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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 AND CONNECTED TRANSACTIONS PROVISION OF FINANCIAL ASSISTANCE**

**(A) Continuing Connected Transactions under the Financial Services Framework Agreement (as Revised and Renewed by the Supplemental Agreement)**

References are made to the announcements of the Company dated 24 August 2021 and 5 August 2022 in relation to the Financial Services Framework Agreement entered into between the Company and Sinochem Finance. Pursuant to the Financial Services Framework Agreement, the Group may utilize the financial services available from Sinochem Finance as it deems necessary for a term up to 31 December 2024. On 11 October 2023, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement for the year ending 31 December 2024, and to renew the term of the Financial Services Framework Agreement to 31 December 2026.

**(B) Connected Transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement**

(i) Reference is made to the announcement of the Company dated 5 August 2022 in relation to the Existing Sinochem Agriculture Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Pursuant to the Existing Sinochem Agriculture Agreement, Sinochem Fertilizer agreed to provide the fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The Existing Sinochem Agriculture Agreement will expire on 31 December 2024. On 11 October 2023, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the New Sinochem Agriculture Agreement, pursuant to which Sinochem Fertilizer agreed to continue to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The New Sinochem Agriculture Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026. The Existing Sinochem Agriculture Agreement will be terminated and replaced by the New Sinochem Agriculture Agreement, after the latter comes into effect.

(ii) On 11 October 2023, Sinochem Fertilizer (as the lender) and CNSG (as the borrower) entered into the CNSG Agreement, pursuant to which Sinochem Fertilizer agreed to provide

the Fund in an amount of not more than RMB500,000,000 to CNSG. The CNSG Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026.

## **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. As Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation (an indirect subsidiary of Sinochem Holdings) and its subsidiary, Sinochem Finance is a connected person of the Company. Each of Sinochem Agriculture and CNSG is a wholly-owned subsidiary indirectly held by Sinochem Holdings (through Syngenta Group), and is also a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the New Sinochem Agriculture Agreement and the CNSG Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum amount of the Funds to be provided under the New Sinochem Agriculture Agreement and the CNSG Agreement in aggregate are more than 5%, the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Deposit Services are regarded as the Group providing financial assistance under the Listing Rules, the Company has aggregated the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement to assess the classification of the transactions under Chapter 14 of the Listing Rules. Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the maximum amount of the Funds to be provided under the New Sinochem Agriculture Agreement and the CNSG Agreement in aggregate are more than 25% but less than 100%, such transactions in aggregate also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement. Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, the details of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), the New Sinochem Agriculture Agreement and the CNSG Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice to convene the SGM, will be dispatched by the Company to its shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to its shareholders on or before 30 November 2023.

#### **(A) CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)**

References are made to the announcements of the Company dated 24 August 2021 and 5 August 2022 in relation to the Financial Services Framework Agreement entered into between the Company and Sinochem Finance. Pursuant to the Financial Services Framework Agreement, the Group may utilize the financial services available from Sinochem Finance as it deems necessary for a term up to 31 December 2024.

On 11 October 2023, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement for the year ending 31 December 2024, and to renew the term of the Financial Services Framework Agreement to 31 December 2026.

#### **Principal Terms of the Financial Services Framework Agreement (as Revised and Renewed by the Supplemental Agreement)**

##### ***Parties***

- (a) The Company

(b) Sinochem Finance

***Provision of financial services by Sinochem Finance to the Group***

The Group will, from time to time, utilize the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (i) Deposit Services, including but not limited to demand deposits, call deposits and term deposits;
- (ii) provision of the Loan Services (excluding entrustment loans) to members of the Group on normal commercial terms, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (iii) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency through which funds of one member of the Group may be channeled for use by another member of the Group. Such funds deposited by members of the Group will be applied for the purposes of providing entrustment loans to members of the Group only;
- (iv) commercial bills of exchange services which include the provision to members of the Group on normal commercial terms of services relating to the issuance, acceptance, custody, collection (when due) and discount of commercial bills of exchange, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (v) buyer financing services which include the provision to the customers of members of the Group on normal commercial terms of financing services, including but not limited to the extension of loans and the granting of credit for the purposes of purchasing goods or services from members of the Group only;
- (vi) settlement services which include settlement of transactions between members of the Group, and of transactions between members of the Group and third parties, the utilization by Sinochem Finance of the electronic payment and settlement systems it has set up with a number of banks to settle payments from distribution customers to members of the Group, and the utilization by Sinochem Finance of the settlement systems it has set up with banks to audit the settlement business of members of the Group;
- (vii) provision of guarantees at the request of members of the Group for financing, bidding activities or the fulfillment of contracts to third parties, where no counter-guarantee by members of the Group is required;
- (viii) internet banking services; and
- (ix) any other financial services as approved by the NAFR.

The Group utilizes the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all.

