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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**

- (A) Reference is made to the announcement of the Company dated 12 June 2014 in relation to the Agrichemical Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates), pursuant to which the associates of Sinochem Group have been selling to and/or purchasing from, and will continue to sell to and/or purchase from, Sinochem Fertilizer certain agrichemical and other related products for a term up to 31 December 2014.

The Company estimates that for reasons disclosed in this announcement, the transaction amount under the Agrichemical Framework Agreement for the year ending 31 December 2014 will exceed the original annual cap as disclosed in the announcement dated 12 June 2014. As such, the Company intends to revise the annual cap for the year ending 31 December 2014 for the transactions under the Agrichemical Framework Agreement.

- (B) On 22 September 2014, Dohigh Trading and Sinochem Group entered into the Sulphur Purchase Framework Agreement, pursuant to which Sinochem Group will purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the term of the Sulphur Purchase Framework Agreement.
- (C) On 22 September 2014, Sinochem Fertilizer and Quanzhou Petrochemical entered into the Sales Contract, pursuant to which Sinochem Fertilizer will purchase from Quanzhou Petrochemical solid industrial sulphur products during the term of the Sales Contract.

\* For identification purposes only

## **Implications of the Listing Rules**

Each of Sinochem Fertilizer and Dohigh Trading is an indirect wholly-owned subsidiary of the Company. Quanzhou Petrochemical is an indirect wholly-owned subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company. As such, each of Sinochem Group and Quanzhou Petrochemical is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for the continuing connected transactions under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract are more than 0.1% but less than 5%, each of such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

### **(A) REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER AGRICHEMICAL FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 12 June 2014 in relation to the Agrichemical Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates), pursuant to which the associates of Sinochem Group have been selling to and/or purchasing from, and will continue to sell to and/or purchase from, Sinochem Fertilizer certain agrichemical and other related products for a term up to 31 December 2014.

#### **Principal Terms of the Agrichemical Framework Agreement**

##### ***Date***

12 June 2014

##### ***Parties***

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

##### ***Nature of transactions***

Pursuant to the Agrichemical Framework Agreement, the associates of Sinochem Group have been selling to and/or purchasing from, and will continue to sell to and/or purchase from, Sinochem Fertilizer certain agrichemical and other related products.

### ***Pricing and payment***

Pursuant to the Agrichemical Framework Agreement, prices of agrichemical and other related products shall be determined with reference to fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant associate of Sinochem Group submits its purchase plan for the relevant products.

In determining the fair market price for the purchase and sale of agrichemical and other related products, the Group generally makes reference to weekly reports published by certain independent commodity information providers such as Baichuan (百川資訊). 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, 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 and other related products, keeping abreast of the latest prices of agrichemical and other related products.

With respect to the purchase of agrichemical and other related products, the Group usually obtains reference prices from three or more suppliers before placing a purchase order with the relevant associate 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 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 and other related products by Sinochem Fertilizer to the relevant associate 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 agricultural crop technology department of Sinochem Fertilizer, and then submitted to the vice president 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 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.

Sinochem Fertilizer shall enter into specific agreements with the relevant associate of Sinochem Group pursuant to the Agrichemical Framework Agreement in relation to the type, quantities, price and delivery schedule of the agrichemical and other related products. Payments for agrichemical and other related products shall be settled by way of payment on delivery or advance payment.

## *Term*

The Agrichemical Framework Agreement took effect from 12 June 2014 and will expire on 31 December 2014. Sinochem Fertilizer may request Sinochem Group to enter into a new framework agreement with it on the same terms upon the expiry of the Agrichemical Framework Agreement.

