reporting, annual review and announcement but are exempt from the independent shareholders’ approval requirements under the Listing Rules.

For any other financial services as approved by the CBRC and stated in paragraph (i) under the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement, the Company will comply with the relevant provisions under Chapters 14 and 14A of the Listing Rules as and when appropriate.

The meeting of the Board held on 6 December 2012 had approved, amongst other, the Financial Services Framework Agreement. Mr. Liu De Shu and Mr. Yang Lin, as Directors nominated by Sinochem HK and being employed by Sinochem Corporation, are regarded as having a material interest in the Continuing Connected Transactions and have abstained from voting on the board resolutions passed to approve the Financial Services Framework Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions under the Financial Services Framework Agreement will be conducted on normal commercial terms or on terms no less favourable than those available to independent third parties under prevailing local market conditions, and are 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 the terms of the Financial Services Framework Agreement and the proposed caps are fair and reasonable.

INFORMATION ON THE COMPANY AND THE GROUP

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 safety in the PRC.

The Group is principally 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.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission
“Company”	Sinofert Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions involving the provision of financial services by Sinochem Finance to the Group as set out in the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement and to be entered into from time to time pursuant to the Financial Services Framework Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Deposit Services”	the continuing connected transactions involving the provision of deposit services by Sinochem Finance to the Group to be entered into from time to time pursuant to the Financial Services Framework Agreement
“Director(s)”	the director(s) of the Company
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 21 December 2009 between the Company and Sinochem Finance in relation to the continuing connected transactions as disclosed in the announcement of the Company dated 22 December 2009
“Financial Services Framework Agreement”	the Financial Services Framework Agreement dated 13 December 2012 between the Company and Sinochem Finance in relation to the Continuing Connected Transactions
“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
“Measures”	the Measures for the Administration of the Finance Companies of Enterprises Groups, as enacted by the CBRC on 27 July 2004 and effective on 1 September 2004
“member unit”	has the meaning ascribed to it under the Measures
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s) in the Company
“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 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 HK”	Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by Sinochem Corporation, and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

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

Hong Kong, 13 December 2012

For the purposes of illustration only, RMB is translated into HK\$ at the rate of HK\$1.00 = RMB0.8114. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

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 are Mr. Liu De Shu (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

* *For identification purposes only*