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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MOU

Reference is made to the announcement of the Company dated 12 January 2015 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex International Pte. Limited (on behalf of Canpotex) for the supply of Canadian potash by Canpotex to Sinochem Macao. The MOU will expire on 31 December 2017. On 28 December 2017, Sinochem Macao and Canpotex entered into the New MOU, pursuant to which Sinochem Macao will continue to purchase Canadian potash from Canpotex for a term up to 31 December 2020, subject to obtaining the approval from the Independent Shareholders at the SGM.

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Potash Corporation holds approximately 22.26% equity interest in the Company, and is therefore a substantial shareholder of the Company. Canpotex, owned as to 33.33% by Potash Corporation, is an associate of Potash Corporation, and is therefore a connected person of the Company. As such, the transactions contemplated under the New MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions under the New MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder. Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined 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, *inter alia*, details of the New MOU, the recommendation of the Independent Board Committee as well as the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder, will be dispatched to the shareholders on or before 7 February 2018 as additional time is required to prepare and finalize certain information for inclusion in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 12 January 2015 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex International Pte. Limited (on behalf of Canpotex) for the supply of Canadian potash by Canpotex to Sinochem Macao. The MOU will expire on 31 December 2017.

On 28 December 2017, Sinochem Macao and Canpotex entered into the New MOU, pursuant to which Sinochem Macao will continue to purchase Canadian potash from Canpotex for a term up to 31 December 2020, subject to obtaining the approval from the Independent Shareholders at the SGM.

In the event that Sinochem Macao purchases any Canadian potash from Canpotex before obtaining the approval from the Independent Shareholders at the SGM, the Company will comply with the relevant requirements under the Listing Rules in a timely manner with respect to each particular purchase.

PRINCIPAL TERMS OF THE NEW MOU

Date

28 December 2017

Parties

- (a) Sinochem Macao
- (b) Canpotex

Nature of transactions

Under the New MOU, Sinochem Macao has agreed to purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2020. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of Canadian potash per year comprised of the following grades: red standard grade potash, red granular grade potash, white fine standard grade potash and white standard grade potash.

During the term of the New MOU, Sinochem Macao will have the exclusive right to purchase red standard grade potash from Canpotex for sale in the PRC market.

Pursuant to the New MOU, the parties will enter into a contract each year for the purchase and delivery of red standard grade potash for such year, failing which, the annual volume of red standard grade potash to be purchased and delivered for such year will be discussed and determined through mutual negotiations between the parties.

Pricing

Prices will be determined on a six-month basis through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC. If Sinochem Macao and Canpotex cannot reach final agreements on prices within 90 days from the last day of the previous six-month pricing period, both parties will be free to pursue business through alternative channels.

In determining such prices, the parties generally make reference to weekly 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 Company 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 potash producers, distributors and traders, keeping abreast of the latest international and domestic market prices. Before placing a purchase order with Canpotex, the Group usually makes reference to the prices under its long-term agreements with other potash suppliers and takes into account the demand of its downstream customers when determining the prices and quantities of the transactions with Canpotex. Such prices will be reported to the manager of the potash department, and then submitted to the vice president in charge of the potash 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.

Payment

Payments may be settled by way of letter of credit or such other means as may be decided upon by the parties.

Term and termination

Subject to obtaining the approval from the Independent Shareholders at the SGM, the New MOU will have a term up to 31 December 2020. The New MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

ANNUAL CAPS

The proposed annual caps for the three years ending 31 December 2020 in respect of the continuing connected transactions contemplated under the New MOU are US\$250,000,000, US\$260,000,000 and US\$270,000,000, respectively. Such annual caps are determined based on the estimated volume and prices of purchases pursuant to the New MOU, with reference to the transaction volume of potash purchased for the previous years.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2016 and the eleven months ended 30 November 2017 were approximately US\$226,961,000, US\$62,605,000 and US\$31,927,000, respectively.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

By entering into the New MOU, the Group will further enrich its operational resources and ensure a stable supply of the relatively rare mineral fertilizer of potash. The production of potash in the PRC falls short of domestic demand. Each year the PRC needs to import considerable quantities of potash to meet the increasing demand of potash for domestic agricultural production. The import of potash products from Canpotex under the New MOU will help enrich the operational resources of the Group.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular, are of the view that the continuing connected transactions contemplated under the New MOU 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 the shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the New MOU are fair and reasonable.

Dr. Stephen Francis Dowdle, being a management member of Potash Corporation, and Ms. Xiang Dandan, being an employee of Canpotex, have abstained from voting on the relevant Board resolution passed to approve the New MOU and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Potash Corporation holds approximately 22.26% equity interest in the Company, and is therefore a substantial shareholder of the Company. Canpotex, owned as to 33.33% by Potash Corporation, is an associate of Potash Corporation, and is therefore a connected person of the Company. As such, the transactions contemplated under the New MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions under the New MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder. Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined 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, *inter alia*, details of the New MOU, the recommendation of the Independent Board Committee as well as the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder, will be dispatched to the shareholders on or before 7 February 2018 as additional time is required to prepare and finalize certain information for inclusion in the circular.

GENERAL INFORMATION

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, distribution and agricultural services of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses.

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

Canpotex is principally engaged in offshore marketing of potash products for its three owners. Canpotex is owned as to 33.33% by Potash Corporation, one of the largest potash producers in the world.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Canpotex”	Canpotex Limited, a company incorporated in Canada, which is held as to 33.33% by Potash Corporation
“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(s)”	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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the New MOU and the transactions contemplated thereunder

“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined 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 New MOU and the transactions contemplated thereunder
“Independent Shareholders”	shareholders other than Potash Corporation and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macao”	The Macao Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 12 January 2015 entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex)
“New MOU”	the non-binding memorandum of understanding dated 28 December 2017 entered into between Sinochem Macao and Canpotex
“Potash Corporation”	Potash Corporation of Saskatchewan Inc., a corporation incorporated in Canada with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange, and a substantial shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao and Taiwan
“SGM”	a special general meeting of the Company to be convened to consider and approve, among other things, the New MOU and the transactions contemplated thereunder
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

“substantial shareholder(s)” has the same meaning ascribed to it under the Listing Rules

“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, 28 December 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*