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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)**

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF 20.52% EQUITY INTEREST IN  
QINGHAI SALT LAKE**

Reference is made to the announcement of the Company dated 17 October 2017. As disclosed in such announcement, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, is contemplating a transaction involving the equity interest in Qinghai Salt Lake.

The Board wishes to announce that on 24 October 2017 (after trading hours), Sinochem Fertilizer and Sinochem Group entered into the Share Transfer Agreement, pursuant to which Sinochem Fertilizer agreed to sell and Sinochem Group agreed to purchase 571,578,484 issued shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital, at a consideration of RMB8,063,198,568.40, subject to the terms and conditions of the Share Transfer Agreement.

As at the date of this announcement, Sinochem Fertilizer owns 571,578,484 issued shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital. Upon completion of the Disposal, Sinochem Fertilizer will cease to hold any shares of Qinghai Salt Lake and will no longer be a shareholder of Qinghai Salt Lake. The financial results of Qinghai Salt Lake will no longer be equity accounted for in the consolidated financial statements of the Company.

**LISTING RULES IMPLICATIONS**

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Independent Shareholders at the SGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Disposal. Somerly Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Share Transfer Agreement and the Disposal, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, financial information of the Group and Qinghai Salt Lake, and a notice to convene the SGM will be dispatched to the shareholders of the Company. As additional time is required to prepare and finalize the financial information of the Group and Qinghai Salt Lake, the circular will be dispatched to the shareholders of the Company on or about 1 December 2017.

**Completion of the Disposal is subject to the approval from the Independent Shareholders at the SGM and the fulfilment of the various conditions precedent as set out under the section headed “Conditions Precedent of the Disposal” in this announcement, including, among other things, obtaining the approval from SASAC with respect to the Share Transfer Agreement and the Disposal. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.**

## **BACKGROUND**

Reference is made to the announcement of the Company dated 17 October 2017. As disclosed in such announcement, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, is contemplating a transaction involving the equity interest in Qinghai Salt Lake.

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# THE SHARE TRANSFER AGREEMENT

## Parties

Purchaser: Sinochem Group

Seller: Sinochem Fertilizer

## Interest to be disposed

571,578,484 shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital.

## Consideration

The total consideration for the Disposal is RMB8,063,198,568.40.

The consideration was arrived at after arm's length negotiations between Sinochem Group and the Company based primarily on the pricing mechanism stipulated in the relevant rules and regulations of SASAC governing disposal of listed shares by state-owned enterprises. The consideration of approximately RMB14.11 per share represents 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB15.68 per share from 30 August 2017 to 17 October 2017 (being the date of the announcement of Qinghai Salt Lake in relation to its trading suspension pending the disclosure of the Disposal).

## Payment

The consideration for the Disposal shall be paid by Sinochem Group to Sinochem Fertilizer in cash in two instalments as follows:

- (a) within five business days of signing of the Share Transfer Agreement, Sinochem Group shall pay 30% of the consideration as deposit to Sinochem Fertilizer in cash; and
- (b) within sixty business days after obtaining the approval from SASAC, Sinochem Group shall pay the remaining 70% of the consideration to Sinochem Fertilizer in cash.

## Conditions Precedent of the Disposal

Completion of the Disposal is subject to and conditional upon satisfaction of the following conditions:

- (i) Sinochem Fertilizer obtaining the appropriate internal approvals and authorizations with respect to the Disposal in accordance with its articles of association;
- (ii) the Company obtaining the appropriate internal approvals and authorizations with respect to the Disposal in accordance with the relevant provisions of the Listing Rules and its bye-laws (including but without limitation the passing of an ordinary resolution by the Independent Shareholders at a general meeting of the Company approving the Share Transfer Agreement and the Disposal);

- (iii) Sinochem Group obtaining the appropriate internal approvals and authorizations with respect to its acquisition of shares of Qinghai Salt Lake in accordance with its articles of association; and
- (iv) obtaining of the approval from SASAC with respect to the Share Transfer Agreement and the Disposal.

If the conditions of the Disposal are not satisfied by 30 June 2018, either party shall have the right to terminate the Share Transfer Agreement and all moneys paid by Sinochem Group (if any) to Sinochem Fertilizer shall be refunded in full to Sinochem Group.

### **Completion**

Upon satisfaction of the conditions, both Sinochem Fertilizer and Sinochem Group shall actively assist and cooperate with Qinghai Salt Lake on its share transfer registration applications with the relevant state-owned property rights registration authority, and Sinochem Fertilizer shall cooperate with Sinochem Group to complete the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch. Completion of the Disposal shall take place on the date when the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch is completed.

The gain or loss (including but without limitation dividend distribution, bonus shares, capitalization of capital reserves and etc.) in connection with the shares of Qinghai Salt Lake during the period from the date of signing of the Share Transfer Agreement to the Completion Date shall be vested to or borne by Sinochem Fertilizer. If for whatever reason Sinochem Group has obtained proceeds of the shares of Qinghai Salt Lake during such period, Sinochem Group shall return the proceeds to Sinochem Fertilizer for free immediately after the Completion Date.

### **INFORMATION ON QINGHAI SALT LAKE**

Qinghai Salt Lake is a joint stock limited liability company established in the PRC whose shares are traded on the Shenzhen Stock Exchange. Its principal activities are the development, production and sale of potassium chloride, and the comprehensive development and utilization of salt lake resources. Its other businesses include the production of cement, commercial chain and hotel businesses. According to the announcement dated 3 August 2017 published by Qinghai Salt Lake on the Shenzhen Stock Exchange, Qinghai Salt Lake is discussing the proposals such as asset and debt restructuring and debt for equity swap. Currently, the proposals are under preparation and planning with no specific transaction counterparty being determined. There are uncertainties as to whether the proposals can be materialized.