### ***Interests, fees and charges***

Interests, fees and charges payable to and from Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are determined on the following basis:

- (i) Deposit Services: interest rates shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time, or the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC (whichever is higher);
- (ii) Loan Services: interest rates shall not be higher than the interest rates for loans of the same tenure and type as offered by the independent commercial banks in the PRC with which the Group maintains cooperation;
- (iii) entrustment loan services: the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks in the PRC;
- (iv) commercial bills of exchange services: the service fee and discount interest payable by the Group shall not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks in the PRC;
- (v) buyer financing services: the service fee and interest payable by the Group shall not exceed the service fee and interest payable on such services under the same terms obtainable from independent commercial banks in the PRC;
- (vi) settlement services: no service fee is payable by the Group; and
- (vii) provision of guarantees, internet banking services and other financial services as approved by the NAFR: the service fees charged for these services shall not be higher than the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

### ***Term***

Subject to obtaining the approval from the Independent Shareholders at the SGM in respect of the Supplemental Agreement, the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) will take effect from 1 January 2024 and remain in force until 31 December 2026.

In the event that the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are not approved by the Independent Shareholders, the Company will ensure that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will not exceed the original cap amount of the deposit services under the Financial Services Framework Agreement up to its original expiry date of 31 December 2024.

Sinochem Finance and members of the Group shall enter into separate agreements which set out the specific scope of services and the terms and conditions of providing such services according to the

principles laid down by the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

### ***Right of set-off***

In the event that any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off.

### ***Undertakings***

Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the NAFR in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with the banking institutions approved by the NAFR.

Sinochem Finance has also undertaken that at all times the sum of the outstanding amount of the loans it provides to its customers (excluding the Group) shall not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and the deposits received from parties other than the Group.

Whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), Sinochem Finance shall compensate the Group for the full amount of the loss suffered. Sinochem Group (as an indirect holding company of Sinochem Finance) will issue an undertaking in favour of the Company, pursuant to which Sinochem Group will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

### **Annual Caps**

#### ***Deposit Services***

The Company intends to revise the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for the year ending 31 December 2024 from RMB2,000,000,000 to RMB3,000,000,000, and to set the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2026 as RMB3,000,000,000. Such maximum daily outstanding balance has been determined after taking into account several factors, including:

- (i) The Group maintains sufficient bank balances and cash. During the peak season for the sale of fertilizer products in the past three years, its maximum bank balance and cash reached approximately RMB4,957 million. The profitability and cash flow position of the Group have continued to improve in recent years. The profit attributable to owners of the Company grew by approximately 28.84% from approximately RMB867 million for the year ended 31 December 2021 to approximately RMB1,117 million for the year ended 31 December 2022, and its net cash inflow generated from operating activities increased by approximately 27.66% from approximately RMB1,569 million for the year ended 31 December 2021 to approximately RMB2,003 million for the year 31 December 2022;

- (ii) The Group is committed to becoming an innovative leading crop nutrition enterprise in the PRC. It plans to further proceed with its strategy of centralized procurement to ensure the supply of fertilizer products in the PRC, and continues to optimize its product structure to focus on fertilizer products with a high profit margin. With the business development of the Group, the scale of purchase and sale between the Group and the subsidiaries of Sinochem Holdings has continued to expand. For example, the transaction amount for the purchase of agricultural products in the PRC by the Group from the subsidiaries of Sinochem Holdings is expected to increase substantially from approximately RMB337 million for the year ended 31 December 2022 to no more than RMB1,326 million for the year ending 31 December 2024 (please refer to the circular of the Company dated 25 August 2023 for details); and the transaction amount for the import of fertilizer and other fertilizer raw materials by the Group through Sinochem Group is expected to increase substantially from approximately RMB5,147 million for the year ended 31 December 2022 to no more than RMB15,523 million for the year ending 31 December 2024 (please refer to the circular of the Company dated 13 December 2021 for details). The expected expansion of transaction scale will result in the growth of demands for settlement. Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit a large amount of its funds with Sinochem Finance to utilize the settlement services free of charge. Increasing the cap on the Deposit Services under the Financial Services Framework Agreement will facilitate the Group to fully utilize the convenient and free-of-charge settlement services offered by Sinochem Finance;
- (iii) Sinochem Finance has set the interest rates of its various deposit products to the maximum limit stipulated in the regulation of the market interest rate pricing self-regulatory mechanism of the PBOC, so that the interest rates of its deposit products are the highest among the deposit products of the same type and with the same duration in the market. Meanwhile, Sinochem Finance is also able to provide flexible and convenient procedures for withdrawals to meet the funding requirement of the Group for its business development in a timely manner. Increasing the cap on the Deposit Services under the Financial Services Framework Agreement will allow the Group to fully enjoy the advantageous Deposit Services offered by Sinochem Finance, so as to create the greatest value for its shareholders; and
- (iv) The Group will utilize the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, including the Deposit Services. The maximum daily outstanding balance only represents the highest daily amount of deposits that the Group may place with Sinochem Finance and there are no obligations for the Group to deposit such amounts with Sinochem Finance. Setting the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will enable the Group to have a greater flexibility in selecting deposit service providers and allocating its resources.

