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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 AGRICHEMICAL FRAMEWORK AGREEMENT AND THE UK SERVICE AGREEMENT

- (A) Reference is made to the announcement of the Company dated 26 November 2018 in relation to the existing agrichemical framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Group (for and on behalf of its subsidiaries). Such agreement will expire on 31 December 2019. On 9 December 2019, Sinochem Fertilizer and Sinochem Group (for and on behalf of its subsidiaries) entered into the Agrichemical Framework Agreement, pursuant to which Sinochem Fertilizer will purchase from and/or sell to subsidiaries of Sinochem Group certain agrichemical, seed and other related products during the period from 1 January 2020 to 31 December 2020 (both days inclusive).
- (B) Reference is made to the announcement of the Company dated 9 December 2016 in relation to, among other things, the existing UK service agreement entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Sinochem UK. Such agreement will expire on 31 December 2019. On 9 December 2019, Sinochem Macao and Sinochem UK entered into the UK Service Agreement, pursuant to which Sinochem UK will continue to provide local supplier relations and logistics services to Sinochem Macao during the period from 1 January 2020 to 31 December 2022 (both days inclusive).

Implications of the Listing Rules

Each of Sinochem Fertilizer and Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. Sinochem UK, an indirect subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Agrichemical Framework Agreement and the UK Service Agreement constitute

continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the Agrichemical Framework Agreement and the UK Service 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.

(A) CONTINUING CONNECTED TRANSACTIONS UNDER THE AGRICHEMICAL FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 26 November 2018 in relation to the existing agrichemical framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Group (for and on behalf of its subsidiaries). Such agreement will expire on 31 December 2019.

On 9 December 2019, Sinochem Fertilizer and Sinochem Group (for and on behalf of its subsidiaries) entered into the Agrichemical Framework Agreement, pursuant to which Sinochem Fertilizer will purchase from and/or sell to subsidiaries of Sinochem Group certain agrichemical, seed and other related products during the period from 1 January 2020 to 31 December 2020 (both days inclusive).

Principal Terms of the Agrichemical Framework Agreement

Date

9 December 2019

Parties

- (a) Sinochem Fertilizer
- (b) Sinochem Group (for and on behalf of its subsidiaries)

Nature of transactions

Pursuant to the Agrichemical Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of Sinochem Group certain agrichemical, seed and other related products.

Pricing

Pursuant to the Agrichemical Framework Agreement, prices of agrichemical, seed and other 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 Sinochem Group submits its purchase plan for the relevant products.

In determining the fair market price of agrichemical, seed and other related products, the Group generally makes reference to weekly reports published by certain independent commodity information providers such as Baiinfo (百川盈孚). 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. The Group also refers to the China Pesticide Information Network, the

website of the Institute for the Control of Agrochemicals, the Ministry of Agriculture of the PRC, for the regulatory updates and latest news of the agrichemical industry. In addition, the Group maintains regular contacts with producers, distributors and traders of agrichemical, seed and other related products, keeping abreast of the latest prices of agrichemical, seed and other related products.

With respect to the purchase of agrichemical, seed and other related products, the Group usually obtains reference prices from three or more suppliers before placing a purchase order with the relevant subsidiary of Sinochem Group. 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 agrichemical, seed and other 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 agrichemical, seed and other related products by Sinochem Fertilizer to the relevant subsidiary of Sinochem Group 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 distribution business department of Sinochem Fertilizer, and then submitted to the person in charge of purchase and sale of agrichemical of Sinochem Fertilizer 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 Group pursuant to the Agrichemical Framework Agreement in relation to the type, quantity, price and delivery schedule of the agrichemical, seed and other related products. Payments for agrichemical, seed and other related products shall mainly be settled by way of payment on delivery or advance payment.

Term

The term of the Agrichemical Framework Agreement is from 1 January 2020 to 31 December 2020 (both days inclusive).

Annual Caps

The Company estimates that the annual cap for the year ending 31 December 2020 in respect of the purchase of agrichemical, seed and other related products by Sinochem Fertilizer from subsidiaries of Sinochem Group will be RMB100,000,000, and the annual cap for the year ending 31 December 2020 in respect of the sale of agrichemical, seed and other related products by Sinochem Fertilizer to subsidiaries of Sinochem Group will be RMB100,000,000. 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 agrichemical, seed and other related products, and have taken into account the expansion of sales channels of the subsidiaries of Sinochem Group and the increase in their demands for the agrichemical, seed and other related products.

The historical amounts of the purchase of agrichemical, seed and other related products by Sinochem Fertilizer from subsidiaries of Sinochem Group for the two years ended 31 December 2018 and the ten months ended 31 October 2019 were approximately RMB11,407,000,

RMB10,651,000 and RMB13,718,000, respectively. There was no historical transaction of the sale of agrichemical, seed and other related products by Sinochem Fertilizer to subsidiaries of Sinochem Group for the two years ended 31 December 2018 and the ten months ended 31 October 2019.

(B) CONTINUING CONNECTED TRANSACTIONS UNDER THE UK SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 9 December 2016 in relation to, among other things, the existing UK service agreement entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Sinochem UK. Such agreement will expire on 31 December 2019.

