

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNOUNCEMENT CONNECTED TRANSACTION DISPOSAL OF NITROGEN FERTILIZER BUSINESS UNIT

Reference is made to the announcement of the Company dated 30 December 2021 in relation to the proposed disposal of the Target Assets by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company.

The Board announces that ETEXE has won the bid for the Target Assets through the public listing-for-sale process organized by the CBEX at a consideration of RMB41,520,700. On 10 April 2024, Sinochem Fertilizer (as the seller) and ETEXE (as the purchaser) entered into the Asset Transfer Contract in respect of the Disposal.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, ETEXE is owned as to 31.5% by Sinochem Fertilizer and 17.5% by Sinochem Capital Investment, a subsidiary of Sinochem Holdings, and is therefore an associated company of the Company. 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 Holdings holds over 30% equity interest in ETEXE through the Group, and over 10% equity interest in ETEXE through its subsidiary Sinochem Capital Investment, ETEXE is an associate of Sinochem Holdings and also a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 30 December 2021 in relation to the proposed disposal of the Target Assets by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company.

The Board announces that ETEXE has won the bid for the Target Assets through the public listing-for-sale process organized by the CBEX at a consideration of RMB41,520,700. On 10 April 2024, Sinochem Fertilizer (as the seller) and ETEXE (as the purchaser) entered into the Asset Transfer Contract in respect of the Disposal.

PRINCIPAL TERMS OF THE ASSET TRANSFER CONTRACT

Date

10 April 2024

Parties

Seller: Sinochem Fertilizer

Purchaser: ETEXE

Target Assets to be Disposed of

The assets of the nitrogen fertilizer business unit of Sinochem Fertilizer, including one patent and 14 trademarks, the human resources and supply and sales relationship, as well as other relevant intangible assets.

Consideration and Payment

The consideration for the Disposal is RMB41,520,700, which was determined through the public listing-for-sale process organized by the CBEX and was the minimum bidding price as specified in the public listing-for-sale document. Such minimum bidding price is equivalent to the value of the Target Assets appraised by the Valuer using the income approach as at the Valuation Date (the “**Valuation**”).

ETEXE shall pay the consideration for the Disposal in a lump sum within five business days following the date of execution of the Asset Transfer Contract.

In order to determine the value of the Target Assets as at the Valuation Date, the Valuer adopted the income approach for the Valuation. The basic methodologies available for valuation mainly included asset-based approach, market approach and income approach. The Valuer considered the income approach as the most appropriate one for the Valuation due to the following reasons:

1. The asset-based approach refers to the valuation approach that determines the value of a valuation target by reasonably appraising the value of assets and liabilities of the appraised entity both on and off balance sheet, with reference to its balance sheet. With a history of several decades in operating the nitrogen fertilizer trading business, Sinochem Fertilizer has established a professional and efficient team and is capable of dispatching and supplying goods across China. The human resources and supply and sales relationship are the core assets of the nitrogen fertilizer business unit, but the asset-based approach was unable to reflect the value of the relevant team of the nitrogen fertilizer business unit in such aspects as resource integration advantage,

technical service capability, competence on professional operation and customer retention level.

2. The market approach refers to the valuation approach that determines the value of a valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases. Based on research, no comparable transaction cases were identified in the open market, and therefore it is not suitable to use comparable transaction cases for evaluation. In comparison with other listed companies in the same industry, the differences resulting therefrom could not be easily quantified and comparing the valuation target with comparable listed companies was therefore not adopted.
3. The income approach refers to the valuation approach that determines the value of a valuation target by capitalizing or discounting its expected income. The basic premise of the income approach is that future returns can be reasonably predicted and measured in monetary terms, and that the risk of future returns can be reasonably quantified. As the Target Assets were able to generate sustainable profits and the management could provide profit forecasts and the basis on which they were prepared, there existed the conditions for the adoption of the income approach.
4. The valuation results under the income approach was based on the income of the nitrogen fertilizer business unit as a whole and its value could be fully reflected. In analyzing the profitability of the nitrogen fertilizer trading business in the future and its future free cash flows, the income approach took into full account the economies of scale of the nitrogen fertilizer trading business, which reflected the overall value of the nitrogen fertilizer trading business in a more objective manner. Therefore, the income approach for the Valuation was relatively more reliable.