For the two years ended 31 December 2022 and the six months ended 30 June 2023, the maximum daily outstanding balances of the deposits placed by the Group with Sinochem Finance were approximately RMB934,148,000, RMB1,960,000,000 and RMB1,973,525,000, respectively.

As at the date of this announcement, the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement has not exceeded the original cap disclosed in the announcement of the Company dated 5 August 2022.

### ***Other Financial Services***

The Company estimates that the annual cap in respect of the Other Financial Services for each of the three years ending 31 December 2026 will be RMB10,000,000. Such annual cap has been determined after taking into account several factors, including the capital management strategy of the Group, the business development and financial needs of the Group, and the historical transaction amounts of such services.

For the two years ended 31 December 2022 and the six months ended 30 June 2023, the historical transaction amounts of such services in aggregate were approximately RMB626,000, RMB795,000 and RMB132,000, respectively. When setting the annual cap in respect of the Other Financial Services, the Company has considered not only the amounts of its historical transactions with Sinochem Finance, but also the scale of its transactions with independent commercial banks, and assumed that all of the entrustment loan services, commercial bills of exchange services, buyer financing services, guarantee and other financial services that are currently provided to the Group by independent commercial banks or may be required by the Group during the three years ending 31 December 2026 will be provided by Sinochem Finance. For the two years ended 31 December 2022 and the six months ended 30 June 2023, the historical transaction amounts of such services provided to the Group by independent commercial banks amounted to approximately RMB4,424,000, RMB9,406,000 and RMB300,000, respectively. As the Group will utilize the services of Sinochem Finance on a voluntary and non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, the Company considers that it is appropriate to take into account its historical transactions with both Sinochem Finance and independent commercial banks when setting the maximum amount payable to Sinochem Finance in respect of the Other Financial Services, which will allow the Group to have a greater flexibility in selecting service providers and allocating its resources.

### **Internal Control Procedures and Corporate Governance Measures**

In order to protect the interests of the shareholders, the Group will adopt the following internal control procedures and corporate governance measures in relation to its utilization of financial services provided by Sinochem Finance:

- Prior to placing term deposits with Sinochem Finance, the Group will compare at least three comparable interest rates of deposits of the same tenure and type from independent commercial banks and the deposit benchmark interest rates promulgated by the PBOC at the time of the transaction;
- For the purpose of facilitating settlement service through Sinochem Finance, the Group will also place demand deposits with Sinochem Finance. The Group will compare, on a quarterly basis and whenever there is a change in the deposit benchmark interest rate promulgated by the PBOC, at least three comparable interest rates on such deposits quoted by independent commercial banks with which the Group maintains bank accounts and the deposit benchmark interest rates promulgated by the PBOC, and also take into account the service fee charged by the independent commercial banks for the settlement services (the settlement services offered by Sinochem Finance are free of charge). The Group will determine whether it will continue to place demand deposits with Sinochem Finance for the next quarter based on the above assessment for the previous quarter;



- Before the Group enters into any loan or credit facilities agreements with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least three comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of such offers, together with the offer from Sinochem Finance, will be submitted to the chief financial officer of the Company for review. The chief financial officer of the Company will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer, after taking into account a number of factors including interest rate being offered, and quality and flexibility of the services to be provided by Sinochem Finance and independent commercial banks or financial institutions based on previous experience;
- All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted in accordance with the terms approved by the chief financial officer of the Company or the Board, as appropriate;
- Sinochem Finance is required to (i) provide a report on any changes in its credit ratings to the Company every six months, (ii) provide the Company each month with its financial statements for the previous month, (iii) deliver to the Company a monthly report on the status of the Group's deposits placed with Sinochem Finance on the third day of each month, (iv) inform the Company of any disciplinary actions taken by the NAFR against Sinochem Finance, or any penalties or fines imposed on Sinochem Finance, and (v) provide the Company with a risk assessment report on Sinochem Finance prepared by PRC certified public accountants on a semi-annual basis;
- Sinochem Finance will provide operational ratios under regulatory requirements, including capital adequacy ratio, non-performing asset ratio, etc., to the Company on a quarterly basis;
- The Company will monitor the status of the deposits placed with Sinochem Finance on a daily basis and the status of the loans and other transactions with Sinochem Finance on a monthly basis through the internet banking services provided by Sinochem Finance;
- In the case of any significant credit risk events involving Sinochem Finance and its significant shareholders and de facto controller (being Sinochem Holdings, Sinochem Group and Sinochem Corporation), including but not limited to its bonds issued in the open market being overdue for more than seven business days or its obligation to make repayment for any large amount of debts guaranteed by it being triggered, the Group will not continue to place additional deposits with Sinochem Finance and will arrange to withdraw its existing deposits;
- The Company will monitor the status of its financial assistance to Sinochem Holdings and its associates (including its deposits with Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the provision of the Funds to Sinochem Agriculture and CNSG under the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively (as described below under the section headed "Connected Transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement")) on a daily basis to ensure that the outstanding amount of its overall financial assistance to Sinochem Holdings and its associates on each day will not exceed 30% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements, so as to limit the maximum risk exposure arising

from its financial assistance to Sinochem Holdings and its associates (including the Deposit Services and the provision of the Funds to Sinochem Agriculture and CNSG); and

- The internal control department of the Company will conduct an annual review of the above internal control measures and report the review results to the independent non-executive Directors.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions with Sinochem Finance are appropriate and sufficient, and that the procedures and measures give sufficient assurance that the continuing connected transactions will be appropriately monitored by the Company.