## **Revision of Annual Cap**

Given that transaction amount of the continuing connected transactions under the Agrichemical Framework Agreement (including purchase and sale) for the eight months ended 31 August 2014 has amounted to RMB11,620,000 (equivalent to approximately HK\$14,649,000), and it is expected that the demand of certain associates of Sinochem Group will continue to increase during the remaining term of the Agrichemical Framework Agreement, the Company estimates that the transaction amount under the Agrichemical Framework Agreement for the year ending 31 December 2014 will exceed the original annual cap as disclosed in the announcement dated 12 June 2014. As such, the Company intends to revise the annual cap for the year ending 31 December 2014 for the transactions under the Agrichemical Framework Agreement from RMB17,330,000 (equivalent to approximately HK\$21,848,000) to RMB25,000,000 (equivalent to approximately HK\$31,518,000). Such cap is determined based on the current transaction amount, and the projected type, volume and market price of agrichemical and other related products.

The historical amounts of the purchase of agrichemical and other related products by the Group from the associates of Sinochem Group for the year ended 31 December 2012, the year ended 31 December 2013 and the eight months ended 31 August 2014 were approximately RMB9,090,000 (equivalent to approximately HK\$11,460,000), RMB5,660,000 (equivalent to approximately HK\$7,136,000) and RMB11,000,000 (equivalent to approximately HK\$13,868,000), respectively. The historical amounts of the sale of agrichemical and other related products by the Group to the associates of Sinochem Group for the year ended 31 December 2012, the year ended 31 December 2013 and the eight months ended 31 August 2014 were approximately RMB345,000 (equivalent to approximately HK\$435,000), nil and RMB620,000 (equivalent to approximately HK\$782,000).

As at the date of this announcement, the transaction amount of the continuing connected transactions under the Agrichemical Framework Agreement has not exceeded the original annual cap for the year ending 31 December 2014 as disclosed in the announcement dated 12 June 2014.

## **(B) CONTINUING CONNECTED TRANSACTIONS UNDER SULPHUR PURCHASE FRAMEWORK AGREEMENT**

On 22 September 2014, Dohigh Trading and Sinochem Group entered into the Sulphur Purchase Framework Agreement, pursuant to which Sinochem Group will purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the term of the Sulphur Purchase Framework Agreement.

## **Principal Terms of the Sulphur Purchase Framework Agreement**

### ***Date***

22 September 2014

### ***Parties***

- (c) Dohigh Trading
- (d) Sinochem Group

### ***Nature of transactions***

During the term of the Sulphur Purchase Framework Agreement, Sinochem Group will purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading. Sinochem Group will sell all sulphur and other fertilizer raw materials sourced from the overseas markets to Dohigh Trading except for those imported by Sinochem Group on behalf of its other customers. It is estimated that during the term of the Sulphur Purchase Framework Agreement, the purchase volume of sulphur and other fertilizer raw materials by Dohigh Trading from Sinochem Group will not exceed 200,000 tonnes.

### ***Pricing and payment***

Under the Sulphur Purchase Framework Agreement, unless otherwise determined by the PRC government, the price for the sale and purchase of sulphur and other fertilizer raw materials shall be determined by the parties through negotiation with reference to the prevailing international market price.

In determining the prevailing international market price, the parties generally make reference to weekly sulphur reports published by certain independent commodity information providers such as Argus Media and Baichuan (百川資訊). 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.

In addition, the Group maintains regular contacts with domestic and overseas sulphur producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. Before placing a purchase order with Sinochem Group, the Group usually obtains reference prices from three or more suppliers. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. Such prices will be reported to the manager of the sulphur department, and then submitted to the vice president in charge of the sulphur 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 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.

The parties shall enter into specific agreements setting out detailed terms of the transactions including the payment terms pursuant to the Sulphur Purchase Framework Agreement. Dohigh Trading shall make full payment to Sinochem Group by way of telegraphic transfer or other means for its purchase of the sulphur and other fertilizer raw materials.

### ***Term***

The term of the Sulphur Purchase Framework Agreement is from 22 September 2014 to 31 December 2015. The term of the Sulphur Purchase Framework Agreement can be extended with mutual consent of the parties.

Where a party to the Sulphur Purchase Framework Agreement has breached any terms of the Sulphur Purchase Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the non-defaulting party requesting remedy of the breach, the non-defaulting party may terminate the Sulphur Purchase Framework Agreement. In addition, during the term of the Sulphur Purchase Framework Agreement, Dohigh Trading is entitled to terminate the Sulphur Purchase Framework Agreement by giving a one month's notice to Sinochem Group.

