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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 CONNECTED TRANSACTION IN RELATION TO THE FORMATION OF JOINT VENTURE**

On 12 November 2021, the Board approved the resolution in relation to the proposed entry into of the Promoters Agreement by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, with Qinghai Salt Lake and Sinochem Capital Investment for the formation of the Joint Venture. The registered capital of the Joint Venture will be RMB166,600,000, of which Sinochem Fertilizer will make a capital contribution of RMB74,970,000, representing 45% equity interest in the Joint Venture.

As Qinghai Salt Lake is required to seek approval from its shareholders in respect of the Transaction pursuant to the Rules Governing the Listing of Shares on the SZSE, Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment will enter into the Promoters Agreement after the approval from the shareholders of Qinghai Salt Lake is obtained.

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

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Sinochem Capital Investment is an indirect non-wholly owned subsidiary of Sinochem Holdings and also a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **BACKGROUND**

On 12 November 2021, the Board approved the resolution in relation to the proposed entry into of the Promoters Agreement by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, with Qinghai Salt Lake and Sinochem Capital Investment for the formation of the Joint Venture. The registered capital of the Joint Venture will be RMB166,600,000, of which Sinochem Fertilizer will make a capital contribution of RMB74,970,000, representing 45% equity interest in the Joint Venture.

As Qinghai Salt Lake is required to seek approval from its shareholders in respect of the Transaction pursuant to the Rules Governing the Listing of Shares on the SZSE, Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment will enter into the Promoters Agreement after the approval from the shareholders of Qinghai Salt Lake is obtained.

## **PRINCIPAL TERMS OF THE PROMOTERS AGREEMENT**

### **Parties**

- (a) Sinochem Fertilizer
- (b) Qinghai Salt Lake
- (c) Sinochem Capital Investment

### **Formation of the Joint Venture**

Pursuant to the Promoters Agreement, Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment will set up the Joint Venture with a registered capital of RMB166,600,000. The capital contribution to be made by each of the shareholders to the Joint Venture, its respective percentage and form of capital contribution are set out as follows:

<b>Name of Shareholder</b>	<b>Capital Contribution</b>	<b>Percentage of Capital Contribution</b>	<b>Form of Capital Contribution</b>
Sinochem Fertilizer	RMB74,970,000	45%	Cash and Target Assets
Qinghai Salt Lake	RMB49,980,000	30%	Cash
Sinochem Capital Investment	RMB41,650,000	25%	Cash
<b>Total</b>	<b><u>RMB166,600,000</u></b>	<b><u>100%</u></b>	

The total capital contribution of Sinochem Fertilizer to the Joint Venture will be RMB74,970,000, including the capital contribution in the form of the Target Assets based on the appraised net assets value of the Target Assets as at 31 December 2020, and the remaining capital contribution in the form of cash.

In accordance with the applicable requirements on the administration of state-owned assets, Sinochem Fertilizer engaged an independent valuer to appraise the value of the Target Assets. Based on the valuation on the Target Assets conducted by the independent valuer in accordance with the applicable valuation principles, using the costs approach with 31 December 2020 as the valuation date, the appraised net assets value of the Target Assets was approximately RMB32,542,200 (which is subject to adjustment as may be required during the process of filing of the state-owned assets valuation report).

The capital contribution to be made by each of the shareholders to the Joint Venture was arrived at after arm's length negotiations among the shareholders having taken into account the expected capital requirement of the Joint Venture (including the capital requirement for operating the Target Assets), the appraised net assets value of the Target Assets and the shareholding percentage intended to be held by each of the shareholders in the Joint Venture.

Upon completion of the Transaction, Sinochem Fertilizer will hold 45% equity interest in the Joint Venture. The Joint Venture will be an associate of the Company and will be accounted for using the equity method in the consolidated financial statements of the Group.

### **Payment of Capital Contribution and Delivery of Target Assets**

With respect to the capital contribution in cash, the shareholders of the Joint Venture shall make their respective payments within 10 business days following the execution of the Promoters Agreement. With respect to the delivery of the Target Assets, Sinochem Fertilizer shall hand over the physical assets to the Joint Venture and complete all formalities in relation to the change of owner of intellectual property rights within the timeframe agreed by the parties which shall take place after the business license of the Joint Venture has been obtained and the filing of the state-owned assets valuation report with respect to the Target Assets has been completed.

The cash contribution by Sinochem Fertilizer will be funded by the Group with its internal resources.

### **Corporate Governance**

The Joint Venture shall have a board of directors consisting of five directors, of whom two shall be nominated by Sinochem Fertilizer, one by Qinghai Salt Lake and one by Sinochem Capital Investment, and one shall be elected by employees of the Joint Venture.

The Joint Venture shall have a board of supervisors, of whom one shall be nominated by Qinghai Salt Lake and one by Sinochem Capital Investment, and one shall be elected by employees of the Joint Venture.

