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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)

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF AN APPROXIMATE 18.49% INTEREST IN QINGHAI SALT LAKE

RESUMPTION OF TRADING

MAJOR AND CONNECTED TRANSACTION

As disclosed in the Company's circular dated 13 June 2005, Sinochem Corporation granted the Option to the Company which allows the Company to acquire Sinochem Corporation's interest in, among others, Qinghai Salt Lake at a fair market value.

The Company announces that it exercised the Option and that on 16 October 2007 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Sinochem Corporation, for the acquisition of 141,907,561 ordinary shares, representing approximately 18.49% of its total issued share capital, in Qinghai Salt Lake for a consideration of RMB47.49 per Sale Share. The total consideration is RMB6,739.19 million (equivalent to approximately HK\$6,944.04 million).

The consideration of RMB47.49 per Sale Share represents 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB52.77 per Qinghai Salt Lake share from 28 August 2007 to 15 October 2007 (being the date preceding the date of signing of the Acquisition Agreement). The directors (excluding the independent non-executive directors) of the Company are of the view that the terms of the Acquisition Agreement and the Purchaser's Undertaking (including the Acquisition, the Lock-up Undertaking and the Voting Undertaking) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Acquisition Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Furthermore, as Sinochem Corporation is a connected person of the Company by reason of it being a substantial shareholder of the Company, the Acquisition Agreement constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Citigroup is the financial adviser to the Company in respect of the Acquisition.

GENERAL

An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the Purchaser's Undertaking (including the Acquisition, the Lock-up Undertaking and the Voting Undertaking).

A circular containing, among other things, details of the Acquisition, a letter from the independent financial adviser, a letter from the Independent Board Committee, and a notice to convene the SGM will be despatched to the shareholders of the Company as soon as practicable.

At the request of the Company, the Shares and the listed Convertible Bonds have been suspended from trading on the Stock Exchange with effect from 9:30 a.m. on 17 October 2007 and application has been made to the Stock Exchange for resumption of trading from 9:30 a.m. on 18 October 2007.

THE ACQUISITION

Background

As disclosed in the Company's circular dated 13 June 2005, Sinochem Corporation has given the Non-Competition Undertaking in favour of the Company, pursuant to which the Company was granted, among other things, the Option to acquire Sinochem Corporation's interests in Qinghai Salt Lake, Sinochem Shandong and Tianji JV, each at a fair market value.

The Company has exercised the Option in respect of the acquisition of Sinochem Corporation's interest in Qinghai Salt Lake. On 16 October 2007 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Sinochem Corporation, pursuant to which the Purchaser conditionally agreed to acquire, and Sinochem Corporation conditionally agreed to sell, 141,907,561 ordinary shares (representing approximately 18.49% of the total issued share capital) in Qinghai Salt Lake.

At the same time, the Company is in preliminary discussions with Sinochem Corporation on the possible acquisitions of Sinochem Corporation's interests in Sinochem Shandong and Tianji JV. However no agreement has been reached at the date of this announcement. The Company will comply with applicable Listing Rules requirements, as and when appropriate.

Interest to be acquired

141,907,561 ordinary shares (representing approximately 18.49% of the total issued share capital) in Qinghai Salt Lake.

Lock-up period

The Sale Shares are subject to the undertaking (**Lock-up Undertaking**) given by Sinochem Corporation to the holders of A shares in Qinghai Salt Lake in connection with the equity division reform scheme of Qinghai Salt Lake, which took effect on 29 June 2006 (**Effective Date**). Pursuant to the Lock-up Undertaking, Sinochem Corporation shall not, for a period of four years commencing on the Effective Date (i.e. from 29 June 2006 to 29 June 2010), trade on the Shenzhen Stock Exchange or otherwise transfer any of Qinghai Salt Lake's shares held by it which were untradeable prior to the Effective Date (including the Sale Shares) save for transfers to enterprises controlled by it. The Purchaser has given an undertaking under the Acquisition Agreement (**Purchaser's Undertaking**) pursuant to which it has agreed to be bound by the terms of the Lock-up Undertaking.

Dividend policy

Sinochem Corporation has undertaken to holders of A shares in Qinghai Salt Lake that at Qinghai Salt Lake's annual general meetings held for the financial years of 2006 to 2008, it shall propose and vote in favour of all resolutions to approve the distribution of all distributable profits of Qinghai Salt Lake to its shareholders (**Voting Undertaking**). Pursuant to the Purchaser's Undertaking, the Purchaser has agreed to be bound by the terms of the Voting Undertaking.