On 9 December 2019, Sinochem Macao and Sinochem UK entered into the UK Service Agreement, pursuant to which Sinochem UK will continue to provide local supplier relations and logistics services to Sinochem Macao during the period from 1 January 2020 to 31 December 2022 (both days inclusive).

Principal Terms of the UK Service Agreement

Date

9 December 2019

Parties

- (a) Sinochem Macao
- (b) Sinochem UK

Nature of transactions

Pursuant to the UK Service Agreement, Sinochem UK shall provide local supplier relations and logistics services to Sinochem Macao in Europe at cost.

Pricing and payment

Pursuant to the UK Service Agreement, the service fees payable by Sinochem Macao to Sinochem UK for different products imported by Sinochem Macao and in respect of which Sinochem UK has provided services shall range from US\$4 to US\$10 per tonne. Such fees are determined based on the costs incurred by Sinochem UK (which mainly include salaries and employee benefits, office rent, repair and maintenance, utilities, insurance and other administrative costs). Sinochem UK and Sinochem Macao may by agreement in writing adjust the fee payable in accordance with the changes in operational expenses of Sinochem UK, provided that the total amount of payments to be made by Sinochem Macao to Sinochem UK under the UK Service Agreement shall not exceed US\$2,300,000 each calendar year. Sinochem UK shall issue invoices on a quarterly basis to Sinochem Macao for all services it provides from time to time, and Sinochem Macao shall settle the invoice within 10 days of the date of such invoice.

Term

The term of the UK Service Agreement is from 1 January 2020 to 31 December 2022 (both days inclusive).

Annual Caps

The Company estimates that the annual cap in respect of the fees payable by Sinochem Macao to Sinochem UK under the UK Service Agreement for each of the three years ending 31 December 2022 will be US\$2,300,000. Such annual cap has been determined based on the projected quantities of purchase by Sinochem Macao from local suppliers in Europe for each of the relevant years.

The historical amounts of the fees paid by Sinochem Macao to Sinochem UK for such supplier relations and logistics services for the two years ended 31 December 2018 and the ten months ended 31 October 2019 were US\$2,300,000, US\$2,300,000 and US\$2,300,000^(Note), respectively.

Note: As at 31 October 2019, Sinochem Macao had paid a total amount of US\$2,300,000 to Sinochem UK, equivalent to the maximum amount of payment stipulated in the existing UK service agreement. As such, no service fees will be payable by Sinochem Macao to Sinochem UK during the remaining period of the year of 2019.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

(A) Agrichemical Framework Agreement

Subsidiaries of Sinochem Group can provide high quality agrichemical, seed and other related products and offer excellent after-sale services, and the products provided are highly recognized and demanded by the market; moreover, Sinofert Fertilizer has procurement channels for quality agrichemical raw materials, and can expand its revenue sources through providing the required agrichemical raw materials for subsidiaries of Sinochem Group. As such, Sinofert Fertilizer entered into the Agrichemical Framework Agreement with Sinochem Group (for and on behalf of its subsidiaries).

(B) UK Service Agreement

As the Group does not have any staff working in Europe and needs Sinochem UK to provide it with supplier relations and logistics services in Europe, the UK Service Agreement was therefore entered into between the parties.

The Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions contemplated under each of the Agrichemical Framework Agreement and the UK Service 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 each of the Agrichemical Framework Agreement and the UK Service Agreement are fair and reasonable.

Mr. Yang Lin, being a Director of the Company and a management member of Sinochem Group, has abstained from voting on the relevant Board resolutions passed to approve the Agrichemical Framework Agreement and the UK Service Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Each of Sinochem Fertilizer and Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. Sinochem UK, an indirect subsidiary of Sinochem Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Agrichemical Framework Agreement and the UK Service Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the Agrichemical Framework Agreement and the UK Service 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.

Sinochem Macao is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas.

Sinochem Group is a key state-controlled enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, agriculture, real estate and finance, etc.

Sinochem UK is principally engaged in the provision of supplier relations and logistics services to the Group in Europe, and it also provides updates on the PRC fertilizer industry and the business demands of the Group to suppliers.

DEFINITIONS

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

“Agrichemical Framework Agreement”	the procurement and sale framework agreement dated 9 December 2019 entered into between Sinochem Fertilizer and Sinochem Group in relation to the purchase and sale of agrichemical, seed and other related products
“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
“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
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Sinochem Macao”	中化化肥澳門離岸商業服務有限公司 (Sinochem Fertilizer Macao Commercial Offshore Limited), a company incorporated in Macao on 16 November 2004 and an indirect wholly-owned subsidiary of the Company
“Sinochem UK”	Sinochem (United Kingdom) Limited, a company incorporated in the United Kingdom on 30 July 1986 and an indirect subsidiary of Sinochem Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“UK Service Agreement”	the provision of services agreement dated 9 December 2019 entered into between Sinochem Macao and Sinochem UK
“US\$”	US dollars, the lawful currency of the United States of America
“%”	percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 9 December 2019

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) 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*