### **Reasons for and Benefits of the Transaction**

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the NAFR and it provides its services in compliance with the relevant rules and operational requirements promulgated by the above authorities, including capital risk guidelines and requisite capital adequacy ratio requirements;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or, to the knowledge of the Company, breached any rules or operational requirements of such regulatory authorities during the past three years. In particular, the NAFR (including its predecessor, the China Banking and Insurance Regulatory Commission) monitors Sinochem Finance's compliance with relevant regulatory authorities and conducts on-site visits from time to time. To the knowledge of the Company, other than the opinions on corrective measures issued by the NAFR during its on-site visits, the NAFR has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation. The opinions on corrective measures issued by the NAFR refer to its advice and improvement suggestion on the operation and management of Sinochem Finance, which will not affect the credibility and repayment ability of Sinochem Finance. To the knowledge of the Company, Sinochem Finance has not received any further opinions on corrective measures from the NAFR during the past three years;
- (iii) According to the relevant laws and regulations promulgated by the NAFR and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Holdings, being the ultimate holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting additional capital into Sinochem Finance based on its funding needs, to restore its financial position; and
- (iv) Sinochem Group, being the indirect holding company of Sinochem Finance, will issue an undertaking in favour of the Company, pursuant to which Sinochem Group will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement). Sinochem Group is a state-owned enterprise with solid financial track records. Based on its consolidated management accounts, as at 31 December 2022, Sinochem Group had registered and fully paid-up capital of approximately RMB47,666 million, total owners' equity of approximately RMB238,901 million, and cash balance of approximately RMB43,071 million. For the year ended 31 December 2022, the net profit of Sinochem Group amounted to approximately

RMB14,049 million, and its net cash outflow generated from operating activities amounted to approximately RMB2,108 million. To the knowledge of the Company, Sinochem Group has not defaulted on any of its credit obligations in the past five years.

The advantages of utilizing financial services provided by Sinochem Finance over utilizing similar services provided by independent commercial banks are as follows:

- (i) Sinochem Finance has served as a financial service provider of the Group for over ten years. It can provide more favourable deposit portfolio for the Group based on the condition of the Group, which can increase capital returns while retaining the working capital flexibility of the Group;
- (ii) Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit its funds with Sinochem Finance to utilize the settlement services free of charge (especially during the peak season for the sale of fertilizer products when the funds of the Group are sufficient), therefore reducing the transaction costs; and
- (iii) Sinochem Finance can offer reliable and stable finance resource and mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group. The Company usually needs to make an appointment one week in advance or even longer to obtain loans from external banks while the loan drawdown procedure of Sinochem Finance is rather convenient and can be completed within one or two days, which can meet the capital demand of the Group's business in time.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), the Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular, are of the view that the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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 its shareholders as a whole, and that the maximum daily outstanding balance of the Deposit Services and the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are fair and reasonable.

None of the Directors is regarded as having a material interest in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions contemplated thereunder, and hence none of the Directors has abstained from voting on the Board resolution to approve the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions contemplated thereunder.

## **(B) CONNECTED TRANSACTIONS UNDER THE NEW SINOCEM AGRICULTURE AGREEMENT AND THE CNSG AGREEMENT**

### **The New Sinochem Agriculture Agreement**

Reference is made to the announcement of the Company dated 5 August 2022 in relation to the Existing Sinochem Agriculture Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Pursuant to the Existing Sinochem Agriculture Agreement, Sinochem Fertilizer agreed to provide the fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The Existing Sinochem Agriculture Agreement will expire on 31 December 2024.

On 11 October 2023, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the New Sinochem Agriculture Agreement, pursuant to which Sinochem Fertilizer agreed to continue to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The New Sinochem Agriculture Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026. The Existing Sinochem Agriculture Agreement will be terminated and replaced by the New Sinochem Agriculture Agreement, after the latter comes into effect.

The principal terms of the New Sinochem Agriculture Agreement are set forth as follows:

- Parties** : (a) Sinochem Fertilizer (as the lender); and  
(b) Sinochem Agriculture (as the borrower)
- Total amount of the Fund** : Not more than RMB1,000,000,000 of a revolving nature. Sinochem Agriculture may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.
- Interest rate** : The interest rate of each Fund shall be the highest interest rate of the Comparable Loans (as defined below) obtained by Sinochem Agriculture from independent third-party banks one month prior to the date of release of such Fund. If no Comparable Loan is available during the one-month period prior to the date of release of the Fund, the interest rate shall be determined by reference to the highest interest rate of the Comparable Loans available in the most recent month before such one-month period. The interest rate adjustment mechanism of the Fund, if any, shall be the same as that of the relevant Comparable Loan.
- Comparable Loan refers to any loan obtained by Sinochem Agriculture from an independent third-party bank that is similar to the Fund provided under the New Sinochem Agriculture Agreement in terms of duration, use of funds and form of guarantee, or any loan granted on conditions no less favourable to Sinochem Agriculture than those specified in the New Sinochem Agriculture Agreement.
- Term** : Subject to obtaining the Letter of Undertaking from Syngenta Group (as further described below under the section headed “Provision of Guarantee”) and the approval from the Independent Shareholders at the SGM, the New

Sinochem Agriculture Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026. The Existing Sinochem Agriculture Agreement will be terminated and replaced by the New Sinochem Agriculture Agreement, after the latter comes into effect.