The Board is satisfied that (i) the Valuer has the necessary qualification for the Valuation of the Target Assets and also possesses the appropriate experience for the Valuation of similar nature; (ii) the scope of work conducted by the Valuer is appropriate as far as the Valuation is concerned; and (iii) the assumptions and methods adopted by the Valuer for the Valuation are fair and reasonable. As such, the Board is of the view that the Valuation of the Target Assets is fair and reasonable and can be taken as the reliable basis for determining the minimum bidding price.

Additional information regarding the Valuation is set out in the section headed “Profit Forecast in Relation to Valuation Methods” in this announcement.

Completion

Sinochem Fertilizer shall, within 20 business days after the consideration for the Disposal is paid by ETEXE, hand over the Target Assets and any documentation relating to the ownership thereof to ETEXE. ETEXE shall complete all formalities in relation to the change of registration of the intellectual property owner of the Target Assets with the China National Intellectual Property Administration, and Sinochem Fertilizer shall offer any assistance and cooperation as may be necessary in this regard.

FURTHER INFORMATION ON THE NITROGEN FERTILIZER BUSINESS UNIT AND TARGET ASSETS

The nitrogen fertilizer business unit of Sinochem Fertilizer is primarily engaged in the operation of the following types of nitrogen fertilizers: conventional urea, ammonium chloride, ammonium sulfate and differentiated nitrogen fertilizers, etc.. The nitrogen fertilizer business unit mainly operates its business by way of procurement of nitrogen fertilizer products from external suppliers and sale of such products to customers, including industrial customers such as compound fertilizer factory, plywood factory, melamine factory, adblue factory and power plant with denitrification system through direct sale, as well as agricultural customers through distributors or large growers through direct sale.

Since April 2022, save for the sale of nitrogen fertilizers for the purpose of clearing the existing inventories and the trading of nitrogen fertilizers according to the national requirements, Sinochem Fertilizer has ceased to operate the nitrogen fertilizer trading business. In order to avoid any impacts on its strategic sourcing capability that may result in any loss of customers and market share, Sinochem Fertilizer has authorized ETEXE to operate the nitrogen fertilizer trading business.

Based on the financial statements prepared under the Chinese Accounting Standards for Business Enterprises, the unaudited book value of the Target Assets as at the Valuation Date and 31 December 2023 was nil. The financial information of the nitrogen fertilizer business unit for the two years ended 31 December 2023 were as follows:

	For the year ended 31 December 2022 (unaudited)	For the year ended 31 December 2023 (unaudited)
Profit / (loss) before taxation (RMB'000)	6,159	(3,746)
Profit / (loss) after taxation (RMB'000)	6,159	(3,746)

Note: As Sinochem Fertilizer has ceased to and authorized ETEXE to operate the nitrogen fertilizer trading business since April 2022, the above financial data does not include the data of the nitrogen fertilizer trading business operated by ETEXE under the authorization.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The business of Sinochem Fertilizer is generally focused on fertilizer distribution services, mainly covering fertilizer procurement, sale and trading. Due to the lack of internal production capacity, the nitrogen fertilizer business unit requires a large amount of funds for the procurement of goods from external suppliers. In particular, prepayment to suppliers for the procurement is usually required in the trading of nitrogen fertilizers, and the nitrogen fertilizer business unit therefore bears a high risk of price fluctuation. Furthermore, the increasing concentration of the nitrogen fertilizer business in China has significantly lowered the profit margin in the procurement, sale and trading of nitrogen fertilizers. Therefore, the contribution of the nitrogen fertilizer business unit of Sinochem Fertilizer to the profits of the Group remains at a low level. Under such background, in order to facilitate the transformation and upgrade of the Group, enhance the operation efficiency and release the large amount of funds required by the nitrogen fertilizer trading business, Sinochem Fertilizer intends to sell the Target Assets. ETEXE is an associated company of the Company. The

transfer of the Target Assets to ETEXE is in line with the strategic positioning and business adjustment needs of the Group.

