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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)

**DISCLOSEABLE TRANSACTION
PROPOSED ACQUISITION OF 100% EQUITY INTERESTS IN
JILIN FERTILIZER
AND
PROPOSED CAPITAL INJECTION IN
JILIN FERTILIZER**

The Company announces that on 7 April 2008 (after trading hours), Sinochem Fertilizer entered into the Jilin Acquisition Agreement with Jilin SASAC whereby Sinochem Fertilizer has agreed to acquire from Jilin SASAC 100% of the equity interests of Jilin Fertilizer at no consideration. In addition, on the same date (after trading hours), Sinochem Fertilizer entered into the Jilin Capital Injection Agreement with Jilin Fertilizer and Jilin SASAC whereby Sinochem Fertilizer and Jilin SASAC have agreed to inject further capital into Jilin Fertilizer.

Upon completion of the Jilin Acquisition Agreement and the Jilin Capital Injection Agreement, Sinochem Fertilizer and Jilin SASAC will hold 90.81% and 9.19% respectively of the enlarged registered capital of Jilin Fertilizer, and Jilin Fertilizer will become a subsidiary of the Company.

The Jilin Acquisition Agreement and the Jilin Capital Injection Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Jilin Acquisition and the Jilin Capital Injection, will be despatched to the shareholders of the Company as soon as practicable.

JILIN ACQUISITION

Date of the Jilin Acquisition Agreement

7 April 2008

Parties

Purchaser: Sinochem Fertilizer

Vendor: Jilin SASAC, a governmental body in Jilin Province of the PRC, responsible for the supervision and management of state-owned assets, as authorized by Jilin provincial government.

Interest to be acquired

Sinochem Fertilizer has conditionally agreed to acquire from Jilin SASAC 100% of the equity interests of Jilin Fertilizer.

Consideration

No consideration for the Jilin Acquisition is payable by Sinochem Fertilizer. This was agreed between the parties to the Jilin Acquisition Agreement after arm's length negotiations and was arrived at with reference to the financial position of the principal operating companies forming part of the Jilin Fertilizer Group after the Jilin Restructuring and the future prospect of Jilin Fertilizer Group.

Following the Jilin Restructuring, the Jilin Fertilizer Group comprises Jilin Fertilizer, Changda Company, Sanjiang Company, two branch companies operated by Jilin Fertilizer and a subsidiary company operated by Changda Company. Based on an asset appraisal report prepared by an independent third party institution specialized in asset appraisals, as at 31 August 2007, Jilin Fertilizer had a net asset value of approximately RMB9,897,600 (equivalent to approximately HK\$10,946,300), Changda Company had a net deficit value of approximately RMB98,312,800 (equivalent to approximately HK\$108,729,000), and Sanjiang Company had a net asset value of approximately RMB6,830,300 (equivalent to approximately HK\$7,554,000).

Given the financial condition and indebtedness position of the Jilin Fertilizer Group (before and after the Debt Restructuring), the board of directors of the Company considers that nil consideration for the Jilin Acquisition is fair and reasonable, and is determined upon normal commercial terms.

Effectiveness of the Jilin Acquisition Agreement

The Jilin Acquisition Agreement will become effective upon satisfaction of the following conditions:

- (i) the Jilin Acquisition Agreement having been executed by Sinochem Fertilizer and Jilin SASAC;
- (ii) all necessary approvals in respect of the Jilin Acquisition Agreement having been obtained from the relevant governmental and regulatory authorities in the PRC;
- (iii) Sinochem Fertilizer having complied with its internal procedures necessary for the performance of the Jilin Acquisition Agreement, including, without limitation, the approval procedures required by the Company and the Stock Exchange in accordance with the Listing Rules, if applicable.

Conditions of the Jilin Acquisition

Completion of the Jilin Acquisition is conditional upon the following conditions:

- (i) the land use rights with respect to the Production Land having been obtained through state grant and the corresponding land use rights certificate having been issued to Jilin Fertilizer or Changda Company;
- (ii) both parties to the Jilin Acquisition Agreement having determined the scope/number of entities to be acquired as set out in the Jilin Acquisition Agreement, and Jilin SASAC having completed the separation of the entities that are held or managed by Jilin Fertilizer and do not fall within the scope of entities to be acquired by Sinochem Fertilizer (**Jilin Restructuring**). (As set out in the Jilin Acquisition Agreement, the Jilin Fertilizer Group, following the Jilin Restructuring, comprises Jilin Fertilizer, Changda Company, Sanjiang Company, two branch companies operated by Jilin Fertilizer and a subsidiary company operated by Changda Company.)

The conditions set out in the section headed “Conditions of the Jilin Acquisition” above have been satisfied, except that the issuance of the land use rights certificate is being processed by the relevant authorities.

