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## **SINOFERT HOLDINGS LIMITED**

**中化化肥控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 297)**

### **ANNOUNCEMENT CONNECTED TRANSACTION DISPOSAL OF A NATURAL GAS PIPELINE AND AUXILIARY FACILITIES**

The Board announces that on 26 March 2021, Sinochem Fuling, an indirect non-wholly owned subsidiary of the Company, entered into the Asset Transfer Contract with Fuling Shale Gas, pursuant to which Sinochem Fuling agreed to dispose of and Fuling Shale Gas agreed to acquire the Assets at a consideration of RMB93,868,700.

#### **LISTING RULES IMPLICATIONS**

Sinochem Fuling is an indirect non-wholly owned subsidiary of the Company. Fuling SASAC, together with its subsidiary, holds an aggregate of 25.27% equity interest in Sinochem Fuling, and is therefore a substantial shareholder of Sinochem Fuling. Fuling Shale Gas is a connected person of the Company at the subsidiary level by virtue of it being an indirect wholly-owned subsidiary of Fuling SASAC. As such, the Disposal constitutes a connected transaction between the Group and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **BACKGROUND**

The Board announces that on 26 March 2021, Sinochem Fuling, an indirect non-wholly owned subsidiary of the Company, entered into the Asset Transfer Contract with Fuling Shale Gas, pursuant to which Sinochem Fuling agreed to dispose of and Fuling Shale Gas agreed to acquire the Assets at a consideration of RMB93,868,700.

## **PRINCIPAL TERMS OF THE ASSET TRANSFER CONTRACT**

### ***Date***

26 March 2021

### ***Parties***

Seller: Sinochem Fuling

Buyer: Fuling Shale Gas

### ***Assets to be disposed of***

A long-distance natural gas pipeline (the “**Natural Gas Pipeline**”) and the auxiliary facilities along the Natural Gas Pipeline, including stations, valve chambers, highways and tunnels (the “**Auxiliary Facilities**”).

### ***Consideration and payment***

The consideration of the Disposal is RMB93,868,700, which was determined through the public listing-for-sale process organized by the Chongqing United Assets and Equity Exchange Group Co., Ltd.. The minimum bidding price specified in the public listing-for-sale document is RMB82,868,700, which was the appraised value of the Assets as at 31 December 2019 as prepared by an independent valuer. During the public listing-for-sale process, a number of potential buyers submitted their bids on top of the minimum bidding price, and Fuling Shale Gas won the bid for the Assets by offering the highest bid of RMB93,868,700.

Fuling Shale Gas shall pay the consideration of the Disposal in a lump sum within five working days from the execution of the Asset Transfer Contract.

### ***Completion***

Within three working days from the payment by Fuling Shale Gas of the consideration, Sinochem Fuling shall hand over the Assets to Fuling Shale Gas at the site where the Assets are located on an “as is” basis, and the parties shall execute a letter of confirmation for the handover of the Assets. The parties agree that since the execution of the letter of confirmation, Fuling Shale Gas shall solely bear the risk of loss of the Assets and assume all responsibilities and costs in connection with the custody, cleaning, safety and environmental protection of the Assets.

## **INFORMATION OF THE ASSETS**

Sinochem Fuling completed the construction of the Natural Gas Pipeline and the Auxiliary Facilities in August 2009 which were then put into operation. The Natural Gas Pipeline is located in Chongqing City, the PRC. It starts at the gas distribution station in Duzhou Town, Changshou District and ends at the gas distribution station of Sinochem Fuling, with a total length of approximately 41 kilometers. The Natural Gas Pipeline has a designed gas

transmission volume of approximately 300 million m<sup>3</sup> per year. Before Sinochem Fuling's relocation of its production facilities (as further described in the section headed "Reasons for and Benefits of the Disposal" of this announcement), the Natural Gas Pipeline was mainly used to provide raw natural gas to a synthetic ammonia and urea production line of Sinochem Fuling located on its original production site, and was also used to offer natural gas pipeline transmission services to other users by way of leasing.