Based on the audited financial statements of Qinghai Salt Lake prepared in accordance with Chinese Accounting Standards for Business Enterprises, the audited net assets value of Qinghai Salt Lake as at 31 December 2016 was RMB26,371.53 million, and the audited profits of Qinghai Salt Lake for the years ended 31 December 2015 and 31 December 2016 were as follows:

	<b>For the year ended 31 December 2015</b> <i>(RMB million)</i>	<b>For the year ended 31 December 2016</b> <i>(RMB million)</i>
Audited profit before taxation	762.38	489.41
Audited profit after taxation	544.24	209.59

For the six months ended 30 June 2017, the unaudited loss before and after taxation of the Qinghai Salt Lake were RMB485.77 million and RMB520.58 million, respectively.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group's new strategic development direction is to adapt to the modern agricultural development trend, with a core focus on integration of various agricultural inputs, technical planting services, agricultural services, financial services, agricultural sales and other integrated solutions. The Group will also utilize information technology to enhance the efficiency and effectiveness of agricultural services, provide agricultural services directly to end users, enhance research and development, and continuously promote products upgrades, so as to gradually form a competitive product portfolio, thereby enhancing the Group's overall competitiveness.

Although the shares of Qinghai Salt Lake was an important potassium chloride asset previously acquired by Sinochem Fertilizer under its global resource strategy, Sinochem Fertilizer has currently adjusted its development strategy and positioning, and the holding of shares of Qinghai Salt Lake has become a resource constraint towards the promotion of the Group's new strategy. As at the end of 30 September 2017, the carrying value of equity interest in Qinghai Salt Lake is approximately RMB7,986 million which accounted for approximately 37% of the Group's total assets value. To this end, the Group intends to sell its shares in Qinghai Salt Lake, and release a large amount of capital. The capital released can be used to implement the strategic transformation of the Group's business model, contribute to the Group's cash flow and financial position, and in the long-run, further create value for the Company's shareholders.

Although the offer from Sinochem Group was the only offer received by the Board, the Board is fully aware of its fiduciary duties in assessing the merits of the terms of the Share Transfer Agreement and due procedures have been and will be followed. Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, had abstained from voting on the Board resolution passed to approve the Disposal.

The Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) are of the view that the Disposal is conducted by the Company in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon completion of the Disposal, Sinochem Fertilizer will cease to hold any shares of Qinghai Salt Lake and will no longer be a shareholder of Qinghai Salt Lake. The financial results of Qinghai Salt Lake will no longer be equity accounted for in the consolidated financial statements of the Company.

The gain or loss of the Group as a result of the Disposal represents the consideration to be received by the Group from the Disposal after the deduction of estimated transaction cost for the Disposal, less the carrying value of the 20.52% equity interest in Qinghai Salt Lake as at the Completion Date and the capital and other reserves in relation to the Group's share of Qinghai Salt Lake's net assets changes (other than profit or loss or other comprehensive income and distributions received) which were recognized by the Group in previous years. Based on the carrying value of the equity interest in Qinghai Salt Lake as at 30 September 2017, the estimated loss of the Group as a result of the Disposal is approximately RMB630 million.

The actual gain or loss in connection with the Disposal may be different from the above and will be assessed after completion of the Disposal and is subject to the review by the auditors.

## **USE OF PROCEEDS**

The Group will receive cash proceeds of approximately RMB8,063 million from the Disposal. The Group intends to use approximately RMB4,000 million for repaying the Group's outstanding loans, and the remaining proceeds will be used to satisfy the requirements for the Group's future strategic development and normal business operations.

## **INFORMATION ON THE COMPANY AND SINOCHEM GROUP**

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, 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 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.

## **LISTING RULES IMPLICATIONS**

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Independent Shareholders at the SGM. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the Disposal. Somerly Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Share Transfer Agreement and the Disposal, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, financial information of the Group and Qinghai Salt Lake, and a notice to convene the SGM will be dispatched to the shareholders of the Company. As additional time is required to prepare and finalize the financial information of the Group and Qinghai Salt Lake, the circular will be dispatched to the shareholders of the Company on or about 1 December 2017.

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## DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day”	any day other than a Saturday, Sunday or public holiday pursuant to the laws of the PRC
“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
“Completion Date”	the date on which the share transfer registration in respect of the Disposal with China Securities Depository and Clearing Corporation Limited Shenzhen Branch is completed

“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
“Disposal”	the proposed disposal of 571,578,484 shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital
“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
“Independent Board Committee”	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the Disposal, comprising all independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“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
“Qinghai Salt Lake”	青海鹽湖工業股份有限公司 (Qinghai Salt Lake Industry Co., Ltd.), a joint stock limited liability company established in the PRC whose shares are listed on the Shenzhen Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Share Transfer Agreement and the Disposal
“Share Transfer Agreement”	the share transfer agreement dated 24 October 2017 (after trading hours) entered into between Sinochem Group (as purchaser) and Sinochem Fertilizer (as seller) in relation to the Disposal
“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”	中國中化集團公司 (Sinochem Group), a state-owned enterprise incorporated in the PRC and the ultimate 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
“%”	percent

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

Hong Kong, 24 October 2017

*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*