Jilin SASAC has undertaken to use its best endeavours to procure Jilin Fertilizer to render assistance to the Sinochem Fertilizer in respect of all necessary procedures involving the subject acquisition.

JILIN CAPITAL INJECTION

Date of the Jilin Capital Injection Agreement

7 April 2008

Parties

Jilin Fertilizer
Sinochem Fertilizer
Jilin SASAC

Proposed capital injection by Sinochem Fertilizer and Jilin SASAC

Sinochem Fertilizer and Jilin SASAC have agreed to inject further capital into Jilin Fertilizer. Following the capital injection, the registered capital of Jilin Fertilizer will be increased from RMB385,660,000 (approximately HK\$426,520,700) to RMB589,590,000 (approximately HK\$652,057,100), of which RMB149,770,000 (approximately HK\$165,638,100) will be injected by Sinochem Fertilizer and RMB54,160,000 (approximately HK\$59,898,300) will be injected by Jilin SASAC. Upon completion of the Jilin Capital Injection Agreement, Sinochem Fertilizer and Jilin SASAC will hold 90.81% and 9.19% respectively of the enlarged registered capital of Jilin Fertilizer, and Jilin Fertilizer will become a subsidiary of the Company and its results will be consolidated in the accounts of the Company.

Payment

Sinochem Fertilizer shall fulfil its payment obligation by either manner below:

- (i) conversion of an amount of RMB60,000,000 (approximately HK\$66,357,000) (being prepayment made by Sinochem Fertilizer for the purchase of goods from Jilin Fertilizer Group during the ordinary course of business) owed to Sinochem Fertilizer by Jilin Fertilizer Group, and cash payment of the remaining RMB89,770,000 (approximately HK\$99,281,100); or
- (ii) cash payment in the amount of RMB149,770,000 (approximately HK\$165,638,100), under which circumstance, Jilin Fertilizer Group shall undertake to return the above prepayment of RMB60,000,000 (approximately HK\$66,357,000) to Sinochem Fertilizer within 3 days after receipt of such cash payment or otherwise supply goods of equivalent value to Sinochem Fertilizer in the normal business dealings between Jilin Fertilizer Group and Sinochem Fertilizer.

Pursuant to the Capital Injection Agreement, apart from above payment of RMB149,770,000, Sinochem Fertilizer has no further capital commitment to Jilin Fertilizer. The cash payment will be financed by Sinochem Fertilizer's internal resources.

Jilin SASAC shall fulfil its payment obligation by either manner below:

- (i) conversion of a debt in the amount of RMB54,160,000 (approximately HK\$59,898,300) owed to Jilin SASAC by Jilin Fertilizer; or
- (ii) cash payment in the amount of RMB54,160,000 (approximately HK\$59,898,300), under which circumstance, Jilin Fertilizer shall undertake to pay off the debt of RMB54,160,000 (approximately HK\$59,898,300) owed to Jilin SASAC within 3 days after receipt of such cash payment.

Sinochem Fertilizer and Jilin SASAC shall fulfil their respective payment obligations within 30 days after the Jilin Capital Injection Agreement becomes effective.

Board representation

Upon completion of the Jilin Capital Injection Agreement, the board of directors of Jilin Fertilizer shall consist of 5 directors, 4 of whom shall be nominated by Sinochem Fertilizer and 1 of whom shall be nominated by Jilin SASAC. A director nominated by Sinochem Fertilizer shall serve as the chairman of the board. Sinochem Fertilizer will have the right to nominate senior management of Jilin Fertilizer, including, without limitation, the general manager, the deputy general manager, the chief sales officer, the chief financial officer.

Supervisor

Upon completion of the Jilin Capital Injection Agreement, the board of supervisors of Jilin Fertilizer shall consist of 3 supervisors, 1 of whom shall be nominated by Sinochem Fertilizer, 1 of whom shall be nominated by Jilin SASAC and 1 of whom shall be elected by the employee representative.

Effectiveness of the Jilin Capital Injection Agreement

The Jilin Capital Injection Agreement will become effective upon the following conditions:

- (i) the Jilin Capital Injection Agreement having been executed by Sinochem Fertilizer and Jilin SASAC;
- (ii) Sinochem Fertilizer having complied with its internal procedures necessary for the performance of the Jilin Capital Injection Agreement, including, without limitation, the approval procedures required by the Company and the Stock Exchange in accordance with the Listing Rules, if applicable.

The Jilin Capital Injection is conditional upon the Jilin Acquisition, but not vice versa.

INFORMATION ON JILIN FERTILIZER GROUP

Jilin Fertilizer Group is the largest fertilizer producer in Jilin Province of PRC. Currently Jilin Fertilizer has a registered capital of RMB385,660,000 (equivalent to approximately HK\$426,520,700), and is wholly owned by Jilin SASAC.