The duration of each Fund shall be no more than one year and its maturity date shall not exceed the term of the New Sinochem Agriculture Agreement.

**Repayment** : Sinochem Agriculture shall repay each Fund to Sinochem Fertilizer on the maturity date of such Fund. Sinochem Agriculture may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.

**Use of Fund** : Sinochem Agriculture shall use the Fund for grain purchasing and storage, as well as its daily operations.

**Other provisions** : Sinochem Agriculture shall make withdrawal applications to Sinochem Fertilizer in writing within the total amount of the Fund and during the term of the New Sinochem Agriculture Agreement, and provide Sinochem Fertilizer with accounts and breakdowns in connection with the loans obtained by it from independent third-party banks, as well as the information associated with the Comparable Loans (including their interest rate, duration, use of funds and form of guarantee). Sinochem Fertilizer shall issue a written confirmation for the release of each Fund at the time of its release, setting out the amount of each Fund, interest rate, date of release and maturity date.

Sinochem Agriculture shall also provide detailed information concerning the use of each Fund to Sinochem Fertilizer at the time of applying for such Fund. Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by it. If, during the term of the New Sinochem Agriculture Agreement, Sinochem Agriculture intends to invest any project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.

Sinochem Agriculture shall notify Sinochem Fertilizer when any of the following events occurs or is likely to occur: (a) the gearing ratio of Sinochem Agriculture exceeds 80% after its registered capital has been paid up, (b) its liquidity ratio is less than 1, (c) there is a change in its effective controller, (d) its annual gross profit margin is negative, and (e) there is an adverse change in its long-term investments. In any of such cases, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date.

**Liabilities for breach of contract** : If Sinochem Agriculture fails to perform its obligations under the New Sinochem Agriculture Agreement, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture is unable to repay the Fund and any interest accrued thereon as scheduled or fails to use the Fund in accordance with the use specified in the New Sinochem Agriculture Agreement, Sinochem Fertilizer shall also have the right to impose on Sinochem Agriculture an additional interest of 50% on the overdue amount or the amount used in breach of the New Sinochem Agriculture Agreement.

### **The CNSG Agreement**

On 11 October 2023, Sinochem Fertilizer (as the lender) and CNSG (as the borrower) entered into the CNSG Agreement, pursuant to which Sinochem Fertilizer agreed to provide the Fund in an amount of not more than RMB500,000,000 to CNSG. The CNSG Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026.

The principal terms of the CNSG Agreement are set forth as follows:

**Parties** : (a) Sinochem Fertilizer (as the lender); and  
(b) CNSG (as the borrower)

**Total amount of the Fund** : Not more than RMB500,000,000 of a revolving nature. CNSG may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.

**Interest rate** : The interest rate of each Fund shall be the highest interest rate of the Comparable Loans (as defined below) obtained by CNSG from independent third-party banks one month prior to the date of release of such Fund. If no Comparable Loan is available during the one-month period prior to the date of release of the Fund, the interest rate shall be determined by reference to the highest interest rate of the Comparable Loans available in the most recent month before such one-month period. The interest rate adjustment mechanism of the Fund, if any, shall be the same as that of the relevant Comparable Loan.

Comparable Loan refers to any loan obtained by CNSG from an independent third-party bank that is similar to the Fund provided under the CNSG Agreement in terms of duration, use of funds and form of guarantee, or any loan granted on conditions no less favourable to CNSG than those specified in the CNSG Agreement.

**Term** : Subject to obtaining the Letter of Undertaking from Syngenta Group (as further described below under the section headed "Provision of Guarantee") and the approval from the Independent Shareholders at the SGM, the CNSG Agreement will take effect from 1 January 2024 and remain in force until 31 December 2026.

The duration of each Fund shall be no more than one year and its maturity

date shall not exceed the term of the CNSG Agreement.

**Repayment** : CNSG shall repay each Fund to Sinochem Fertilizer on the maturity date of such Fund. CNSG may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to CNSG, require CNSG to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.

**Use of Fund** : CNSG shall use the Fund for its daily operations.

**Other provisions** : CNSG shall make withdrawal applications to Sinochem Fertilizer in writing within the total amount of the Fund and during the term of the CNSG Agreement, and provide Sinochem Fertilizer with accounts and breakdowns in connection with the loans obtained by it from independent third-party banks, as well as the information associated with the Comparable Loans (including their interest rate, duration, use of funds and form of guarantee). Sinochem Fertilizer shall issue a written confirmation for the release of each Fund at the time of its release, setting out the amount of each Fund, interest rate, date of release and maturity date.