### **Annual Caps**

The Company estimates that the annual caps for the continuing connected transactions under the Sulphur Purchase Framework Agreement for the year ending 31 December 2014 and the year ending 31 December 2015 will be US\$7,000,000 (equivalent to approximately HK\$54,258,000) and US\$20,000,000 (equivalent to approximately HK\$155,024,000), respectively. Such annual caps have been determined based on the projected quantities of purchase by Dohigh Trading from Sinochem Group and the projected average price per tonne of products (which is determined with reference to the prevailing international market price).

## **(C) CONTINUING CONNECTED TRANSACTIONS UNDER SALES CONTRACT**

On 22 September 2014, Sinochem Fertilizer and Quanzhou Petrochemical entered into the Sales Contract, pursuant to which Sinochem Fertilizer will purchase from Quanzhou Petrochemical solid industrial sulphur products during the term of the Sales Contract.

### **Principal Terms of the Sales Contract**

#### ***Date***

22 September 2014

## ***Parties***

- (e) Sinochem Fertilizer
- (f) Quanzhou Petrochemical

## ***Nature of transactions***

Sinochem Fertilizer will purchase from Quanzhou Petrochemical solid industrial sulphur products during the term of the Sales Contract. It is estimated that the purchase volume of Sinochem Fertilizer during the term of the Sales Contract will be approximately 30% of the annual production volume of Quanzhou Petrochemical and will not exceed 100,000 tonnes per annum. In particular, the monthly and daily purchase volumes of Sinochem Fertilizer are expected to be 30% (+/-10%) of the monthly and daily production volumes of Quanzhou Petrochemical, respectively. Quanzhou Petrochemical will supply the solid industrial sulphur products to Sinochem Fertilizer on a daily basis.

Sinochem Fertilizer shall, by the 20th day of each month, submit its purchase plan of the next month to Quanzhou Petrochemical, and the parties shall determine the supply volume and delivery schedule and enter into purchase orders for the next month based on Sinochem Fertilizer's purchase plan. Detailed information, such as the product name, specification, volume, price and delivery schedule, will be specified in the purchase orders to be entered into by the parties pursuant to the Sales Contract.

## ***Pricing and payment***

The price of the solid industrial sulphur products to be supplied by Quanzhou Petrochemical to Sinochem Fertilizer shall be the factory price of the products. The factory price shall be determined with reference to the prevailing wholesale port price of the products and taking into account various factors including logistics and inventory. In determining the factory price, the parties generally make reference to weekly sulphur reports published by certain independent commodity information providers such as Argus Media and Baichuan (百川資訊). 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. In addition, Sinochem Fertilizer maintains regular contacts with domestic and overseas sulphur producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. The purchase prices will be reported to the manager of the sulphur department, and then submitted to the vice president in charge of the sulphur 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 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.

Sinochem Fertilizer will make advance payment to Quanzhou Petrochemical by way of telegraphic transfer for its purchase of solid industrial sulphur products. Detailed payment terms will be specified in the purchase orders to be entered into by the parties pursuant to the Sales Contract.

### ***Term***

The term of the Sales Contract is from 22 September 2014 to 31 August 2015. Purchase orders that have been entered into during the term of the Sales Contract shall remain effective notwithstanding the expiration of the Sales Contract.

### **Annual Caps**

The Company estimates that the annual caps for the continuing connected transactions under the Sales Contract for the year ending 31 December 2014 and the eight months ending 31 August 2015 will be RMB50,000,000 (equivalent to approximately HK\$63,035,000) and RMB100,000,000 (equivalent to approximately HK\$126,070,000), respectively. Such annual caps have been determined based on Sinochem Fertilizer's projected total purchase volume and the projected purchase price of solid industrial sulphur products, and taking into account the historical transaction amount of approximately RMB4,620,000 (equivalent to approximately HK\$5,824,000) between the parties for the purchase of solid industrial sulphur products from June 2014 to August 2014.

