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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

On 8 April 2013, Sinochem Fertilizer and Dohigh Trading, both the wholly-owned subsidiary of the Company, entered into the Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them all to Sinochem Fertilizer. The Framework Agreement will expire on 31 December 2013.

Sinochem Group through its subsidiary, Sinochem HK, controls approximately 52.65% of the issued share capital of the Company, and therefore it is a connected person of the Company under the Listing Rules. Therefore, entry into the Framework Agreement constitutes a continuing connected transaction of the Group. Given that each of the relevant applicable percentage ratios set out in the Listing Rules for the transactions contemplated under the Framework Agreement is expected to be above 0.1% and less than 5% on an annual basis, such transactions fall within Rule 14A.34 of the Listing Rules, and are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

### **BACKGROUND**

On 8 April 2013, Sinochem Fertilizer and Dohigh Trading, both the wholly-owned subsidiary of the Company, entered into the Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them all to Sinochem Fertilizer. The Framework Agreement will expire on 31 December 2013.

## **MAJOR TERMS OF THE FRAMEWORK AGREEMENT**

### **Date**

8 April 2013

### **Parties**

- (1) Sinochem Group, the indirect controlling shareholder of the Company;
- (2) Dohigh Trading, the indirect wholly-owned subsidiary of the Company; and
- (3) Sinochem Fertilizer, the wholly-owned subsidiary of the Company.

### **Nature of transactions**

Sinochem Fertilizer, Dohigh Trading and Sinochem Group entered into the Framework Agreement on 8 April 2013 so as to make full use of domestic preferential policies and respective advantages of the contractual parties. Pursuant to the Framework Agreement, Sinochem Group will import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them all to Sinochem Fertilizer. Except for any sulphur and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers, Sinochem Group will sell all the sulphur and other fertilizer raw materials it imports to Sinochem Fertilizer.

### **Specific Agreements**

Sinochem Fertilizer, Dohigh Trading and Sinochem Group will, in accordance with the provisions and principles stipulated in the Framework Agreement, enter into further specific agreements for the products imported through Sinochem Group.

### **Pricing and Payment**

Under the Framework Agreement, unless otherwise determined by the PRC Government, the pricing principles for the sale and purchase of sulphur and other fertilizer raw materials between the parties are as follows:

- (i) the price to be paid by Sinochem Group to Dohigh Trading for sulphur and other fertilizer raw materials sold by Dohigh Trading to Sinochem Group will be set in accordance with the prevailing international market price;
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for sulphur and other fertilizer raw materials sourced from overseas by Dohigh Trading will be set on a cost basis, that is, the price of the sulphur and other fertilizer raw materials acquired by Sinochem Group from Dohigh Trading plus a reasonable cost incurred by Sinochem Group in relation to the importation of sulphur and other fertilizer raw materials; and
- (iii) the price to be paid by Sinochem Fertilizer to Sinochem Group for sulphur and other fertilizer raw materials sourced by Sinochem Group directly from overseas will be set in accordance with the domestic wholesale market price.

After entry into the specific agreement in relation to the purchase of sulphur and other fertilizer raw materials by Sinochem Fertilizer with Sinochem Group as a result of negotiation between the parties on the type of material, specification, quantities, packaging and price, Sinochem Fertilizer shall make the full payment to Sinochem Group (e.g. by way of bank draft) for its purchase of the sulphur and other fertilizer raw materials.

Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into the specific agreement with Dohigh Trading in relation to the importation of sulphur and other raw fertilizer materials. Under this specific agreement, Sinochem Group will not be obligated to make any payment for its importation until the delivery by Dohigh Trading of relevant sulphur and other raw fertilizer materials.

Specific agreements detailing precise terms, which include the terms of payment, will be entered into. The terms of payment will accord with market standards and are subject to further negotiation between the parties.

### **Termination and Expiration**

Where a party to the Framework Agreement has committed a breach of any terms of the agreement and such breach is not remedied within 60 days of the date of written notice from the other parties requesting remedy of the breach, the other parties may terminate the agreement. Otherwise, only Dohigh Trading or Sinochem Fertilizer may terminate the agreement by giving one month's notice to the other parties.

The Framework Agreement will expire on 31 December 2013. The term of the Framework Agreement can be extended with the consent of Sinochem Fertilizer, Dohigh Trading and Sinochem Group.