CNSG shall also provide detailed information concerning the use of each Fund to Sinochem Fertilizer at the time of applying for such Fund. Sinochem Fertilizer shall have the right to decide whether to release the Fund to CNSG based on the information provided by it. If, during the term of the CNSG Agreement, CNSG intends to invest any project, its investment amount in which will exceed 25% of its total assets value, CNSG shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.

CNSG shall notify Sinochem Fertilizer when any of the following events occurs or is likely to occur: (a) the gearing ratio of CNSG exceeds 80%, (b) its liquidity ratio is less than 1, (c) there is a change in its effective controller, (d) its annual gross profit margin is negative, and (e) there is an adverse change in its long-term investments. In any of such cases, Sinochem Fertilizer shall have the right to cease the release of the Fund to CNSG and to require CNSG to repay the Fund that has been released and any interest accrued thereon prior to the maturity date.

**Liabilities for breach of contract** : If CNSG fails to perform its obligations under the CNSG Agreement, Sinochem Fertilizer shall have the right to cease the release of the Fund to CNSG and to require CNSG to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if CNSG is unable to repay the Fund and any interest accrued thereon as scheduled or fails to use the Fund in accordance with the use specified in the CNSG Agreement, Sinochem Fertilizer shall also have the right to impose on CNSG an additional interest of 50% on the overdue amount or the amount used in breach of the CNSG Agreement.

## **Pricing Basis**

The terms of the New Sinochem Agriculture Agreement and the CNSG Agreement are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market price and market practices. When determining the amount of the Funds, the Group has taken into account its cash and cash equivalents on hand and existing borrowings, the interest income available to the Group for placing deposits with banks, the assessment of the Group on the financial and business conditions of Sinochem Agriculture and CNSG, as well as the financial needs of Sinochem Agriculture and CNSG and their respective use of proceeds. When determining the interest rate of the Funds, the Group will make reference to the highest interest rate of the Comparable Loans obtained by Sinochem Agriculture and CNSG from independent third-party banks.

## **Provision of Guarantee**

Syngenta Group will issue the Letter of Undertaking to Sinochem Fertilizer, so as to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture and CNSG under the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively. If Sinochem Agriculture or CNSG fails to repay the Fund and any interest accrued thereon pursuant to the New Sinochem Agriculture Agreement or the CNSG Agreement (as the case may be), Sinochem Fertilizer shall have the right to require Syngenta Group to make repayments for Sinochem Agriculture or CNSG by serving a prior written notice of ten business days to Syngenta Group. The liabilities of Syngenta Group under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and CNSG and any interest accrued thereon pursuant to the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively.

## **Reasons for and Benefits of the Transaction**

After taking into account the following factors, the Company believes that the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement will enable the Group to make use of its surplus funds in a better way at an acceptable level of risk:

- (i) As Sinochem Agriculture has established its business nationwide, it can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. With the establishment of its modern agricultural technological platform that integrates offline and online functions, Sinochem Agriculture has consistently expanded its service areas, and optimized its business process and profit model. CNSG has modernized seed processing centers, as well as research and development and innovation centers that lead the industry, with its products covering five main types of crops, namely corn, rice, wheat, oil and vegetables. CNSG possesses the advantages of making deployment under the whole industry chain and collaborating global resources, and has formed synergies with Sinochem Fertilizer in the sale of nearly 20 varieties. The provision of the Funds by Sinochem Fertilizer to Sinochem Agriculture and CNSG can further promote the business development of Sinochem Agriculture and CNSG, which will in turn facilitate Sinochem Fertilizer to further extend its sales channels through Sinochem Agriculture and increase the variety and competitiveness of the products it sells in collaboration with CNSG, and therefore improve the operating revenue and profitability of Sinochem Fertilizer;
- (ii) All of the Funds will be financed by the Group from its surplus funds. Therefore, the Company is of the view that the provision of the Funds will not affect the working capital or



daily operations of the Group during the term of the New Sinochem Agriculture Agreement and the CNSG Agreement, and the loan peak level of Sinochem Fertilizer during such period is expected to be similar to its loan peak level of approximately RMB2,130 million during the year ended 31 December 2022. Moreover, pursuant to the New Sinochem Agriculture Agreement and the CNSG Agreement, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture and CNSG, require Sinochem Agriculture and CNSG to repay their respective Funds and any interest accrued thereon, in whole or in part, prior to the maturity date, which increases the flexibility of fund management by Sinochem Fertilizer. Sinochem Fertilizer can recover the Funds within a short period of time when there is any funding requirement to conduct its daily operations and to repay its existing debts. Such arrangement is not normally available to lenders in usual loan agreements with independent third parties, and is more favourable to the Group as compared to the terms with independent third parties; and

- (iii) The Group has also considered the possibility of increasing its rate of return by investing in industry-related projects, but there are no projects requiring significant capital investment as at the date of this announcement. In addition, the Group has also considered revenue management such as placing deposits, but principal-guaranteed products such as deposits usually have a fixed term, which restricts the Group's ability to withdraw its funds before the maturity date. The interest rate of the Funds will be determined based on the highest interest rate of the Comparable Loans obtained by Sinochem Agriculture and CNSG from independent third-party banks, which is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group may obtain a higher interest income through the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement to increase its rate of return on cash and cash equivalents, thereby improving its investment income.