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

### **(A) Continuing Connected Transactions under the Agrichemical Framework Agreement**

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

### **(B) Continuing Connected Transactions under the Sulphur Purchase Framework Agreement**

Dohigh Trading does not possess the qualification required for bidding of sulphur in overseas markets, while Sinochem Group possesses such qualification. As such, Dohigh Trading proposed to purchase sulphur and other fertilizer raw materials from Sinochem Group who will source the products from overseas markets through bidding process, and the Sulphur Purchase Framework Agreement was therefore entered into between the parties.



### **(C) Continuing Connected Transactions under the Sales Contract**

Quanzhou Petrochemical is a producer of solid industrial sulphur products. By purchasing sulphur products directly from Quanzhou Petrochemical, Sinochem Fertilizer has changed its traditional method of purchase through intermediate traders, thereby cutting down intermediate procedures and reducing the purchase costs of the Group. In addition, the sulphur products produced by Quanzhou Petrochemical are high sulphur with a higher level of purity, and the Company believes that the sulphur products sourced from Quanzhou Petrochemical are of better quality.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract are conducted on normal commercial terms, 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 that the annual caps for the continuing connected transactions under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract are fair and reasonable. Mr. Liu De Shu and Mr. Yang Lin, being employees of Sinochem Group, have abstained from voting on the Board resolutions passed to approve the above transactions.

### **IMPLICATIONS OF THE LISTING RULES**

Each of Sinochem Fertilizer and Dohigh Trading is an indirect wholly-owned subsidiary of the Company. Quanzhou Petrochemical is an indirect wholly-owned subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company. As such, each of Sinochem Group and Quanzhou Petrochemical is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for the continuing connected transactions under each of the Agrichemical Framework Agreement, the Sulphur Purchase Framework Agreement and the Sales Contract are more than 0.1% but less than 5%, each of such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under 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.

Dohigh Trading is principally engaged in the trading of fertilizers and other agrichemical products.

Sinochem Group is a key state-controlled enterprise established in 1950. It indirectly holds a 98% equity interest in Sinochem HK, which in turn owns approximately 52.65% of the Company. Sinochem Group's core business is as follows: petroleum, fertilizer, trade, distribution and logistics of chemicals, crude oil, fuel oil and natural rubber futures; overseas oil and gas exploitation and production, refinery, chemical mining and washing, fertilizer and chemicals production; hotel and real estate development and operation.

Quanzhou Petrochemical is principally engaged in the production, sale, loading and unloading, storage, transshipment and shipment of petroleum and petrochemical products, as well as the operation of piers and storage tanks.

## DEFINITIONS

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

“Agrichemical Framework Agreement”	the <i>Agrichemical Purchase and Sale Framework Agreement</i> dated 12 June 2014 entered into between Sinochem Fertilizer and Sinochem Group
“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
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dohigh Trading”	敦尚貿易有限公司 (Dohigh Trading Limited), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary 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
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Quanzhou Petrochemical”	中化泉州石化有限公司 Quanzhou Petrochemical Co., Ltd.), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of Sinochem Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Contract”	the <i>Annual Sales Contract of Solid Products</i> dated 22 September 2014 entered into between Sinochem Fertilizer and Quanzhou Petrochemical
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of 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 and a subsidiary of Sinochem Group
“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”	中國中化集團公司 (Sinochem Group), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“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 is the immediate 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
“Sulphur Purchase Framework Agreement”	the <i>Framework Agreement in relation to the Purchase of Sulphur and Other Fertilizer Raw Materials</i> dated 22 September 2014 entered into between Dohigh Trading and Sinochem Group

“US\$” US dollars, the lawful currency of the United States of America

“%” percent

*For the purposes of illustration only, the exchange rate of RMB1.00 = HK\$1.2607 and USD1 = HK\$7.7512 has been used for currency translation. 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.*

For and on behalf of the Board  
**SINOFERT HOLDINGS LIMITED**  
**Wang Hong Jun**  
*Executive Director and Chief Executive Officer*

Hong Kong, 22 September 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Hong Jun (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.*