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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 9 December 2015 in relation to the existing financial services framework agreement entered into between the Company and Sinochem Finance. Such agreement will expire on 31 December 2016. On 9 December 2016, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2017 to 31 December 2019 (both days inclusive).
- (B) Reference is made to the announcement of the Company dated 8 December 2015 in relation to the existing sulphur purchase framework agreement entered into between Dohigh Trading, an indirect wholly-owned subsidiary of the Company, and Sinochem Group. Such agreement will expire on 31 December 2016. On 9 December 2016, Dohigh Trading and Sinochem Group entered into the Sulphur Purchase Framework Agreement, pursuant to which Sinochem Group will continue to purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the period from 1 January 2017 to 31 December 2017 (both days inclusive).
- (C) Reference is made to the announcement of the Company dated 8 December 2015 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 associates). Such agreement will expire on 31 December 2016. On 9 December 2016, Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates) entered into the Agrichemical Framework Agreement, pursuant to which the associates of Sinochem Group will continue to sell to and/or purchase from Sinochem Fertilizer certain agrichemical, seed and other related products during the period from 1 January 2017 to 31 December 2017 (both days inclusive).

- (D) Reference is made to the announcements of the Company dated 5 December 2013 and 9 December 2014 in relation to 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 2016. On 9 December 2016, 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 2017 to 31 December 2019 (both days inclusive).

Implications of the Listing Rules

- (A) Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, the indirect controlling shareholder of the Company holding approximately 52.65% of the issued share capital of the Company through its subsidiary, Sinochem HK. Sinochem Finance is therefore 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 constitute continuing connected transactions of the Company.

Given that the relevant applicable percentage ratios in respect of the maximum daily outstanding balance of deposits of the Deposit Services under the Financial Services Framework Agreement are more than 0.1% but less than 5%, the Deposit Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules as the Loan Services 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.

Given that the relevant applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

- (B) Dohigh Trading 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. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Sulphur Purchase Framework 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 the Sulphur Purchase Framework 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 the Listing Rules.

- (C) Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder 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 Agrichemical Framework 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 the Agrichemical Framework 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 the Listing Rules.
- (D) Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Sinochem UK is a wholly-owned subsidiary of Sinochem HK, the immediate controlling shareholder of the Company holding approximately 52.65% of the issued share capital of the Company. Sinochem UK is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under 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 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 the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 9 December 2015 in relation to the existing financial services framework agreement entered into between the Company and Sinochem Finance. Such agreement will expire on 31 December 2016.

On 9 December 2016, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2017 to 31 December 2019 (both days inclusive).

Principal Terms of the Financial Services Framework Agreement

Date

9 December 2016

Parties

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

Provision of financial services by Sinochem Finance to the Group

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

- (i) Deposit Services, including but not limited to demand deposits, call deposits and term deposits;
- (ii) provision of the Loan Services (excluding entrustment loans) to members of the Group on normal commercial terms where no mortgage, pledge or other security over the assets or interests of the Group will be granted;
- (iii) 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. Such funds deposited by members of the Group will be applied for the purposes of providing entrustment loans to members of the Group only;
- (iv) commercial bills of exchange services which include the provision to members of the Group on normal commercial terms of services relating to the issuance, acceptance, custody, collection (when due) and discount of commercial bills of exchange, where no mortgage, pledge or other security over the assets or interests of the Group will be granted;
- (v) buyer financing services which include the provision to the clients of the members 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 purposes of purchasing goods or services from members of the Group only;
- (vi) settlement services which include settlement of transactions between members of the Group, and of transactions between members of the Group and member units of the Sinochem Corporation Group or other third parties, the utilization 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, the utilization by Sinochem Finance of the settlement systems it has set up with banks to audit the settlement business of members of the Group, and the provision by Sinochem Finance of cash management services, such as internal capital pool, for the Group and its member units;
- (vii) provision of guarantees at the request of members 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, where no counter-guarantee by members of the Group is required;
- (viii) internet banking services; and
- (ix) any other financial services as approved by the CBRC.

The Group utilizes 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.

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:

- (i) 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;
- (ii) Loan Services: 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;
- (iii) entrustment loan services: the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks;
- (iv) commercial bills of exchange services: the service fee and discount interest payable by the Group shall not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks;
- (v) buyer financing services: no service fee is payable by the Group;
- (vi) 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
- (vii) provision of guarantees, internet banking services and other financial services as approved by the CBRC: the service fees charged for these services shall not be higher than the prevailing market rates or standard rates as promulgated by the PBOC from time to time (if applicable).

Term

The term of the Financial Services Framework Agreement is from 1 January 2017 to 31 December 2019 (both days inclusive). Sinochem Finance and members of the Group shall enter into separate agreements which set out the 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.

