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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 MAJOR TRANSACTION CAPITAL INJECTION TO SINO CHEM CHANGSHAN**

Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, has, since 2010, extended several shareholders' loans to its non-wholly owned subsidiary, Sinochem Changshan, for the purpose of satisfying the needs of Sinochem Changshan's daily operation and business development. As at the date of this announcement, the outstanding amount of such shareholders' loans is RMB2,055,535,061.

The Board announces that on 31 August 2018, Sinochem Fertilizer and Sinochem Changshan entered into the DES Agreement, pursuant to which Sinochem Fertilizer agreed to convert an amount of RMB1,820,000,000 in the outstanding shareholders' loans extended by it to Sinochem Changshan into an additional registered capital of Sinochem Changshan. Upon completion of the Transaction, the registered capital of Sinochem Changshan will increase from RMB1,018,650,000 to RMB2,838,650,000, and the shareholding percentage of Sinochem Fertilizer in Sinochem Changshan will increase from 94.78% to 98.16%.

Given that one or more of the applicable percentage ratios in respect of the Transaction are more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder has any material interest in the Transaction, and therefore none of the shareholders is required to abstain from voting if the Company were to convene a general meeting to approve the Transaction. The Company has obtained a written approval in respect of the Transaction from Sinochem HK, the immediate controlling shareholder of the Company, which owns 3,698,660,874 shares of the Company, representing approximately 52.65% of the total number of issued shares of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, the written approval from Sinochem HK can be accepted in lieu of holding a general meeting for the purpose of approving the Transaction.

\* For identification purposes only

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Transaction and other information required by the Listing Rules shall be dispatched to the shareholders within 15 business days after publication of this announcement. As more time is required for the Company to prepare the relevant information (including but not limited to the indebtedness statement of the Group and the accountants' report of Sinochem Changshan) for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The Company will publish an announcement in relation to the dispatch of the circular as and when appropriate.

## **BACKGROUND**

Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, has, since 2010, extended several shareholders' loans to its non-wholly owned subsidiary, Sinochem Changshan, for the purpose of satisfying the needs of Sinochem Changshan's daily operation and business development. As at the date of this announcement, the outstanding amount of such shareholders' loans is RMB2,055,535,061.

The Board announces that on 31 August 2018, Sinochem Fertilizer and Sinochem Changshan entered into the DES Agreement, pursuant to which Sinochem Fertilizer agreed to convert an amount of RMB1,820,000,000 in the outstanding shareholders' loans extended by it to Sinochem Changshan into an additional registered capital of Sinochem Changshan. Upon completion of the Transaction, the registered capital of Sinochem Changshan will increase from RMB1,018,650,000 to RMB2,838,650,000, and the shareholding percentage of Sinochem Fertilizer in Sinochem Changshan will increase from 94.78% to 98.16%.

## **PRINCIPAL TERMS OF THE DES AGREEMENT**

### **Date**

31 August 2018

### **Parties**

- (a) Sinochem Fertilizer
- (b) Sinochem Changshan

### **Nature of the Transaction**

Pursuant to the DES Agreement, Sinochem Fertilizer agreed to convert an amount of RMB1,820,000,000 in the outstanding shareholders' loans extended by it to Sinochem Changshan into an additional registered capital of Sinochem Changshan. Upon completion of the Transaction, the registered capital of Sinochem Changshan will increase from RMB1,018,650,000 to RMB2,838,650,000, and the shareholding percentage of Sinochem Fertilizer in Sinochem Changshan will increase from 94.78% to 98.16%.

Sinochem Changshan has been actively seeking loans from independent commercial banks. For this purpose, the debt asset ratio of Sinochem Changshan needs to be improved, and the amount of capital injection by Sinochem Fertilizer to Sinochem Changshan is therefore determined to be RMB1,820,000,000.

As the capital injection is to be made by Sinochem Fertilizer to Sinochem Changshan through the conversion of shareholders' loans into registered capital, Sinochem Fertilizer is not required to make any cash payment in respect of the Transaction.

## **Completion**

Sinochem Changshan shall complete the accounting treatment in respect of the Transaction, the corresponding amendments to its register of members and articles of association, as well as the formalities in relation to the registration with the authority for industrial and commercial administration. Completion of the Transaction shall take place on the date of completion of the relevant registration with the authority for industrial and commercial administration.

## **INFORMATION ON SINOCEM CHANGSHAN**

Established in 1969, Sinochem Changshan is principally engaged in the production and sale of urea, compound fertilizer, morpholine, liquid anhydrous ammonia, ammonia water, industrial oxygen, nitrogen, argon, carbon dioxide, mixed gas, medical oxygen, water treatment agent, and plastic woven bag, etc. As at the date of this announcement, Sinochem Changshan has a registered capital of RMB1,018,650,000, held as to 94.78% by Sinochem Fertilizer and 5.22% by Jilin SOA. Upon completion of the Transaction, its registered capital will increase to RMB2,838,650,000, held as to 98.16% by Sinochem Fertilizer and 1.84% by Jilin SOA. Sinochem Changshan will remain as a non-wholly owned subsidiary of Sinochem Fertilizer, and its accounts will continue to be consolidated into the accounts of the Group.