Furthermore, ETEXE has undertaken and operated Fertex platform. Fertex platform is an e-platform for agricultural materials, which provides industry information for traders in the agricultural materials industry, consolidates the resources and information of goods and logistics, and works with financial institutions to offer supply chain coordination services for upstream and downstream companies. Fertex platform is aimed to become a provider of industrial distribution services in the fertilizer sector that integrates matchmaking and proprietary trading, information, logistics, finance and dynamic warehouse management. The acquisition by ETEXE of the Target Assets will facilitate it to develop its proprietary trading business on Fertex platform, promote the trading of nitrogen fertilizers on such platform and boost the platform's influence in the market. As Sinochem Fertilizer is the largest shareholder of ETEXE, the business development of ETEXE will also enhance the investment return of the Group.

The Disposal will have no material adverse impact on Sinochem Fertilizer's sale of other basic fertilizers (i.e. phosphate fertilizer and potash fertilizer). Customers who concurrently purchase nitrogen fertilizers, phosphate fertilizers and potash fertilizers from Sinochem Fertilizer are mainly the production entities of compound fertilizers. Such production entities primarily purchase nitrogen fertilizer products on an as-needed basis, taking into account the price of nitrogen fertilizer products at the relevant time, rather than as a package with other basic fertilizers. Sinochem Fertilizer's phosphate and potash fertilizer businesses have built a stable client base and a distribution system through agricultural channels. Hence, the Disposal of the nitrogen fertilizer trading business by Sinochem Fertilizer will not have any material adverse impact on its sale of other basic fertilizers due to the lack of supply of nitrogen fertilizer products.

The Directors, including the independent non-executive Directors, are of the view that the Disposal is entered into by the Group in its ordinary and usual course of business, is conducted on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors is regarded as having a material interest in the Disposal, and hence none of the Directors has abstained from voting on the Board resolution to approve the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

For the purpose of illustration, based on the nil book value of the Target Assets as at 31 December 2023 and the consideration for the Disposal of RMB41,520,700, after deducting estimated taxes and fees payable in respect of the Disposal of around RMB10,613,700, it is estimated that the Group will record a gain of approximately RMB30,907,000 from the Disposal. It should be noted that the actual gain or loss from the Disposal to be recognized by the Group depends on the book value of the Target Assets as stated in the financial statements of the Group on the date of completion of the Disposal, and may therefore be different from the above amount.

It is expected that the net proceeds from the Disposal will be used to replenish the working capital of the Group and meet its needs for daily operations.

PROFIT FORECAST IN RELATION TO VALUATION METHODS

Given that the Valuation was prepared based on the income approach, which involves the use of discounted cash flow method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14A.68(7) of the Listing Rules apply.

The principal assumptions upon which the Valuation was based are set out below:

General Assumptions

1. Transaction assumption – It is assumed that the Target Assets have been in the course of transaction, and the Valuation is made by the Valuer in a simulated market based on the transaction conditions of the Target Assets. Transaction assumption is the most fundamental assumption for the performance of asset valuation.
2. Open market assumption – It is assumed that both parties to the transaction involving the Target Assets are in equal position and have opportunities and time to obtain sufficient market information in order to make rational judgments on the Target Assets including their functions, purposes and transaction prices. The open market assumption is based on the fact that the Target Assets can be traded publicly in the market.
3. Assumption of continuous use – It refers to the assumption on the conditions of the market where the assets are proposed to enter and the status of the assets under such market conditions. Firstly, the Target Assets are in use; secondly, it is assumed that the Target Assets in use will continue to be in use.
4. Going concern assumption – It is assumed that the Target Assets continue to operate in accordance with their business objectives under the external environment in which they operate. The operator of the Target Assets is responsible for and capable of assuming responsibility; it operates legally and is able to earn appropriate profits to maintain its ability to continue as a going concern.

