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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 DISCLOSEABLE TRANSACTION PROVISION OF ENTRUSTED LOAN

Reference is made to the announcements of the Company dated 25 October 2012, 31 October 2012 and 11 December 2012 in relation to the Capital Increase Agreement entered into between Yangmei Pingyuan and its shareholders (including Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company) on 24 October 2012. Pursuant to the Capital Increase Agreement, Yangmei Chemical agreed to increase its capital investment in Yangmei Pingyuan, following the completion of which, Yangmei Pingyuan ceased to be a subsidiary of Sinochem Fertilizer. Yangmei Chemical and Sinochem Fertilizer (being the largest and the second largest shareholders of Yangmei Pingyuan, respectively, following the completion of the capital increase) agreed to provide financial support (including loans and guarantees) to Yangmei Pingyuan at a ratio of 58% and 42%.

The Board announces that in order to perform the obligation of Sinochem Fertilizer under the Capital Increase Agreement to provide financial support to Yangmei Pingyuan, Sinochem Fertilizer (as the lender) entered into the Entrusted Loan Contract with Yangmei Pingyuan (as the borrower) and Sinochem Finance (as the lending agent) on 24 July 2018, pursuant to which Sinochem Fertilizer agreed to provide the Entrusted Loan in the principal amount of RMB670,000,000 to Yangmei Pingyuan through Sinochem Finance.

Given that one or more of the applicable percentage ratios in respect of the Entrusted Loan are more than 5% but less than 25%, the provision of the Entrusted Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* *For identification purposes only*

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, which is owned as to 98% by Sinochem Group. Sinochem Group is the ultimate controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Accordingly, Sinochem Finance is a connected person of the Company. The provision of the Entrusted Loan services by Sinochem Finance, as the lending agent, to Sinochem Fertilizer under the Entrusted Loan Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The pricing and payment of the handling fee in connection with the Entrusted Loan services will be incorporated in and governed by the financial services framework agreement dated 9 December 2016 and its supplemental agreement dated 17 January 2018 entered into between the Company and Sinochem Finance, and the handling fee will be subject to the annual caps under such agreements (please refer to the announcements of the Company dated 9 December 2016 and 17 January 2018 for details).

BACKGROUND

Reference is made to the announcements of the Company dated 25 October 2012, 31 October 2012 and 11 December 2012 in relation to the Capital Increase Agreement entered into between Yangmei Pingyuan and its shareholders (including Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company) on 24 October 2012. Pursuant to the Capital Increase Agreement, Yangmei Chemical agreed to increase its capital investment in Yangmei Pingyuan, following the completion of which, Yangmei Pingyuan ceased to be a subsidiary of Sinochem Fertilizer. Yangmei Chemical and Sinochem Fertilizer (being the largest and the second largest shareholders of Yangmei Pingyuan, respectively, following the completion of the capital increase) agreed to provide financial support (including loans and guarantees) to Yangmei Pingyuan at a ratio of 58% and 42%.

The Board announces that in order to perform the obligation of Sinochem Fertilizer under the Capital Increase Agreement to provide financial support to Yangmei Pingyuan, Sinochem Fertilizer (as the lender) entered into the Entrusted Loan Contract with Yangmei Pingyuan (as the borrower) and Sinochem Finance (as the lending agent) on 24 July 2018, pursuant to which Sinochem Fertilizer agreed to provide the Entrusted Loan in the principal amount of RMB670,000,000 to Yangmei Pingyuan through Sinochem Finance.

PRINCIPAL TERMS OF THE ENTRUSTED LOAN CONTRACT

- Date** : 24 July 2018.
- Parties** : (a) Sinochem Fertilizer (as the lender);
(b) Yangmei Pingyuan (as the borrower); and
(c) Sinochem Finance (as the lending agent).
- Principal amount** : RMB670,000,000 of a revolving nature. Yangmei Pingyuan may re-borrow any portion of the principal amount that has been repaid or prepaid.
- Interest rate** : 6.05% per annum.

- Term** : From 24 July 2018 to 23 July 2019. Sinochem Fertilizer will release the loan to Yangmei Pingyuan by instalment out of the principal amount of the Entrusted Loan through Sinochem Finance. Sinochem Finance will issue to Yangmei Pingyuan a proof for the release of loan at the time when each loan is released, stating the amount of each loan, date of release and maturity date. The maturity date of each loan shall not exceed the term of the Entrusted Loan Contract.
- Repayment** : Yangmei Pingyuan shall repay the principal of each loan to Sinochem Fertilizer through Sinochem Finance on the maturity date of such loan, and shall pay any interests accrued on such loan to Sinochem Fertilizer through Sinochem Finance on a quarterly basis. Yangmei Pingyuan may, by serving one working day's prior written notice to Sinochem Finance, prepay all or part of the principal of the Entrusted Loan and any interests accrued thereon prior to the maturity date.
- Use of proceeds** : The Entrusted Loan shall be used for the replenishment of the daily working capital of Yangmei Pingyuan.
- Handling fee** : The handling fee shall include a fixed handling fee calculated at 0.005% of the principal amount of the Entrusted Loan, and a floating handling fee calculated at 0.1% of the principal amount of the Entrusted Loan, subject to a cap of the floating handling fee of no more than RMB300,000. On such basis, the total amount of the handling fee shall be RMB333,500, which shall be paid in a lump sum by Sinochem Fertilizer to Sinochem Finance on the date of signing of the Entrusted Loan Contract.
- Other provisions** : Yangmei Pingyuan is a supplier of Sinochem Fertilizer for nitrogen fertilizer products. Under the Capital Increase Agreement, Yangmei Pingyuan shall be under an obligation to sell 90% of its nitrogen fertilizer products to Sinochem Fertilizer. Pursuant to the Entrusted Loan Contract, if Yangmei Pingyuan fails to repay the principal of the Entrusted Loan or any interests accrued thereon as scheduled, Sinochem Fertilizer shall have the right to withhold any amounts payable to Yangmei Pingyuan for its purchase of products from Yangmei Pingyuan, or request Yangmei Pingyuan to deliver its products to Sinochem Fertilizer, so as to set off against the principal of the Entrusted Loan or any interests accrued thereon as may be owed by Yangmei Pingyuan to Sinochem Fertilizer.

