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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 UNDER THE CONTRACT FOR THE REMEDIATION PROJECT

Pursuant to the requirements under the environmental policies of the local government, Sinochem Fuling, an indirect non-wholly owned subsidiary of the Company, has relocated its plant from Nananpu Community, Fuling District, Chongqing to Baitao Chemical Industry Park. After the completion of relocation of its plant, Sinochem Fuling shall, as required by the relevant PRC laws and regulations, conduct the investigation and risk assessment on soil contamination with respect to its former plant and take control measures against soil contamination based on the risk assessment results. Sinochem Fuling has proceeded with the public tender process for the relevant services and confirmed Sinochem Environment as the successful bidder.

Reference is made to the announcement of the Company dated 27 September 2023 in relation to the technical consulting contract entered into between Sinochem Fuling and Sinochem Environment. Pursuant to the technical consulting contract, Sinochem Fuling has engaged Sinochem Environment to conduct the investigation and risk assessment on soil contamination with respect to its former plant.

The Board announces that on 25 December 2023, Sinochem Fuling and Sinochem Environment entered into the Contract for the Remediation Project, pursuant to which Sinochem Fuling has engaged Sinochem Environment to take remediation and control measures against soil and groundwater contamination and other contaminations in connection with its former plant at a total consideration of RMB62,699,400.

LISTING RULES IMPLICATIONS

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 Environment is an indirect subsidiary of Sinochem Holdings, and is 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. As disclosed in the announcement of the Company dated 27 September 2023, Sinochem Fuling and Sinochem Environment entered into the technical consulting contract. In accordance with Rule 14A.81 of the Listing Rules, the transaction under the technical consulting contract shall be

aggregated with the Transaction in calculating the percentage ratios. As the applicable percentage ratios in respect of the Transaction, on a standalone basis, as well as the applicable percentage ratios in respect of the Transaction and the transaction under the technical consulting contract, on an aggregate basis, are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Background

Pursuant to the requirements under the environmental policies of the local government, Sinochem Fuling, an indirect non-wholly owned subsidiary of the Company, has relocated its plant from Nananpu Community, Fuling District, Chongqing to Baitao Chemical Industry Park. After the completion of relocation of its plant, Sinochem Fuling shall, as required by the relevant PRC laws and regulations, conduct the investigation and risk assessment on soil contamination with respect to its former plant and take control measures against soil contamination based on the risk assessment results. Sinochem Fuling has proceeded with the public tender process for the relevant services and confirmed Sinochem Environment as the successful bidder.

Reference is made to the announcement of the Company dated 27 September 2023 in relation to the technical consulting contract entered into between Sinochem Fuling and Sinochem Environment. Pursuant to the technical consulting contract, Sinochem Fuling has engaged Sinochem Environment to conduct the investigation and risk assessment on soil contamination with respect to its former plant.

The Board announces that on 25 December 2023, Sinochem Fuling and Sinochem Environment entered into the Contract for the Remediation Project, pursuant to which Sinochem Fuling has engaged Sinochem Environment to take remediation and control measures against soil and groundwater contamination and other contaminations in connection with its former plant at a total consideration of RMB62,699,400.

Principal Terms of the Contract for the Remediation Project

Date

25 December 2023

Parties

- (a) Sinochem Fuling
- (b) Sinochem Environment

Services to be provided

Pursuant to the Contract for the Remediation Project, Sinochem Fuling has engaged Sinochem Environment to take remediation and control measures against all contaminations, such as soil and groundwater contamination, with respect to the contaminated areas in its former plant.

Sinochem Environment shall conduct an onsite re-investigation and prepare a technical scheme for remediation and control in light of the results of the risk assessment report on soil

contamination and the approval from the competent municipal department of environmental protection and based on the actual situation of the site, to ensure that such scheme will be approved by the competent municipal department of environmental protection at the filing and review process. Sinochem Environment shall, upon obtaining such approval, take remediation measures against soil contamination with respect to the former plant, carry out remediation or control actions against groundwater contamination, and dispose of any large particles and waste water generated during the construction and anything that remains in the site in a regulated manner, in accordance with the technical scheme for remediation and control and the construction organization and design, with a view to developing all such supporting facilities and measures as may be relevant to safe and civilized construction and prevention for secondary pollution. The remediated site shall be required to pass the monitoring and acceptance by a third-party impact assessment institution to ensure it meets the remediation target value, and unless and until the approval is obtained from the competent department of ecological environment.

Construction period

- (a) Scheduled commencement date: 25 December 2023, and the actual commencement date will be subject to the date specified in the notice of commencement issued by Sinochem Fuling or a project supervisor.
- (b) Scheduled completion date: 20 December 2024, and the actual completion date will be subject to the satisfactory inspection and acceptance of the project.

Sinochem Environment shall complete soil and groundwater remediation and pass the inspection and acceptance of the same at site by the environmental protection department, within 360 days from the date on which notification is given by Sinochem Fuling or the project supervisor to commence the remediation at site.

Consideration and its payment

The total consideration for the Transaction is RMB62,699,400, which was determined through a public tender process and by reference to the scope and estimated workload of the services to be provided by Sinochem Environment to Sinochem Fuling.