Board representation

The Purchaser will be entitled to nominate 2 directors to the board of Qinghai Salt Lake.

Consideration

The total consideration for the Sale Shares is RMB6,739.19 million (equivalent to approximately HK\$6,944.04 million), which will be payable by the Purchaser in cash in 2 instalments.

The consideration was arrived at after arm's length negotiations between Sinochem Corporation and the Company based primarily on the pricing mechanism stipulated in the relevant rules and regulations of SASAC governing disposal of listed shares by state-owned enterprises (Sinochem Corporation being a state-owned enterprise). The consideration of approximately RMB47.49 per Sale Share represents 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB52.77 per share from 28 August 2007 to 15 October 2007 (being the date preceding the date of signing of the Acquisition Agreement). The consideration per Sale Share of RMB47.49 also represents a 23.0% discount to Qinghai Salt Lake's closing price of RMB61.7 per share on 15 October 2007.

The Company is considering a number of options for financing the Acquisition, including proceeds from the Top-up Placing, internal cash resources, equity or debt financing. The Company has not yet determined the detailed breakdown of the source of funding of the Acquisition, and no decision has been reached at this stage. The Company will comply with applicable Listing Rules requirements (if any) as and when a financing option has been agreed.

Conditions of the Acquisition

The Acquisition is conditional upon the following conditions having been satisfied by the parties:

- (i) the senior management committee of Sinochem Corporation having passed resolutions to approve the execution and performance of the Acquisition Agreement;
- (ii) the Independent Shareholders having passed all necessary resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder at a general meeting of the Company in accordance with the Listing Rules; and
- (iii) all necessary consents, permits and other approvals necessary for or in respect of the Acquisition having been obtained from the relevant governmental and regulatory authorities in the PRC, including, without limitation, approval from the SASAC.

None of the conditions above can be waived. Approval from the SASAC in respect of the Acquisition was obtained on 10 November 2006 which will be valid for one year from the date of approval.

The Company and the Purchaser are in the process of applying for other approvals from the relevant governmental and regulatory authorities in the PRC in connection with the Acquisition.

Sinochem Corporation has undertaken to use its best endeavours to procure Qinghai Salt Lake and its related parties to render assistance to the Purchaser in respect of all necessary procedures involving the subject sale transfer, including without limitation, audit and share registration.

Payment

The consideration payable to Sinochem Corporation shall be satisfied in 2 instalments in the following manner:

- (a) within 5 days of signing of the Acquisition Agreement, the Purchaser shall pay 30% of the consideration as deposit (**First Payment**) to Sinochem Corporation in cash; and
- (b) within 3 months of the fulfilment or waiver of the conditions under the section headed “Conditions of the Acquisition”, the remaining 70% of the consideration shall be payable in cash.

Completion

Upon payment of the consideration in full and the transfer and registration of the Sale Shares in the name of the Purchaser, the Acquisition Agreement shall be deemed completed (**Completion**).

Termination

If the Sale Shares are not registered in the name of the Purchaser within 6 months of the satisfaction of the conditions under the section headed “Conditions of the Acquisition”, the Acquisition Agreement will automatically terminate. Sinochem Corporation shall refund the First Payment (together with interest) to the Purchaser within 10 days of termination of the Acquisition Agreement.

If the conditions under the section headed “Conditions of the Acquisition” are not satisfied within 6 months from the date of signing of the Acquisition Agreement, either party has the right to terminate the Acquisition Agreement.

INFORMATION ON THE COMPANY AND SINOCHEM CORPORATION

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement and distribution of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses. The Company aims to serve the agricultural industry in the PRC by introducing quality resources from overseas and to ensure food safety in the PRC.

The Company's subsidiaries, including the Purchaser, are also engaged in the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related business and products.

Established in 1950, Sinochem Corporation is a key state-controlled enterprise. It holds a 100% equity interest in Sinochem HK, which in turn owns approximately 50.06% of the Company.

Sinochem Corporation's core business is as follows: petroleum, fertilizer, trade, distribution and logistics of chemicals, crude oil, fuel oil and natural rubber futures; overseas oil and gas exploitation and production, refinery, chemical mining and washing, fertilizer and chemicals production; hotel and real estate development and operation. Sinochem Corporation is one of the four major state-owned oil companies and the largest fertilizer importer and phosphorus and compound fertilizer manufacturer in the PRC. It is also a major sales and marketing service provider of chemical products in the PRC. Sinochem HK is an investment holding company wholly-owned by Sinochem Corporation and incorporated under the laws of Hong Kong with limited liability.