Jilin Fertilizer Group is engaged in, among other things, the production of urea and compound fertilizer in the PRC. The manufacturing facilities of Jilin Fertilizer Group have the capacity to produce approximately 300,000 tons of urea per year and approximately 400,000 tons of compound fertilizer per year respectively.

Based on the respective audited financial statements of Jilin Fertilizer, Changda Company and Sanjiang Company, which were prepared under PRC GAAP, their respective audited profits/loss for the years ended 31 December 2006 and 31 December 2007 are as follows:

Jilin Fertilizer (including the two branch companies under its operation)	Financial year ended 31 December 2006 (RMB million)	Financial year ended 31 December 2007 (RMB million)
audited (loss) profit before taxation and minority interests	(16.38)	(14.08)
audited (loss) profit after taxation and minority interests	(16.38)	(14.08)
Changda Company (including the subsidiary company under its operation)	Financial year ended 31 December 2006 (RMB million)	Financial year ended 31 December 2007 (RMB million)
audited consolidated (loss) profit before taxation and minority interests	19.74	7.66
audited consolidated (loss) profit after taxation and minority interests	19.74	7.66

Sanjiang Company	Financial year ended 31 December 2006 (RMB million)	Financial year ended 31 December 2007 (RMB million)
audited (loss) profit before taxation and minority interests	(3.34)	(9.24)
audited (loss) profit after taxation and minority interests	(3.34)	(9.24)

Based on the audited financial statements of Jilin Fertilizer, Changda Company and Sanjiang Company, which were prepared under PRC GAAP, as at 31 December 2007, Jilin Fertilizer had a net asset value of approximately RMB33,580,000 (equivalent to approximately HK\$37,140,000) as at 31 December 2007, Changda Company had a net deficit value of approximately RMB65,420,000 (equivalent to approximately HK\$72,350,000), and Sanjiang Company had a net deficit value of approximately RMB13,100,000 (equivalent to approximately HK\$14,490,000).

DEBT RESTRUCTURING

As a result of its capital intensive investments in production technology development and in its ordinary course of business operation, Jilin Fertilizer Group (before the Jilin Restructuring) incurred debts in an aggregate amount of approximately RMB1,127,000,000 (equivalent to approximately HK\$1,246,410,000), of which approximately RMB426,900,000 (equivalent to approximately HK\$472,130,000) (**Debts**) was indebted to an independent third party by Jilin Fertilizer and Changda Company. A debt restructuring in respect of the Debts (**Debt Restructuring**) was undertaken to maintain a rational asset-liability ratio. Jilin Fertilizer Group (after the Jilin Restructuring) will repay the remaining debts through funds generated from their business operation or through such other means as Jilin Fertilizer Group shall consider appropriate.

According to the Debt Restructuring, the independent third party described above has agreed to assign the Debts to Jilin SASAC, and Jilin Fertilizer Group will no longer be indebted to the independent third party described above. Jilin SASAC has further agreed to waive part of the Debts in the amount of approximately RMB300,520,000 (equivalent to approximately HK\$332,360,000). As a result, Jilin Fertilizer Group has become indebted to Jilin SASAC in the amount of approximately RMB126,380,000 (equivalent to approximately HK\$139,770,000), of which approximately RMB54,160,000 (equivalent to approximately HK\$59,900,000) will be converted to equity by capital injection in Jilin Fertilizer by Jilin SASAC according to the Jilin Capital Injection Agreement described above. Following the Jilin Capital Injection, Jilin Fertilizer Group will become indebted to Jilin SASAC in the amount of approximately RMB72,220,000 (equivalent to approximately HK\$79,870,000).

In the event that the Debt Restructuring is not completed prior to the Jilin Acquisition, Sinochem Fertilizer and Jilin SASAC shall have the right to re-negotiate the Jilin Acquisition Agreement or its performance. In this connection, Jilin SASAC has separately confirmed that if the Debt Restructuring is not completed, Sinochem Fertilizer shall be entitled to suspend or terminate the Jilin Acquisition Agreement.