### **Internal Control Measures**

In order to properly mitigate investment risks while generating investment returns, the Group will take the following risk control measures:

- (i) Sinochem Fertilizer shall have the right to decide whether to release the Funds to Sinochem Agriculture and CNSG based on the information provided by Sinochem Agriculture and CNSG at the time of their respective applications for the Funds, so as to ensure the safe use of the Funds and to mitigate the recovery risks during the process of determining the release of the Funds. Sinochem Fertilizer shall be under no obligation to provide the Funds, in whole or in part, to Sinochem Agriculture and CNSG, and shall have the absolute right to reject the applications of Sinochem Agriculture and CNSG for the Funds if it is not satisfied with the information provided by Sinochem Agriculture and CNSG or has any concern about their repayment ability. Before releasing the Funds, the manager of the Treasury Division of the Company will review the details of the applications and analyze the Group's position of bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should there be any concern about the business or financial position of Sinochem Agriculture and CNSG;
- (ii) Sinochem Agriculture and CNSG shall use their respective Funds strictly in accordance with the use specified in the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively, and Sinochem Agriculture and CNSG shall provide their respective financial

reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use of Funds by Sinochem Agriculture and CNSG to ensure that the Funds will be used for specified purposes;

- (iii) The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture and CNSG. With respect to Sinochem Agriculture, although it is still in a loss making situation, its revenue has increased substantially from approximately RMB13,849 million for the year ended 31 December 2021 to approximately RMB20,578 million for the year ended 31 December 2022. As at 31 December 2022, Sinochem Agriculture had total assets, total liabilities and net assets of approximately RMB19,909 million, RMB19,232 million and RMB677 million, respectively. In addition, since Sinochem Fertilizer provided the fund to Sinochem Agriculture for the first time in December 2018, Sinochem Agriculture has not violated any agreement for the use of fund entered into with Sinochem Fertilizer, or failed to repay any fund to Sinochem Fertilizer on a timely basis. With respect to CNSG, its revenue and net profit amounted to RMB4,767 million and RMB199 million, respectively, for the year ended 31 December 2022. As at 31 December 2022, CNSG had total assets, total liabilities and net assets of approximately RMB8,260 million, RMB4,755 million and RMB3,504 million, respectively. Based on the above due diligence results, and taking into account the guarantee to be provided by Syngenta Group pursuant to the Letter of Undertaking and the bank facilities available to Sinochem Agriculture and CNSG as further described in the paragraphs (iv) and (v) below, the Company is optimistic about the repayment capabilities of Sinochem Agriculture and CNSG;
- (iv) As at 30 June 2023, Sinochem Agriculture obtained the facilities in a total amount of approximately RMB22,300 million from various financial institutions, and the available credit under such facilities amounted to RMB13,837 million. As at 30 June 2023, CNSG obtained the facilities in a total amount of approximately RMB1,500 million from various financial institutions, and the available credit under such facilities amounted to RMB1,020 million. Sinochem Agriculture and CNSG may utilize such facilities to make repayment (or even early repayment) of the Funds to Sinochem Fertilizer when necessary; and
- (v) Syngenta Group has agreed to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture and CNSG under the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively, thus further mitigating the risks of the Group in the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement. Syngenta Group has solid financial track records. Based on the information published on the website of the Science and Technology Innovation Board of the Shanghai Stock Exchange, Syngenta Group recorded a total revenue of approximately RMB224,844 million and net profit of approximately RMB11,405 million for the year ended 31 December 2022. Syngenta Group had total assets of approximately RMB573,101 million and net assets of approximately RMB269,392 million as at 31 December 2022. Furthermore, Syngenta Group's corporate rating is AAA grade, which is the highest level in corporate credit ratings.

As such, the Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular, are of the view that the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Liu Hongsheng, being a Director of the Company and a management member of Syngenta Group, has abstained from voting on the relevant Board resolution to approve the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement.

## **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. As Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation (an indirect subsidiary of Sinochem Holdings) and its subsidiary, Sinochem Finance is a connected person of the Company. Each of Sinochem Agriculture and CNSG is a wholly-owned subsidiary indirectly held by Sinochem Holdings (through Syngenta Group), and is also a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the New Sinochem Agriculture Agreement and the CNSG Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum amount of the Funds to be provided under the New Sinochem Agriculture Agreement and the CNSG Agreement in aggregate are more than 5%, the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Deposit Services are regarded as the Group providing financial assistance under the Listing Rules, the Company has aggregated the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement to assess the classification of the transactions under Chapter 14 of the Listing Rules. Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the maximum amount of the Funds to be provided under the New Sinochem Agriculture Agreement and the CNSG Agreement in aggregate are more than 25% but less than 100%, such transactions in aggregate also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement. Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, the details of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), the New Sinochem Agriculture Agreement and the CNSG Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice to convene the SGM, will be dispatched by the Company to its shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to its shareholders on or before 30 November 2023.