INFORMATION ON QINGHAI SALT LAKE

Qinghai Salt Lake is a state-controlled joint stock limited liability company established in the PRC in 1997 whose shares are traded on the Shenzhen Stock Exchange. Its principal activities are the development, production and distribution of chlorine potassium. Other activities include the development, production and distribution of carnallite and low adopt carnallite and the development, processing and smelting of other mining products.

Qinghai Salt Lake dominates domestic production of potassium fertilizers in the PRC. Located near Chaerhan Salt Lake in Qinghai province, Qinghai Salt Lake owns approximately 90% of the mining rights in that area. Chaerhan Salt Lake has a potassium chloride reserve of 500 million tons.

By the end of 2006, Qinghai Salt Lake had a market share of 20% in the potassium (k) fertilizer market with total production capacity of 1.73 million tons in 2006.

Sinochem Corporation acquired (then) 20% of the issued share capital of Qinghai Salt Lake from its majority shareholder in 2004 for a consideration of RMB460 million. Pursuant to the equity division reform scheme of Qinghai Salt Lake which took effect in June 2006, Sinochem Corporation's interest in Qinghai Salt Lake was diluted to approximately 18.49%.

Based on the audited financial statements of Qinghai Salt Lake, which were prepared based on PRC GAAP, its audited consolidated profits for each of the two years ended 31 December 2005 and 31 December 2006 are as follows:

	Financial year ended 31 December 2005 (RMB million)	Financial year ended 31 December 2006 (RMB million)
Audited consolidated profit before taxation and minority interests	946.625	1,620.497
Audited consolidated profit after taxation and minority interests	515.757	811.929

The consolidated net asset value of Qinghai Salt Lake, based on its unaudited financial statements as at 30 June 2007, was RMB1,903.7 million (excluding minority shareholders' interest), or approximately RMB2.48 per share.

It is currently intended that following Completion, the Company's indirect interest in Qinghai Salt Lake will be treated as an associated company and will be equity accounted for as the Company considers that it may exercise significant influence (such as right to nominate directors and senior management) over Qinghai Salt Lake.

SHAREHOLDING STRUCTURE OF QINGHAI SALT LAKE

The shareholding structure of Qinghai Salt Lake before and after Completion is as follows:

Shareholder	Shareholding percentage as at date of this announcement	Shareholding percentage immediately after Completion
Qinghai Salt Lake Industry Group	30.6%	30.6%
Sinochem Corporation	18.49%	0%
North China Power	3.61%	3.61%
Sinochem Fertilizer Company Limited	0%	18.49%
Other holders of limited negotiable shares	3.54%	3.54%
Holders of negotiable shares	43.76%	43.76%
Total	100%	100%

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition will be a transaction of strategic significance to the Company in the following aspects:

- (i) *Acquire direct access to scarce resources:* China is one of the world's largest market of potash fertilizers and the largest importing country of potash fertilizers because of its lack of potassium resources. The Company understands that in 2006, import of potash fertilizers accounted for more than 69% of the China's annual demand, and the country potash fertilizer

market constantly remains in short supply. Qinghai Salt Lake is the largest potash fertilizer producer in China, representing over 66% of the country's total production in 2006. Through the Acquisition the Company will obtain direct access to both the feedstock supply and production capabilities of potash fertilizers;

- (ii) *Transform the Company into a leading integrated agrochemical company in China:* the Acquisition will enable the Company to transform from a pure-play fertilizer trading company to a comprehensive agrochemical product and service provider in China. Through the Acquisition the Company can integrate its existing competitive advantages in downstream distribution with its newly acquired upstream production capability;
- (iii) *Benefit from Qinghai Salt Lake's robust growth profile:* Qinghai Salt Lake has been consistently delivered robust growth in both the scale of its operation and its financial performance in the past three years due to the scarcity value of potassium resources and the booming domestic market demand for potash fertilizer. As at 31 December 2006, Qinghai Salt Lake achieved a 3-year compounded annual growth rate of 79.2% and 102.8% for its revenue and net profit, respectively. The Acquisition will enable the Company and its shareholders to share the long-term growth of Qinghai Salt Lake and benefit from its strong financial performance.

The directors (excluding the independent non-executive directors whose views will be disclosed in the Circular) of the Company are of the view that the transactions contemplated under the Acquisition Agreement and the Purchaser's Undertaking (including the Acquisition, the Lock-up Undertaking and Voting Undertaking) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Furthermore, as Sinochem Corporation is a connected person of the Company by reason of it being a substantial shareholder of the Company, the Acquisition Agreement constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, apart from Sinochem HK and its associates, no other shareholder of the Company has a material interest in the Acquisition and thus no other shareholder will be required to abstain from voting on the resolution to approve the Acquisition at the SGM.