REASONS FOR AND BENEFITS OF THE JILIN ACQUISITION AND JILIN CAPITAL INJECTION

The investment in Jilin Fertilizer through the Jilin Acquisition and Jilin Capital Injection will be of strategic significance to the Company in the following aspects:

- (i) *Benefit from the regional advantages of Jilin Fertilizer Group.* With an annual production capacity of approximately 300,000 tons of urea and approximately 400,000 tons of compound fertilizer, Jilin Fertilizer Group is the largest fertilizer producer in Jilin Province of PRC. Through the Jilin Acquisition, the Company will be able to enjoy the regional advantages of Jilin Fertilizer Group in North East China and increase its market share in compound fertilizer sector. The Company intends to combine its existing competitive advantages in downstream distribution with its newly acquired upstream fertilizer production through the Jilin Acquisition, and to benefit from the synergies arising from further vertical business integration in the future.
- (ii) *Benefit from the strong “Changshan” brand name.* Jilin Fertilizer Group produces urea and compound fertilizer under “Changshan” brand name. “Changshan” is one of the renowned urea and compound fertilizer brands in North East China, especially in Jilin Province. In addition, Changshan compound fertilizer (長山牌多元素複合肥NPK (15-15-15)) has been exempted from quality inspection for the period during December 2005 and December 2008 by PRC governmental authorities in recognition of the product quality.
- (iii) *Benefit from the future growth of Jilin Fertilizer Group.* As a result of its capital intensive investments in production technology development, Jilin Fertilizer Group was in a heavy indebtedness position. Following the Debt Restructuring, Jilin Fertilizer Group’s asset-liability ratio will decrease significantly. The Company believes that the production costs of Jilin Fertilizer Group can be reduced largely through enhancing the resource utilization ratio and operating efficiency, and Jilin Fertilizer Group’s financial performance can be further improved.
- (iv) *Benefit from the use of low cost raw materials.* Jilin Fertilizer Group has been using lignite (褐煤) as the raw materials. Compared to other raw materials such as anthracite lump coal (無煙塊煤), procurement cost of lignite is relatively stable and low. By using lignite, Jilin Fertilizer Group has been able to enjoy its low procurement costs and sufficient sources of supply.
- (v) *Benefit from the experienced technical staff of Jilin Fertilizer.* Jilin Fertilizer Group has a team of approximately 230 technicians with in-depth knowledge and expertise in the fertilizer production industry, with average working experience of nearly 20 years.

The directors (including the independent non-executive directors) of the Company are of the view that the transactions contemplated under the Jilin Acquisition Agreement and Jilin Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

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 Sinochem Fertilizer, 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.

LISTING RULES IMPLICATIONS

The Jilin Acquisition Agreement and the Jilin Capital Injection Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, details of the Jilin Acquisition and the Jilin Capital Injection will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

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

“Changda Company”	吉林長山化肥集團長達有限公司 (Jilin Changshan Chemical Fertilizer Group Changda Co., Ltd.), a company incorporated in the PRC, and in which Jilin Fertilizer owns 87.35% of its equity interest
“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
“Debt Restructuring”	has the meaning as described in the section headed “Debt Restructuring”
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jilin Acquisition”	the proposed acquisition of 100% of the equity interests of Jilin Fertilizer
“Jilin Acquisition Agreement”	conditional acquisition agreement dated 7 April 2008 between Jilin SASAC (as vendor) and Sinochem Fertilizer (as purchaser) in relation to the Jilin Acquisition

“Jilin Capital Injection”	the proposed capital injection into Jilin Fertilizer by Sinochem Fertilizer and Jilin SASAC
“Jilin Capital Injection Agreement”	the capital injection agreement dated 7 April 2008 among Jilin Fertilizer, Jilin SASAC and Sinochem Fertilizer in relation to the Jilin Capital Injection
“Jilin Fertilizer”	吉林化肥農藥集團有限公司 (Jilin Fertilizer & Pesticide Group Co., Ltd.), a company incorporated in the PRC, and which is a third party independent of the Company and its connected persons
“Jilin Fertilizer Group”	Jilin Fertilizer, its subsidiaries and branches
“Jilin Restructuring”	has the meaning described in the section headed “Conditions of the Jilin Acquisition”
“Jilin SASAC”	State-owned Assets Supervision and Administration Commission of Jilin Province, a third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Production Land”	a parcel of land which is being used under state allocation by Jilin Fertilizer and Changda Company for their operations, and is expected to obtain state grant status
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sanjiang Company”	吉林長山化肥集團三江肥業有限公司 (Jilin Changshan Chemical Fertilizer Group San Jiang Fertilizer Co., Ltd.), a company incorporated in the PRC, and which is a wholly-owned subsidiary of Jilin Fertilizer
“Sinochem Fertilizer”	Sinochem Fertilizer Company Limited, a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

This announcement contains translation of HK\$ into RMB at the rate of HK\$1.00 to RMB0.9042. 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 Fetzler III; and the independent non-executive directors are Mr. Tse Hau Yin, Aloysius, Mr. Ko Ming Tung, Edward, and Mr. Tang Tin Sek.

For and on behalf of the Board of
Sinofert Holdings Limited
Du Ke Ping
Executive Director and Chief Executive Officer

Hong Kong, 7 April 2008

* *For identification purposes only*