The total consideration for the Transaction will be funded by the Group's internal resources, and shall be paid by Sinochem Fuling to Sinochem Environment by instalment:

- (a) After the competent department approves the technical scheme of the project at its review and the guarantee for the equivalent amount of the advance payment is provided by Sinochem Environment, Sinochem Fuling shall pay to Sinochem Environment 20% of the total consideration of the Transaction as an advance payment for the project, and the guarantee for the equivalent amount of the advance payment will be returned at the time when Sinochem Environment completes 30% of its workload under the Contract for the Remediation Project;
- (b) When Sinochem Environment complete the disposal of 33,000 tonnes of contaminated soils, Sinochem Fuling shall pay to Sinochem Environment 10% of the total consideration of the Transaction;

- (c) When Sinochem Environment complete the disposal of 66,000 tonnes of contaminated soils, Sinochem Fuling shall pay to Sinochem Environment 10% of the total consideration of the Transaction;
- (d) Upon full completion by Sinochem Environment of the disposal of contaminated soils, Sinochem Fuling shall pay to Sinochem Environment 10% of the total consideration of the Transaction;
- (e) Upon completion by Sinochem Environment of all soil remediation measures at site, Sinochem Fuling shall pay to Sinochem Environment 20% of the total consideration of the Transaction;
- (f) After Sinochem Environment successfully passes the monitoring and acceptance of the project by the third-party impact assessment institution, Sinochem Fuling shall pay to Sinochem Environment 10% of the total consideration of the Transaction; and
- (g) After Sinochem Environment successfully passes the inspection and review organized by the competent department of environmental protection with respect to the remediation project and obtains the relevant approval from the department, and fills out information through the environmental management system for contaminated lands and soils as required by such department, Sinochem Fuling shall pay to Sinochem Environment 17% of the total consideration of the Transaction, and the remaining amount (i.e. 3% of the total consideration of the Transaction) shall be retained as a quality guarantee deposit and paid by Sinochem Fuling one year after the inspection and acceptance of the project has been successfully passed and no quality issue has been raised by the competent department of environmental protection in respect of the project.

REASONS FOR AND BENEFITS OF THE TRANSACTION

After the completion of relocation of its plant, Sinochem Fuling shall, as required by the relevant PRC laws and regulations, take control measures against soil contamination with respect to its former plant based on the results of the risk assessment on soil contamination. Sinochem Fuling intended to engage a professional institution to adopt measures against soil contamination in connection with its former plant, and therefore published a public tender document on the China Tendering & Bidding Public Service Platform in this regard. Having considered the technical experience of all bidders, their professional qualification, business reputation, management capability, quotation provided and other relevant factors, Sinochem Fuling confirmed Sinochem Environment as the successful bidder.

The Company considers that Sinochem Environment has full understanding and sufficient knowledge of the soil contamination control and the latest administrative requirements of Chongqing government, the implementation plan and technical measures suggested by Sinochem Environment for such remediation and control are reasonably feasible, and the person in charge of the project and any personnel to be involved have strong professional expertise and extensive experience. The Transaction will facilitate Sinochem Fuling to complete the remediation and control measures against contaminations, such as soil and groundwater contamination, with respect to its former plant in a compliant and efficient manner.

The Directors (including the independent non-executive 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. As none of the Directors is regarded as having a material interest in the Transaction, no Director has abstained from voting on the resolution of the Board approving the Transaction.

LISTING RULES IMPLICATIONS

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 Environment is an indirect subsidiary of Sinochem Holdings, and is 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. As disclosed in the announcement of the Company dated 27 September 2023, Sinochem Fuling and Sinochem Environment entered into the technical consulting contract. In accordance with Rule 14A.81 of the Listing Rules, the transaction under the technical consulting contract shall be aggregated with the Transaction in calculating the percentage ratios. As the applicable percentage ratios in respect of the Transaction, on a standalone basis, as well as the applicable percentage ratios in respect of the Transaction and the transaction under the technical consulting contract, on an aggregate basis, are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP).

Sinochem Fuling, an indirect non-wholly owned subsidiary of the Company, is owned as to 74.56% by the Company indirectly and as to 25.27% in aggregate by the Fuling District State-owned Assets Supervision and Administration Commission of Chongqing and its subsidiary. Sinochem Fuling is primarily engaged in the production and sale of phosphate compound fertilizer products.

Sinochem Holdings is the ultimate controlling shareholder of the Company. It is a large-scale chemical conglomerate operating 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.

Sinochem Environment, an indirect subsidiary of Sinochem Holdings, is specialized in the process research and development, consultation, design, procurement, construction management, start-up guidance, engineering general contracting, investment and operation, and other whole process services in various professional fields such as the environmental protection and chemical industries.

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
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“Contract for the Remediation Project”	the contract for the remediation project dated 25 December 2023 entered into between Sinochem Fuling and Sinochem Environment
“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
“HK\$”	Hong Kong dollars, the lawful currency of 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
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, exclude Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company
“Sinochem Environment”	中化環境科技工程有限公司 (Sinochem Environment Holdings Co., Ltd.), a company incorporated in the PRC with limited liability, and an indirect subsidiary of Sinochem Holdings

“Sinochem Fuling”	中化重慶涪陵化工有限公司 (Sinochem Fuling Chongqing Chemical Industry Co., Ltd.), a company incorporated in the PRC with limited liability, and an indirect non-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
“Transaction”	the provision of services by Sinochem Environment to Sinochem Fuling under the Contract for the Remediation Project to assist Sinochem Fuling in taking remediation and control measures against all contaminations, such as soil and groundwater contamination, with respect to the contaminated areas in its former plant
“%”	percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Liu Hongsheng
Chairman

Hong Kong, 26 December 2023

As at the date of this announcement, the executive directors of the Company are Mr. Wang Jun and Ms. Wang Ling; the non-executive director of the Company is Mr. Liu Hongsheng (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.