Specific Assumptions

1. It is assumed in the Valuation that since the Valuation Date, there have been no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations of the PRC as well as the political, economic and social environment of the regions where the parties to this transaction are located;
2. Unless otherwise stated, it is assumed that the Target Assets are in full compliance with all relevant laws and regulations;
3. It is assumed that the Target Assets' operator is responsible and that its management is capable of taking on its duties;
4. Based on economic activities and the pro forma financial statements of the Target Assets, the scope of the Valuation is set to cover a group of assets of the nitrogen fertilizer business unit, which specifically includes the patents and trademarks, human

resources and supply and distribution relationship but excludes the working capital and fixed assets being held by the nitrogen fertilizer business unit;

5. It is assumed that after the strategic adjustment of products structure, the sales of the Target Assets will be gradually recovered to the level of the period from 2020 to 2021;
6. The historical data used for the Valuation of the Target Assets is based on the pro forma financial statements. In preparing the forecast, it is assumed that the Target Assets remained operated by Sinochem Fertilizer after April 2022. In accordance with the pro forma financial statements, the revenue, profit before taxation and profit after taxation of the Target Assets for 2020 were RMB4,920,469,700, RMB22,141,200 and RMB22,141,200, respectively;
7. It is assumed that the Target Assets will maintain their existing business model and market position;
8. It is assumed that the future working capital required by the Target Assets will be similar to that of Sinochem Fertilizer;
9. It is assumed that the accounting policies adopted by the Target Assets after the Valuation Date are in all material aspects consistent with the accounting policies adopted on the Valuation Date;
10. There will be no material adverse effect caused by force majeure and unforeseeable factors to the Target Assets;
11. There will be no material changes in the interest rates, exchanges rates, taxation benchmark and rates, policy levy, etc.;
12. It is assumed in the Valuation that the basic information and financial information provided by the Target Assets are true, accurate and complete;
13. It is assumed that the cash flows of the Target Assets for the forecast period are generated during the period.

Key Specific Assumptions for the Valuation

1. Assumption on revenue

Given the industry position and medium- and long-term business plan of Sinochem Fertilizer and the growth trend of the industry, it is expected that the annual sales volume of the nitrogen fertilizer trading business will be gradually recovered, and increase to 2.10 million tons in 2023 and 3.98 million tons for the period from 2024 to 2027.

Mainly affected by the international situation, together with increased costs driven by rising coal prices, nitrogen fertilizer prices were at a high level in 2022. As the international situation eases, prices are anticipated to fall. In 2023, a forecast was made based on the average price level for the period from January to September 2023. In consideration of the current high prices, the forecast of the nitrogen fertilizer prices for 2024 will refer to those in

the period from 2020 to 2022. Starting from 2025, it is expected that prices of low-margin urea products will maintain unchanged, while prices for small nitrogen fertilizers, differentiated nitrogen fertilizers, ammonium chloride and other niche market products will have some upside after 2025 due to their market potentials.

2. Assumption on costs

1) Gross profit margin

Looking at the historical data, the gross profit margin of the Target Assets was relatively stable. The Valuation used the historical average gross profit margin from 2020 to 2022 as a reference for preparing the forecast.

2) Operating cost

It is expected that the nitrogen fertilizer trading business will continue to be operated under the current model of business management and operation for the future operation period, and the principal business, composition of revenue and cost of revenue, sales strategy and cost control, etc. will be dealt with pursuant to the current strategic positioning and planning and there will have no significant change in this regard.

3) Taxes and surcharges

The taxes and surcharges of the nitrogen fertilizer trading business for the historical period include stamp duty. The Valuation involved calculating the output tax on revenue separately and paying the value-added tax based on the difference after deducting the input tax allowed to be deducted for the current period. For the future forecast period, the urban construction tax and education surcharges are calculated based on the product of the value-added tax payable for each period and the tax rate. The stamp duty is forecasted at 0.03%.

4) Selling expenses

Selling expenses mainly include shipping charges, labour cost, loading and unloading costs, warehousing fees, insurance costs, travel expenses, and transportation expenses, etc. Since the abovementioned selling expenses have a relatively stable ratio to the revenues based on normal historical data, the Valuation estimated future annual expenses by multiplying the ratio of historical annual expenses to revenue with the revenues of future years.

5) Administrative expenses

Administrative expenses mainly include salaries and benefits of the management, rental costs, conference expenses, consulting fees, promotional expenses, repair costs, business entertainment expenses, and depreciation, etc. In relation to administrative expenses, the Valuation was primarily based on data from 2020 to 2022, taking into account a certain growth rate to estimate the amount of expenses for future years.