### **INFORMATION ABOUT THE TARGET ASSETS**

The Target Assets are the Fertex platform and its related assets. Fertex platform is an e-platform for agricultural materials developed by Sinochem Fertilizer since 2018. It will provide industry information for traders in the agricultural materials industry, consolidate the resources and information of goods and logistics, and work with financial institutions to offer supply chain coordination services for upstream and downstream companies, with the aim of improving efficient supply and consumption of agricultural materials. Fertex platform is still under development and will be continuously improved to include a more comprehensive service offering for its target users. The related assets of the Fertex platform mainly include the internet platform system and logistic system, physical assets including computers and other electronic equipment used by working personnel, as well as intellectual property rights applied for during the development of the Fertex platform (including software copyrights, trademarks and domain names).

Based on the financial information of the Target Assets prepared under the Chinese Accounting Standards for Business Enterprises, the audited net book value of the Target Assets as at 31 December 2020 was approximately RMB31,063,000. For the two years ended 31 December 2020, the audited loss attributable to the Target Assets was set out as follows:

	<b>For the year ended 31 December 2019</b> <i>(Approx. RMB'000)</i>	<b>For the year ended 31 December 2020</b> <i>(Approx. RMB'000)</i>
Loss before tax	2,573	5,497
Loss after tax	2,573	5,497

Based on the net book value of the Target Assets of approximately RMB31,063,000 as at 31 December 2020 and its appraised value of approximately RMB32,542,200, it is estimated that the Group will recognize a gain of approximately RMB1,479,200 for the capital contribution in the form of the Target Assets.

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

Following its establishment, the Joint Venture will undertake and operate the Fertex platform. Qinghai Salt Lake and Sinochem Capital Investment, the partners of Sinochem Fertilizer in the Joint Venture, have unique advantages in the agricultural materials industry and asset management industry, respectively. Qinghai Salt Lake has extensive logistics and transportation networks and stable client bases, while Sinochem Capital Investment has extensive experience in asset management and internet investment. The introduction of the partners with sound foundation and unique strengths can bring more development opportunities for the Joint Venture, promote its development of diversified business models and enhance its management of the Fertex platform towards the market-oriented direction.

The Directors, including the independent non-executive Directors, are of the view that the Transaction has been conducted on normal commercial terms, is entered into in the ordinary and usual course of business of the Group, is fair and reasonable and in the interest of the Company and its shareholders as a whole.

As Mr. FENG Mingwei, a Director of the Company, is also a director of Qinghai Salt Lake, he has abstained from voting on the Board resolution to approve the Transaction.

## **IMPLICATIONS OF THE LISTING RULES**

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Sinochem Capital Investment is an indirect non-wholly owned subsidiary of Sinochem Holdings and also a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **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.

Sinochem Capital Investment, indirectly owned as to 92.78% by Sinochem Holdings, is principally engaged in the investment management, investment consulting, corporate management and consulting services. Sinochem Holdings is formed through the restructuring of Sinochem Group Co., Ltd. and China National Chemical Corporation Limited., and operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is the SASAC.

Qinghai Salt Lake is a joint stock limited liability company established in the PRC, the shares of which are listed on the SZSE (stock code: 000792). Its principal activities are the development, production and sale of potash and lithium salt. As at the date of this announcement, Sinochem Holdings indirectly holds approximately 10.52% equity interest in Qinghai Salt Lake. The largest shareholder of Qinghai Salt Lake is Qinghai State-owned Assets Investment and Management Co., Ltd. (which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Qinghai Provincial Government), holding approximately 13.86% equity interest in Qinghai Salt Lake.

## 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”	has the same meaning ascribed to it under the Listing Rules
“connected transaction”	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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	益通數科科技股份有限公司 (Yitong Shuke Technology Co., Ltd.), a limited liability company to be established in 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, Macao Special Administrative Region and Taiwan
“Promoters Agreement”	the promoters agreement to be entered into by and among Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment in relation to the Transaction
“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, the shares of which are listed on the SZSE (stock code: 000792)
“RMB”	Renminbi, the lawful currency of the PRC

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“Sinochem Capital Investment”	中化資本投資管理有限責任公司 (Sinochem Capital Investment Management Co., Ltd.), a limited liability company incorporated in the PRC and an indirect non-wholly owned subsidiary of Sinochem Holdings
“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 Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), a state-owned enterprise incorporated in the PRC, which is wholly-owned by the SASAC, and is 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
“SZSE”	Shenzhen Stock Exchange
“Target Assets”	the Fertex platform (肥易通平台) and its related assets, as further described in the section headed “Information about the Target Assets” of this announcement
“Transaction”	the formation of the Joint Venture by Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment (including the disposal of the Target Assets to the Joint Venture)
“%”	percent

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

Hong Kong, 12 November 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (Chairman); and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.*