Right of set-off

Under the Financial Services Framework Agreement, any member of the Group will have a right of set-off such that, in the event that any member of the Group is unable to recover any amounts deposited with Sinochem Finance for any 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 any member of the Group to Sinochem Finance.

Undertakings

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.

Under the Financial Services Framework Agreement, Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the 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 the banking institutions approved by the CBRC.

Annual Caps

Deposit Services

The Company estimates that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the three years ending 31 December 2019 will be RMB320,000,000. Such 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) the historical amounts of the Deposit Services.

For the two years ended 31 December 2015 and the ten months ended 31 October 2016, the maximum daily outstanding balances of the deposits placed by the Group with Sinochem Finance were approximately RMB354,716,000, RMB271,369,000 and RMB137,263,000, respectively.

Other Financial Services

The Company estimates that the annual cap in respect of the Other Financial Services for each of the three years ending 31 December 2019 will be RMB10,000,000. Such cap represents the estimated transaction amount of the Other Financial Services in aggregate and 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) the historical transaction amounts of such services.

For the two years ended 31 December 2015 and the ten months ended 31 October 2016, the historical transaction amounts of such services in aggregate were approximately RMB2,488,000, RMB2,114,000 and RMB2,469,000, respectively.

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 utilization of financial services provided by Sinochem Finance:

- 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 comparable offers from several 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 such offers, together with the offer from Sinochem Finance, will forthwith be submitted 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 will 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.

(B) CONTINUING CONNECTED TRANSACTIONS UNDER THE SULPHUR PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 8 December 2015 in relation to the existing sulphur purchase framework agreement entered into between Dohigh Trading, an indirect wholly-owned subsidiary of the Company, and Sinochem Group. Such agreement will expire on 31 December 2016.

On 9 December 2016, Dohigh Trading and Sinochem Group entered into the Sulphur Purchase Framework Agreement, pursuant to which Sinochem Group will continue to purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the period from 1 January 2017 to 31 December 2017 (both days inclusive).

Principal Terms of the Sulphur Purchase Framework Agreement

Date

9 December 2016

Parties

- (a) Dohigh Trading
- (b) 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 through bidding process to Dohigh Trading except for those imported by Sinochem Group on behalf of its other customers.

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. 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 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.

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 1 January 2017 to 31 December 2017 (both days inclusive), which 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 cap for the continuing connected transactions under the Sulphur Purchase Framework Agreement for the year ending 31 December 2017 will be US\$20,000,000. Such annual cap has 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).

The historical amounts of such continuing connected transactions for the two years ended 31 December 2015 and the ten months ended 31 October 2016 were approximately US\$2,066,000, US\$2,632,000 and US\$1,173,000, respectively.

(C) CONTINUING CONNECTED TRANSACTIONS UNDER THE AGRICHEMICAL FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 8 December 2015 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 associates). Such agreement will expire on 31 December 2016.

On 9 December 2016, Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates) entered into the Agrichemical Framework Agreement, pursuant to which the associates of Sinochem Group will continue to sell to and/or purchase from Sinochem Fertilizer certain agrichemical, seed and other related products during the period from 1 January 2017 to 31 December 2017 (both days inclusive).

Principal Terms of the Agrichemical Framework Agreement

Date

9 December 2016

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 will sell to and/or purchase from Sinochem Fertilizer certain agrichemical, seed and other related products.

Pricing and payment

Pursuant to the Agrichemical Framework Agreement, prices of agrichemical, seed 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, seed 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, 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 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, 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 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 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.

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, 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 2017 to 31 December 2017 (both days inclusive). Both parties may, on mutual agreement, renew the Agrichemical Framework Agreement with the same terms upon the expiry thereof.

Annual Caps

The Company estimates that the annual cap for the continuing connected transactions under the Agrichemical Framework Agreement for the year ending 31 December 2017 will be RMB11,250,000 (including the annual cap of RMB11,050,000 for the purchase of agrichemical, seed and other related products by the Group from the associates of Sinochem Group, and the annual cap of RMB200,000 for the sale of agrichemical, seed and other related products by the Group to the associates of Sinochem Group). Such annual caps have been determined 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.

The historical amounts of the purchase of agrichemical, seed and other related products by the Group from the associates of Sinochem Group for the two years ended 31 December 2015 and the ten months ended 31 October 2016 were approximately RMB14,940,000, RMB9,886,000 and RMB5,938,000, respectively. The historical amounts of the sale of agrichemical, seed and other related products by the Group to the associates of Sinochem Group for the two years ended 31 December 2015 and the ten months ended 31 October 2016 were approximately RMB620,000, nil and nil, respectively.