6) Financial costs

As the cash flow adopted by the Valuation is the free cash flow of the Target Assets, there is no need to make a forecast for financial expenses.

7) Depreciation and amortization

For the forecast of fixed asset depreciation and the amortization of long-term deferred expenses, since the Target Assets did not include any fixed assets as at the Valuation Date, it is necessary to invest funds each year going forward to acquire new assets to maintain normal operations. The Valuation was comprehensively calculated and determined based on the fixed assets converted from the additional capital expenditures forecasted to be incurred by the Target Assets each year and at the depreciation rates for various types of assets as determined by the current accounting policies of the Target Assets.

8) Working capital

Working capital equals operating current assets minus operating current liabilities. Operating current assets include all current assets used or required for the operation of the Target Assets, including monetary funds, accounts receivable, prepaid accounts, and inventory, etc. Operating current liabilities include accounts payable, accounts received in advance, etc. The forecast is made based on the working capital of the Target Assets after Sinochem Fertilizer authorized ETEXE to operate the Target Assets.

3. Method for determining discount rate

Based on the principle of consistency between revenue and discount rate, the Valuation adopted the weighted average cost of capital (WACC) model to determine the discount rate, which can be represented by the following calculation formula:

$$\text{WACC} = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

Where: K_e means the cost of equity capital; K_d means the cost of interest-bearing debt capital; E means the market value of equity; D means the market value of interest-bearing debt; t means the income tax rate.

When calculating K_e (being the cost of equity capital), the capital asset pricing model (CAPM) was used, which can be represented by the following calculation formula:

$$K_e = r_f + \text{MRP} \times \beta + r_c$$

Where: r_f represents the risk-free rate of return, which is set at 2.84% based on the annual yield to maturity of the 10-year Chinese government bonds issued by the PRC government as at the Valuation Date; β represents the risk coefficient of equity system, which is set at 0.8514 as derived from comparable listed company samples; MRP represents the market risk premium, which is set at 7.14% by using the Chinese securities market index to measure the market risk premium; and r_c represents the enterprise-specific risk adjustment coefficient, which is set at 1.0% having taken into account the Target Assets' scale, core competitiveness, liquidity, and other factors.

By substituting the parameters determined above into the calculation formula, the discount rate is calculated to be 8.42%.

KPMG (the auditors of the Company, the “**Auditors**”) has reported on the discounted future cash flows on which the Valuation is based. The Board has reviewed and considered the Valuation, including the principal assumptions upon which the Valuation was based, and also considered the report from the Auditors. On the basis of the foregoing, the Board is of the view that the profit forecast used in the Valuation has been made after due and careful enquiry. A report from the Auditors and a letter from the Board are set out in Appendix I and Appendix II to this announcement, respectively.

The following are the qualifications of the experts who have given opinions or advice contained in this announcement:

Name	Qualification
Pan-China Assets Appraisal Co., Ltd.	PRC asset valuer
KPMG	Certified public accountants

As at the date of this announcement, to the best knowledge of the Directors, none of the above experts has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the date of this announcement, each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its report and all references to its name in the form and context in which it appears.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, ETEXE is owned as to 31.5% by Sinochem Fertilizer and 17.5% by Sinochem Capital Investment, a subsidiary of Sinochem Holdings, and is therefore an associated company of the Company. 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 Holdings hold over 30% equity interest in ETEXE through the Group, and over 10% equity interest in ETEXE through its subsidiary Sinochem Capital Investment, ETEXE is an associate of Sinochem Holdings and also a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is principally engaged in the production, 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, an indirect wholly-owned subsidiary of the Company, is principally 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 State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