## **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 Fertilizer is engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, as well as research and development and services relating to crop nutrition business and 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 Finance is a non-bank financial institution established in the PRC with the approval of the PBOC and subject to the supervision of the NAFR. Sinochem Finance is principally engaged in the businesses of 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, etc.

Sinochem Agriculture’s core businesses include the promotion of integrated planting solutions, land trust, design of agricultural input packages, auxiliary facilities for agricultural mechanization, technology tracking, as well as the services in relation to the sale of agricultural products, food banks and agricultural informatization, and the businesses such as agricultural and production credit, agricultural and financial leasing, and agricultural insurance. Sinochem Agriculture also carries out projects on the renovation of low- and medium-yield farmlands, improvement of soil, demonstration of precision agriculture and utilization of agricultural waste as resources. Sinochem Agriculture is a wholly-owned subsidiary of Syngenta Group.

CNSG is the first seed company established in the PRC with the approval of the State Council and has currently developed into a large-scale seed group with a complete industry chain that integrates scientific research, production, processing, marketing and technical services. CNSG is a wholly-owned subsidiary of Syngenta Group.

Syngenta Group is mainly engaged in the technological development, transfer and advisory service in the fields of agricultural technology, biotechnology and information technology; the production and operation of crop seeds; the production of genetically modified crop seeds; and the research and development, and sale of chemical raw materials and products (excluding hazardous chemicals, controlled chemicals, civil explosives and precursor chemicals). Syngenta Group is an indirect wholly-owned subsidiary of Sinochem Holdings.

## 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 under the Listing Rules
“Board”	the board of Directors of the Company
“CNSG”	中國種子集團有限公司 (China National Seed Group Co., Ltd.), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Syngenta Group
“CNSG Agreement”	the agreement for the use of fund dated 11 October 2023 entered into between Sinochem Fertilizer, as the lender, and CNSG, as the borrower
“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
“continuing 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

“Deposit Services”	the deposit services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)
“Director(s)”	the director(s) of the Company
“Existing Sinochem Agriculture Agreement”	the agreement for the use of fund dated 5 August 2022 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower
“Financial Services Framework Agreement”	the financial services framework agreement dated 24 August 2021 entered into between the Company and Sinochem Finance (as revised and renewed by the first supplemental agreement dated 5 August 2022 entered into between the parties)
“Fund(s)”	the fund in an amount of not more than RMB1,000,000,000 to be provided by Sinochem Fertilizer to Sinochem Agriculture pursuant to the New Sinochem Agriculture Agreement and/or the fund in an amount of not more than RMB500,000,000 to be provided by Sinochem Fertilizer to CNSG pursuant to the CNSG Agreement (as the case may be)
“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
“Independent Board Committee”	the independent board committee of the Company formed to consider (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture

	Agreement, and (iii) the transaction under the CNSG Agreement
“Independent Shareholders”	shareholders other than Sinochem Holdings and its associates
“Letter of Undertaking”	the letter of undertaking to be issued by Syngenta Group to Sinochem Fertilizer with respect to the performance by Sinochem Agriculture and CNSG of all of their contractual obligations under the New Sinochem Agriculture Agreement and the CNSG Agreement, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Services”	the loan services (excluding entrustment loans) provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)
“maximum daily outstanding balance”	the daily outstanding balance of the total deposits (including accrued interest) placed by the Group with Sinochem Finance, calculated at the close of business of Sinochem Finance on a daily basis
“NAFR”	the National Administration of Financial Regulation, the predecessor of which is the China Banking and Insurance Regulatory Commission
“New Sinochem Agriculture Agreement”	the agreement for the use of fund dated 11 October 2023 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower
“Other Financial Services”	apart from the Deposit Services and the Loan Services, other financial services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), including entrustment loan services, commercial bills of exchange services, buyer financing services, settlement services, guarantee services, internet banking services, and other financial services as approved by the NAFR
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SGM”	a special general meeting of the Company to be convened to consider and approve (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (ii) the transaction under the New Sinochem Agriculture Agreement, and (iii) the transaction under the CNSG Agreement
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of Syngenta Group
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a limited liability company incorporated in the PRC, and a 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 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 subsidiary of Sinochem Holdings
“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 a subsidiary of Sinochem Holdings
“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
“Supplemental Agreement”	the second supplemental agreement to the Financial Services Framework Agreement dated 11 October 2023 entered into between the Company and Sinochem Finance



“Syngenta Group”

先正達集團股份有限公司 (Syngenta Group Co., Ltd.), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of Sinochem Holdings, and the indirect controlling shareholder of the Company

“%”

percent

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

Hong Kong, 11 October 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.*