(D) CONTINUING CONNECTED TRANSACTIONS UNDER THE UK SERVICE AGREEMENT

Reference is made to the announcements of the Company dated 5 December 2013 and 9 December 2014 in relation to 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 2016.

On 9 December 2016, 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 2017 to 31 December 2019 (both days inclusive).

Principal Terms of the UK Service Agreement

Date

9 December 2016

Parties

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

Provision of services by Sinochem UK to Sinochem Macao

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 changes in operational expenses of Sinochem UK. Sinochem UK shall issue invoices 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 2017 and expiring on 31 December 2019 (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 2019 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 2015 and the ten months ended 31 October 2016 were US\$2,300,000, US\$2,300,000 and approximately US\$1,759,000, respectively.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

(A) Financial Services Framework Agreement

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 the 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 utilizing financial services provided by Sinochem Finance over utilizing similar services provided by independent commercial banks are as follows:

- (i) as the internal financing platform of Sinochem Group, 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 can provide mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group;
- (ii) 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 of 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 can increase capital returns while retaining the working capital flexibility of the Group; and
- (iv) settlement service provided by Sinochem Finance will 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.

(B) 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 which will source the products from overseas markets through bidding process, and the Sulphur Purchase Framework Agreement was therefore entered into between the parties.

(C) Agrichemical Framework Agreement

The associates 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 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).

(D) 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 Financial Services Framework Agreement, the Sulphur Purchase Framework Agreement, 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 Financial Services Framework Agreement, the Sulphur Purchase Framework Agreement, the Agrichemical Framework Agreement and the UK Service Agreement are fair and reasonable.

Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and employees of Sinochem Group, have abstained from voting on the relevant Board resolutions passed to approve the Financial Services Framework Agreement, the Sulphur Purchase Framework Agreement, the Agrichemical Framework Agreement and the UK Service Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

(A) Financial Services Framework Agreement

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, the indirect controlling shareholder of the Company holding approximately 52.65% of the issued share capital of the Company through its subsidiary, Sinochem HK. Sinochem Finance is therefore 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 constitute continuing connected transactions of the Company.

Deposit Services

Given that the relevant applicable percentage ratios in respect of the maximum daily outstanding balance of deposits of the Deposit Services under the Financial Services Framework Agreement are more than 0.1% but less than 5%, the Deposit Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

Loan Services

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules as the Loan Services 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

Given that the relevant applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

(B) Sulphur Purchase Framework Agreement

Dohigh Trading 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. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Sulphur Purchase Framework 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 the Sulphur Purchase Framework 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 the Listing Rules.

(C) Agrichemical Framework Agreement

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder 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 Agrichemical Framework 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 the Agrichemical Framework 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 the Listing Rules.

(D) UK Service Agreement

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Sinochem UK is a wholly-owned subsidiary of Sinochem HK, the immediate controlling shareholder of the Company holding approximately 52.65% of the issued share capital of the Company. Sinochem UK is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under 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 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 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 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. 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.

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 authorized 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).

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 framework agreement dated 9 December 2016 entered into between Sinochem Fertilizer and Sinochem Group in relation to the sale and purchase of agrichemical, seed and other related products
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission
“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

“Deposit Services”	the deposit services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement
“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
“Financial Services Framework Agreement”	the financial services framework agreement dated 9 December 2016 entered into between the Company and Sinochem Finance
“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
“Loan Services”	the loan services (excluding entrustment loans) provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement
“Macao”	the Macao Special Administrative Region of the PRC
“maximum daily outstanding balance”	the daily outstanding balance of the total deposits (including accrued interest) placed by the Group with Sinochem Finance, calculated at the close of business of Sinochem Finance on a daily basis
“member unit(s)”	in respect of a company, includes its parent company, its subsidiaries where it controls more than 50% of the equity interests; the companies where its parent company and its subsidiaries individually or jointly control more than 20% of the equity interests, or the companies to which it is the largest shareholder; and the public institutions or social groups affiliated to its parent company or subsidiaries
“Other Financial Services”	apart from the Deposit Services and the Loan Services, other financial services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement, including entrustment loan services, commercial bills of exchange services, buyer financing services, settlement services, guarantee services, internet banking services, and other financial services as approved by the CBRC
“PBOC”	the People’s Bank of China, the central bank 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 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 Corporation Group”	Sinochem Corporation and its member units (excluding the 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 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 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”	中化香港(集團)有限公司 (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
“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 a wholly-owned subsidiary of Sinochem HK
“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 framework agreement in relation to the purchase of sulphur and other fertilizer raw materials dated 9 December 2016 entered into between Dohigh Trading and Sinochem Group
“UK Service Agreement”	the provision of services agreement dated 9 December 2016 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 2016

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 directors of the Company are Mr. Zhang Wei (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, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

* *For identification purposes only*