As at 31 December 2020, the carrying value of the Natural Gas Pipeline and the Auxiliary Facilities were approximately RMB47,409,600 and RMB10,464,100, respectively, totaling approximately RMB57,873,700. The unaudited profits attributable to the Assets for the two years ended 31 December 2020 are as follows:

	For the year ended 31 December 2019 <i>(Approximately RMB'000)</i>	For the year ended 31 December 2020 <i>(Approximately RMB'000)</i>
Profit before taxation	3,457.70	4,440.61
Profit after taxation	3,172.20	4,073.95

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

According to the requirements under the environmental policies of the local government, Sinochem Fuling is required to relocate its production facilities, and is therefore in the process of disposing of its fixed assets on the original production site. The initial purpose of constructing the Natural Gas Pipeline was mainly to provide raw natural gas to a synthetic ammonia and urea production line of Sinochem Fuling located on its original production site. With the relocation of the production facilities, such production line has ceased production since October 2019. Although the leasing of the Natural Gas Pipeline to other users can still generate revenue to Sinochem Fuling, taking into account the substantial maintenance costs of the Natural Gas Pipeline, the Group intends to dispose of the Assets. The Disposal can increase the net cash inflow of the Group, and the net proceed therefrom may be used for the construction of new production facilities of Sinochem Fuling.

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, on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole. As none of the Directors is regarded as having a material interest in the Disposal, no Director has abstained from voting on the resolution of the Board approving the Disposal.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

For illustrative purpose, based on the carrying value of the Assets as at 31 December 2020 of approximately RMB57,873,700 and the consideration of the Disposal of RMB93,868,700, it is estimated that the Group will record a pre-tax gain from the Disposal of approximately RMB35,995,000. It should be noted that the actual gain or loss from the Disposal to be recorded by the Group will depend on the carrying value of the Assets recorded on the

Group's financial statements as at the date of completion of the Disposal and therefore may be different from the amount disclosed above.

It is expected that the net proceeds of the Disposal will be used for the construction of the new production facilities of Sinochem Fuling, including payment for construction costs and procurement of equipment etc..

## **LISTING RULES IMPLICATIONS**

Sinochem Fuling is an indirect non-wholly owned subsidiary of the Company. Fuling SASAC, together with its subsidiary, holds an aggregate of 25.27% equity interest in Sinochem Fuling, and is therefore a substantial shareholder of Sinochem Fuling. Fuling Shale Gas is a connected person of the Company at the subsidiary level by virtue of it being an indirect wholly-owned subsidiary of Fuling SASAC. As such, the Disposal constitutes a connected transaction between the Group and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION**

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, distribution and agricultural services of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses.

Sinochem Fuling, which is indirectly owned as to 74.56% by the Company, is an indirect non-wholly owned subsidiary of the Company. Sinochem Fuling is primarily engaged in the production and sale of phosphate compound fertilizer products.

Fuling SASAC is an agency directly under the administration of Fuling District Government of Chongqing, which is primarily responsible for performing the duties and responsibilities of an investor to direct and push forward the reform and restructuring of state-owned enterprises; monitoring the value preservation and appreciation of state-owned assets of the enterprises under its supervision to strengthen the management of state-owned assets; promoting the establishment of a modern corporate system for state-owned enterprises to optimize the corporate governance structure; and pushing forward the strategic adjustment to the structure and landscape of the state-owned economy.

Fuling Shale Gas is an indirect wholly-owned subsidiary of Fuling SASAC, which is primarily engaged in the sale, management and investment of shale gas, natural gas, coal gas, liquefied natural gas, compressed natural gas and liquefied petroleum gas, pipeline transport and motor transport of such products, and relevant research and development and comprehensive utilization of technologies, etc..

## **DEFINITIONS**

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

“Assets”	the Natural Gas Pipeline and the Auxiliary Facilities to be disposed of by Sinochem Fuling to Fuling Shale Gas pursuant to the Asset Transfer Contract, as further described in the section headed “Information of the Assets” of this announcement
“Asset Transfer Contract”	the asset transfer contract entered into between Sinochem Fuling and Fuling Shale Gas on 26 March 2021
“Board”	the board of directors of the Company
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Assets by Sinochem Fuling to Fuling Shale Gas pursuant to the Asset Transfer Contract
“Fuling SASAC”	重慶市涪陵區國有資產監督管理委員會 (the Fuling District State-owned Assets Supervision and Administration Commission of Chongqing), which, together with its subsidiary, holds an aggregate of 25.27% equity interest in Sinochem Fuling
“Fuling Shale Gas”	重慶市涪陵頁岩氣產業投資發展有限公司 (Chongqing Fuling Shale Gas Industry Investment and Development Co., Ltd.), a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of Fuling SASAC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“shareholder(s)”	the registered holder(s) of the ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.10
“Sinochem Fuling”	中化重慶涪陵化工有限公司 (Sinochem Fuling Chongqing Chemical Industry Co., Ltd.), a company incorporated in the PRC with limited liability, and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“%”	percent

For and on behalf of the Board  
**SINOFERT HOLDINGS LIMITED**  
**Qin Hengde**  
*Executive Director and Chief Executive Officer*

Hong Kong, 26 March 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (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.*

*\* For identification purposes only*