Citigroup is the financial adviser to the Company in respect of the Acquisition.

GENERAL

An Independent Board Committee of the Company will be formed to advise the Independent Shareholders in respect of the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the Purchaser's Undertaking (including the Acquisition, the Lock-up Undertaking and the Voting Undertaking).

A circular containing, among other things, details of the Acquisition, a letter from the independent financial adviser, a letter from the Independent Board Committee, and a notice to convene the SGM will be despatched to the shareholders of the Company as soon as practicable.

At the request of the Company, the Shares and the listed Convertible Bonds have been suspended from trading on the Stock Exchange with effect from 9:30 a.m. on 17 October 2007 and application has been made to the Stock Exchange for resumption of trading from 9:30 a.m. on 18 October 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition of 141,907,561 shares in Qinghai Salt Lake, representing approximately 18.49% of its total issued share capital
“Acquisition Agreement”	the conditional sale and purchase agreement dated 16 October 2007 between Sinochem Fertilizer Company Limited (as purchaser) and Sinochem Corporation (as seller) in relation to the Acquisition
“associate”	has the meaning given to it under the Listing Rules
“Citigroup”	Citigroup Global Markets Asia Limited
“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 meaning given to it under the Listing Rules
“Convertible Bonds”	the HK\$1,300,000,000 zero coupon convertible bonds due 2011 convertible into Shares and issued by the Company on 7 August 2006
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the committee of independent non-executive directors of the Company formed to advise the Independent Shareholders in respect of the terms of the Acquisition
“Independent Shareholders”	shareholders of the Company other than Sinochem HK and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-Competition Undertaking”	the non-competition undertaking dated 6 June 2005 entered into by Sinochem Corporation in favour of the Company

“Option”	an option granted by Sinochem Corporation to the Company pursuant to the Non-Competition Undertaking for the acquisition of Sinochem Corporations’ interests in Qinghai Salt Lake, Tianji JV and Sinochem Shandong
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	generally accepted accounting principles in the PRC
“Purchaser”	Sinochem Fertilizer Company Limited, a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“Qinghai Salt Lake”	青海鹽湖鉀肥股份有限公司 (Qinghai Salt Lake Potash Co. Ltd), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	141,907,561 Qinghai Salt Lake shares, representing approximately 18.49% of the total issued share capital of Qinghai Salt Lake
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Sinochem Corporation”	中國中化集團公司 (Sinochem Corporation), a state-owned enterprise established in the PRC formerly known as China National Chemicals Import & Export Corporation which operates globally mainly in the petroleum, fertilizer and chemicals business
“Sinochem HK”	Sinochem Hong Kong (Group) Company Limited (formerly known as Sinochem Hong Kong (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability which is wholly-owned by Sinochem Corporation
“Sinochem Shandong”	中化山東肥業有限公司 (Sinochem Shandong Chemical Fertilizer Company Limited), a limited liability company established in the PRC on 31 March 2004 in which Sinochem Corporation holds a direct 51% equity interest
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianji JV”	天脊中化高平化工有限公司 (Tianji Sinochem Gaoping Chemical Engineering Company Ltd.), a limited liability company established in the PRC on 1 November 2004 in which Sinochem Corporation holds a direct 40% equity interest
“Top-up Placing”	the placing of existing shares and subscription of new shares by Sinochem HK, as announced by the Company on 10 July 2007

This announcement contains translation of HK\$ into RMB at the rate of HK\$1.00 to RMB0.9705. The translation shall not be taken as representation that any amounts in RMB or HK\$ could be converted at such rate or at any other rate.

As at the date of this announcement, the executive directors of the Company are Mr. Du Ke Ping (Chief Executive Officer) and Mr. Harry Yang; the non-executive Directors are Mr. Liu De Shu (Chairman), Mr. Song Yu Qing (Deputy Chairman), Mr. Chen Guo Gang, Mr. Stephen Francis Dowdle and Mr. Wade Fetzner III; and the independent non-executive Directors are Mr. Tse Hau Yin, Aloysius, Mr. Ko Ming Tung, Edward, and Mr. Tang Tin Sek.

By order of the Board of
Sinofert Holdings Limited
Du Ke Ping
Chief Executive Officer

Hong Kong, 17 October 2007

* *For identification purposes only*