The Entrusted Loan Contract further provides that if Yangmei Pingyuan fails to perform its obligations under the Entrusted Loan Contract, Sinochem Fertilizer shall have the right to instruct Sinochem Finance to cease the release of the Entrusted Loan to Yangmei Pingyuan, and request Yangmei Pingyuan to prepay the principal of the Entrusted Loan that has been released, together with any interests accrued thereon, prior to the maturity date.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE ENTRUSTED LOAN

Sinochem Fertilizer, as the second largest shareholder of Yangmei Pingyuan, is under an obligation to provide loans or guarantees to Yangmei Pingyuan at the ratio specified under the Capital Increase Agreement. Yangmei Pingyuan is a supplier of Sinochem Fertilizer for nitrogen fertilizer products and also an associate of Sinochem Fertilizer. The provision of the Entrusted Loan will enable Yangmei Pingyuan to obtain sufficient capitals for the furtherance of its business development and the enhancement of its overall competitiveness, thus facilitating the Group to have a constant supply of quality nitrogen fertilizers and increasing its investment income.

The Entrusted Loan will be financed by the Group from its idle funds, which will not affect the working capital or daily operation of the Group. The interest rate of the Entrusted Loan is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC and also higher than the latest benchmark interest rate for one-year loan as published by the People's Bank of China. The Group may obtain a higher interest income through the provision of the Entrusted Loan to increase its rate of return on cash and cash equivalents, thereby improving its financial income.

The Directors (including the independent non-executive Directors) are of the view that the provision of the Entrusted Loan is entered into by the Group 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.

IMPLICATIONS OF THE LISTING RULES

Given that one or more of the applicable percentage ratios in respect of the Entrusted Loan are more than 5% but less than 25%, the provision of the Entrusted Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, which is owned as to 98% by Sinochem Group. Sinochem Group is the ultimate controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Accordingly, Sinochem Finance is a connected person of the Company. The provision of the Entrusted Loan services by Sinochem Finance, as the lending agent, to Sinochem Fertilizer under the Entrusted Loan Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The pricing and payment of the handling fee in connection with the Entrusted Loan services will be incorporated in and governed by the financial services framework agreement dated 9 December 2016 and its supplemental agreement dated 17 January 2018 entered into between the Company and Sinochem Finance, and the handling fee will be subject to the annual caps under such agreements (please refer to the announcements of the Company dated 9 December 2016 and 17 January 2018 for details).

GENERAL INFORMATION

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

Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, is principally 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.

Yangmei Pingyuan is principally engaged in the production and sale of urea, methanol, ammonium acid carbonate and melamine, etc. Yangmei Pingyuan is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and another shareholder, respectively. Other than 36.75% of its equity interest which is held by Sinochem Fertilizer, Yangmei Pingyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the People's Bank of China. It is subject to the supervision of the China Banking and Insurance Regulatory Commission. Sinochem Finance is principally engaged in the provision of financial services to member units of Sinochem Corporation, mainly including financial and financing advisory service, credit authentication and related consulting service and agency service; provision of guarantees; entrusted loan and investment; bill acceptance and discount; settlement service; deposit service; loan and finance lease, etc.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Capital Increase Agreement”	the capital increase agreement dated 24 October 2012 entered into between Yangmei Pingyuan and its shareholders (including Sinochem Fertilizer and Yangmei Chemical)
“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
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Entrusted Loan”	the entrusted loan in the principal amount of RMB670,000,000 provided by Sinochem Fertilizer to Yangmei Pingyuan through Sinochem Finance
“Entrusted Loan Contract”	the entrusted loan contract dated 24 July 2018 entered into by Sinochem Fertilizer (as the lender) with Yangmei Pingyuan (as the borrower) and Sinochem Finance (as the lending agent)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability incorporated in the PRC, a subsidiary of Sinochem Group and the indirect controlling shareholder 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 Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Sinochem Corporation
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Yangmei Chemical”	陽泉煤業集團陽煤化工投資有限責任公司 (Yangmei Chemical Investment Co., Ltd.), a limited liability company incorporated in the PRC and the largest shareholder of Yangmei Pingyuan

“Yangmei Pingyuan”

陽煤平原化工有限公司 (Yangmei Pingyuan Chemical Company Limited), a limited liability company incorporated in the PRC, which is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and another shareholder, respectively

“%”

percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde

Executive Director and Chief Executive Officer

Hong Kong, 24 July 2018

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) and Mr. Yang Lin; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.