### **PROPOSED CAPS**

#### ***Caps for continuing connected transactions between Dohigh Trading and Sinochem Group***

The maximum value in respect of the continuing connected transactions between Dohigh Trading and Sinochem Group under the Framework Agreement for the term of this agreement ending 31 December 2013 is estimated to be US\$10 million. Such estimates are calculated based on the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading and the projected average price per tonne of products during the term of this agreement (which is set in accordance with the prevailing international market price).

The historical amounts of such continuing connected transaction for the three years ended 31 December 2012 were approximately US\$5,381,000 (equivalent to approximately HK\$41,781,000), US\$10,316,000 (equivalent to approximately HK\$80,100,000) and US\$13,293,000 (equivalent to approximately HK\$103,215,000), respectively.

## ***Caps for continuing connected transactions between Sinochem Fertilizer and Sinochem Group***

The maximum value in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Framework Agreement for the term of this agreement ending 31 December 2013 is estimated to be RMB62.5 million. Such estimates are calculated based on (i) the projected quantities of sales of sulphur and other fertilizer raw materials sourced from overseas by Dohigh Trading especially for the purpose of importing through Sinochem Group and the projected average price per tonne of products during the term of this agreement (which is set on a cost basis); and (ii) the projected quantities of sales of sulphur and other fertilizer raw materials sourced by Sinochem Group directly from overseas suppliers to Sinochem Fertilizer and the projected average price per tonne of products for the term of this agreement (which is set in accordance with the domestic wholesale market price).

The historical amounts of such continuing connected transaction for the three years ended 31 December 2012 were approximately RMB32,613,000 (equivalent to approximately HK\$40,433,000), RMB61,907,000 (equivalent to approximately HK\$76,751,000) and RMB78,635,000 (equivalent to approximately HK\$97,489,000), respectively.

### **DIRECTORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS**

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Framework 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 the Shareholders as a whole, and that the annual values of the continuing connected transactions contemplated under the Framework Agreement are fair and reasonable.

### **REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

As a state-owned enterprise in the PRC, Sinochem Group enjoyed domestic preferential policies which will be issued from time to time. The Framework Agreement is entered into for the purchase of sulphur and other fertilizer raw materials through Sinochem Group as importer so as to make full use of domestic preferential policies, such as import-related preferential policies.

### **IMPLICATIONS OF THE LISTING RULES**

Sinochem Group through its subsidiary, Sinochem HK, controls approximately 52.65% of the issued share capital of the Company, and therefore it is a connected person of the Company under the Listing Rules. Therefore, entry into the Framework Agreement constitutes a continuing connected transaction of the Group.

Given that each of the relevant applicable percentage ratios set out in the Listing Rules for the transactions contemplated under the Framework Agreement is expected to be above 0.1% and less than 5% on an annual basis, such transactions fall within Rule 14A.34 of the Listing Rules, and are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

The resolution of the Board in respect of the entry into the Framework Agreement was passed on 28 March 2013. Mr. Liu De Shu and Mr. Yang Lin, as Directors nominated by Sinochem HK and being employed by Sinochem Corporation, are regarded as having a material interest in the continuing connected transactions disclosed in this announcement and have abstained from voting on the relevant Board resolution passed to approve the entry into the Framework Agreement and transactions contemplated therein.

## **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. Sinochem Fertilizer is a wholly-owned subsidiary of the Company.

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.

Dohigh Trading, incorporated under the laws of Hong Kong with limited liability, is principally engaged in the trading of fertilizers and other agri-chemical products.

## **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 in Rule 1.01 of Chapter 1 of the Listing Rules
“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”	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 (including its independent non-executive Directors)
“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
“Framework Agreement”	the Sulphur and Other Fertilizer Raw Materials Import Framework Agreement entered into among Sinochem Fertilizer, Dohigh Trading and Sinochem Group dated 8 April 2013
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in 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
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Government”	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organizations of such government or, as the context requires, any of them
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$1.00 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, the subsidiary of Sinochem Group
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and a 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, the indirect controlling shareholder of the Company
“Sinochem HK”	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

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent

*For the purposes of illustration only, the exchange rate of US\$1.00 = HK\$7.7646 and of HK\$1.00 = RMB0.8066 have been used for currency translation. No representation is made that any amount in US\$ or RMB has been or could be converted at the above rate or at any other rates or at all.*

*As at the date of this announcement, the executive directors of the Company are Mr. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (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, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.*

For and on behalf of the Board  
**SINOFERT HOLDINGS LIMITED**  
**Feng Zhi Bin**  
*Executive Director and Chief Executive Officer*

Hong Kong, 8 April 2013

\* *For identification purposes only*