Based on the financial statements of Sinochem Changshan prepared in accordance with the China Accounting Standards for Business Enterprises, its audited net liabilities as at 31 December 2017 is RMB1,663,276,847, and its unaudited net liabilities as at 30 June 2018 is RMB1,716,217,072. The losses of Sinochem Changshan for the two years ended 31 December 2017 and for the six months ended 30 June 2018 are as follows:

	<i>Unit: RMB</i>		
	Year ended 31 December 2016 (Audited)	Year ended 31 December 2017 (Audited)	<b>Six months ended 30 June 2018 (Unaudited)</b>
Loss before taxation	(754,263,765)	(1,371,737,479)	<b>(54,235,253)</b>
Loss after taxation	(754,951,057)	(1,371,737,479)	<b>(54,235,253)</b>

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

The Transaction will help reduce the debt burden of Sinochem Changshan and optimize its asset structure. Based on the unaudited financial statements of Sinochem Changshan as at 30 June 2018, the net liabilities of Sinochem Changshan will change from RMB1,716,217,072 to a net asset of RMB103,782,928 upon completion of the Transaction, which will significantly improve its financial position. As a subsidiary of the Company and an important production base of the Group in Northeast China, Sinochem Changshan will bring new vitality into the overall business development of the Group through the enhancement of its own operating capability.

Before and after the completion of the Transaction, Sinochem Changshan has been and will remain as a non-wholly owned subsidiary of the Company, and its accounts have been and will continue to be consolidated into the accounts of the Group. Upon completion of the Transaction, the shareholding percentage of Sinochem Fertilizer in Sinochem Changshan will increase from 94.78% to 98.16%, and the debt investment in an amount of RMB1,820,000,000 made by Sinochem Fertilizer to Sinochem Changshan will be changed to long-term equity investment. As the intra-group debt and long-term equity investment will be offset in the Group's consolidated financial statements, the Transaction will have no impact on the assets and liabilities of the Group. Based on the unaudited financial statements of Sinochem Changshan as at 30 June 2018 and assuming the completion of the Transaction had taken place on 30 June 2018, the Transaction would cause the non-controlling interest in the Group's consolidated financial statements to increase by RMB86,943,420, and the total equity attributable to owners of the Company would decrease by the same amount.

The Directors are of the view that the Transaction 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 Transaction are more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder has any material interest in the Transaction, and therefore none of the shareholders is required to abstain from voting if the Company were to convene a general meeting to approve the Transaction. The Company has obtained a written approval in respect of the Transaction from Sinochem HK, the immediate controlling shareholder of the Company, which owns 3,698,660,874 shares of the Company, representing approximately 52.65% of the total number of issued shares of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, the written approval from Sinochem HK can be accepted in lieu of holding a general meeting for the purpose of approving the Transaction.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Transaction and other information required by the Listing Rules shall be dispatched to the shareholders within 15 business days after publication of this announcement. As more time is required for the Company to prepare the relevant information (including but not limited to the indebtedness statement of the Group and the accountants' report of Sinochem Changshan) for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The Company will publish an announcement in relation to the dispatch of the circular as and when appropriate.

## **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.

Jilin SOA is principally engaged in businesses such as assets acquisition, disposal, leasing, and investment in certain industries; acting as an agent of the enterprises invested by Jilin State-owned Assets Supervision and Administration Commission for the transfer of their debts and equity interests and operation of such enterprises; merger and acquisition of enterprises, restructuring advisory and agency services; corporate and asset management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jilin SOA and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **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
“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
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“DES Agreement”	the debt for equity swap agreement entered into between Sinochem Fertilizer and Sinochem Changshan on 31 August 2018
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Jilin SOA”	吉林省國有資產經營管理有限責任公司 (Jilin State-Owned Assets Management Co., Ltd.), a company incorporated in the PRC with limited liability
“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 Changshan”	中化吉林長山化工有限公司 (Sinochem Jilin Changshan Chemical Co., Ltd.), a company incorporated in the PRC with limited liability, and a non-wholly owned subsidiary of Sinochem Fertilizer
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary 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, and the immediate controlling shareholder of the Company holding approximately 52.65% of the total number of issued shares 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
“Transaction”	the conversion by Sinochem Fertilizer of an amount of RMB1,820,000,000 in the outstanding shareholders’ loans extended by it to Sinochem Changshan into an additional registered capital of Sinochem Changshan
“%”	percent

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

Hong Kong, 31 August 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.*