ETEXE, an associate of Sinochem Holdings and an associated company of the Company, is principally engaged in the development and operation of Fertex platform, with an aim to transform the traditional industry model in the fertilizer sector and improve the operating efficiency of the industry. ETEXE is owned as to 31.5%, 21%, 17.5%, 15% and 15% by Sinochem Fertilizer, Qinghai Salt Lake, Sinochem Capital Investment, Linggu Chemical and Shanxi Yaxin, respectively. Sinochem Holdings indirectly holds approximately 92.78% equity interest in Sinochem Capital Investment and approximately 5.73% equity interest in Qinghai Salt Lake (whose shares are listed on the Shenzhen Stock Exchange (stock code: 000792)). To the best of the Company's knowledge, Linggu Chemical, Shanxi Yaxin and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Asset Transfer Contract”	the asset transfer contract dated 10 April 2024 entered into between Sinochem Fertilizer and ETEXE
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBEX”	China Beijing Equity Exchange Co., Ltd.
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Assets by Sinochem Fertilizer to ETEXE pursuant to the Asset Transfer Contract

“ETEXE”	益通數科科技股份有限公司 (ETEXE Technologies Limited), a limited liability company incorporated in the PRC and an associated company of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Linggu Chemical”	靈谷化工集團有限公司 (Linggu Chemical Group Co., Ltd.), a limited liability company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Qinghai Salt Lake”	青海鹽湖工業股份有限公司 (Qinghai Salt Lake Industry Co., Ltd.), a joint stock limited liability company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000792)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Yaxin”	山西亞鑫化工科技有限公司 (Shanxi Yaxin Chemical Technology Co., Ltd.), a limited liability company incorporated in the PRC
“shareholder(s)”	registered holder(s) of ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sinochem Capital Investment”	中化資本投資管理有限責任公司 (Sinochem Capital Investment Management Co., Ltd.), a limited liability company incorporated in the PRC and an indirect non-wholly owned subsidiary of Sinochem Holdings
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Sinochem Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), a state-owned enterprise incorporated in the PRC and 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

“Target Assets”	the assets of the nitrogen fertilizer business unit of Sinochem Fertilizer, as described in the section headed “Target Assets to be Disposed of” of this announcement
“Valuation Date”	31 December 2022
“Valuer”	Pan-China Assets Appraisal Co., Ltd., an independent valuer
“%”	percent

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Su Fu
Chairman

Hong Kong, 10 April 2024

As at the date of this announcement, the non-executive Director of the Company is Mr. Su Fu (Chairman); the executive Directors of the Company are Mr. Wang Jun and Ms. Wang Ling; and the independent non-executive Directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

Appendix I Report from KPMG

The following is the text of a report received from the Company's Auditors, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE RELATED ASSETS OF THE NITROGEN FERTILIZER BUSINESS UNIT

TO THE BOARD OF DIRECTORS OF SINO FERT HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation (“the Valuation”) dated 30 November 2023 prepared by Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) in respect of the appraisal of the market value of the related assets of the nitrogen fertilizer business unit of Sinochem Fertilizer Company Limited (the “Target Assets”) as at 31 December 2022 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibilities

The directors of Sinofert Holdings Limited (the “Directors”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

* For identification purposes only

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Assets or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

10 April 2024

Appendix II Letter from the Board

The following is the text of a letter from the Board for inclusion in this announcement.

Dear Sir/Madam,

Connected Transaction – Disposal of nitrogen fertilizer business unit

We hereby refer to the announcement of Sinofert Holdings Limited (the “**Company**”) dated 10 April 2024 in relation to the above-captioned matter (the “**Announcement**”). Unless otherwise defined, the terms used in this letter shall have the same meanings as defined in the Announcement.

We hereby refer to the valuation report issued by Pan-China Assets Appraisal Co., Ltd. (the “**Valuer**”) on 30 November 2023 in relation to the Valuation of the Target Assets as at the Valuation Date using the income approach based on discounted future cash flows, and the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We hereby confirm that we have discussed with the Valuer about various aspects related to the basis and assumptions underlying the discounted cash flows used in the preparation of the Valuation and examined the relevant information and documents, and reviewed the Valuation prepared and undertaken by the Valuer. We have also reviewed the calculation of discounted cash flows in the valuation report issued by the Valuer. Further, we have considered the report prepared by KPMG, the Auditors of the Company (which is set out in Appendix 1 to the Announcement), in relation to the calculation of discounted cash flows on which the Valuation is based.

Based on the above and pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, we confirm that the profit forecast used in the Valuation has been made after our due and careful enquiry.

By order of the Board
Sinofert Holdings Limited
Wang Ling
Executive Director

10 April 2024