THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Sinofert Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SINOCHEM

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF 20.52% EQUITY INTEREST IN QINGHAI SALT LAKE AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 39 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:15 p.m. (or immediately after the conclusion or adjournment of the special general meeting of the Company scheduled to be convened on the same day at 2:00 p.m. at the same venue, whichever is the later) is set out on pages 73 to 74 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

* *For identification purposes only*

1 December 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"business day"	any day other than a Saturday, Sunday or public holiday pursuant to the laws of the PRC
"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
"Completion"	completion of the Disposal
"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 proposed disposal of 571,578,484 shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the Disposal, comprising all independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius

"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	shareholders other than Sinochem Group and its associates
"Latest Practicable Date"	24 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-competition Undertaking"	the Non-competition Undertaking entered into by Sinochem Group in favour of the Company on 6 June 2005
"PRC" or "China"	the People's Republic of China, which for the purposes of this circular 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 whose shares are listed on the SZSE
"Remaining Group"	the Group (excluding Qinghai Salt Lake) immediately after Completion
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:15 p.m. (or immediately after the conclusion or adjournment of the special general meeting of the Company scheduled to be convened on the same day at 2:00 p.m. at the same venue, whichever is the later), or any adjournment thereof, the notice of which is set out on pages 73 to 74 of this circular
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Share Transfer Agreement"	the share transfer agreement dated 24 October 2017 entered into between Sinochem Group (as purchaser) and Sinochem Fertilizer (as seller) in relation to the Disposal
"shareholder(s)"	registered holder(s) of Share(s)
"Sinochem Corporation"	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC, a subsidiary of Sinochem Group and the indirect controlling shareholder of the Company
"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 Group"	中國中化集團公司 (Sinochem Group), 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
"SZSE"	the Shenzhen Stock Exchange
"%"	percent

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 297)

Executive Directors:
QIN Hengde *(Chief Executive Officer)*
Harry YANG

Non-executive Directors:
ZHANG Wei *(Chairman)*
YANG Lin
Stephen Francis DOWDLE
XIANG Dandan

Independent Non-executive Directors:
KO Ming Tung, Edward
LU Xin
TSE Hau Yin, Aloysius

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Unit 4705, 47th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

1 December 2017

To: the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF 20.52% EQUITY INTEREST IN QINGHAI SALT LAKE

INTRODUCTION

Reference is made to the announcements of the Company dated 17 and 24 October 2017 in relation to the proposed disposal of 20.52% equity interest in Qinghai Salt Lake by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, which constitutes a very substantial disposal and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

* *For identification purposes only*

The purpose of this circular is to provide you with (i) further information on the details of the Disposal; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

On 24 October 2017 (after trading hours), Sinochem Fertilizer and Sinochem Group entered into the Share Transfer Agreement, pursuant to which Sinochem Fertilizer agreed to sell and Sinochem Group agreed to purchase 571,578,484 issued shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital, at a consideration of RMB8,063,198,568.40, subject to the terms and conditions of the Share Transfer Agreement.

As at the Latest Practicable Date, Sinochem Fertilizer owns 571,578,484 issued shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital. Upon Completion, Sinochem Fertilizer will cease to hold any shares of Qinghai Salt Lake and will no longer be a shareholder of Qinghai Salt Lake. The financial results of Qinghai Salt Lake will no longer be equity accounted for in the consolidated financial statements of the Company.

Completion of the Disposal is subject to the approval from the Independent Shareholders at the SGM and the fulfilment of the various conditions precedent as set out under the section headed "Conditions precedent of the Disposal" in this circular, including, among other things, obtaining the approval from SASAC with respect to the Disposal. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

THE SHARE TRANSFER AGREEMENT

Date

24 October 2017

Parties

Purchaser: Sinochem Group

Seller: Sinochem Fertilizer

Interest to be disposed

571,578,484 shares of Qinghai Salt Lake, representing 20.52% of its total issued share capital.

Consideration

The total consideration for the Disposal is RMB8,063,198,568.40.

The consideration was arrived at after arm's length negotiations between Sinochem Group 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. The consideration of approximately RMB14.11 per share represents 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB15.68 per share from 30 August 2017 to 17 October 2017 (being the date of the announcement of Qinghai Salt Lake in relation to its trading suspension pending the disclosure of the Disposal).

Payment

The consideration for the Disposal shall be paid by Sinochem Group to Sinochem Fertilizer in cash in two instalments as follows:

(a) within five business days of signing of the Share Transfer Agreement, Sinochem Group shall pay 30% of the consideration as deposit to Sinochem Fertilizer in cash; and

(b) within sixty business days after obtaining the approval from SASAC, Sinochem Group shall pay the remaining 70% of the consideration to Sinochem Fertilizer in cash.

As at the Latest Practicable Date, the Group has received the 30% of the consideration for the Disposal.

Conditions precedent of the Disposal

Completion is subject to and conditional upon satisfaction of the following conditions:

(i) Sinochem Fertilizer obtaining the appropriate internal approvals and authorizations with respect to the Disposal in accordance with its articles of association;

(ii) the Company obtaining the appropriate internal approvals and authorizations with respect to the Disposal in accordance with the relevant provisions of the Listing Rules and its bye-laws (including but without limitation the passing of the ordinary resolution by the Independent Shareholders at the SGM approving the Disposal);

(iii) Sinochem Group obtaining the appropriate internal approvals and authorizations with respect to its acquisition of shares of Qinghai Salt Lake in accordance with its articles of association; and

(iv) obtaining of the approval from SASAC with respect to the Disposal.

If the conditions of the Disposal are not satisfied by 30 June 2018, either party shall have the right to terminate the Share Transfer Agreement and all moneys paid by Sinochem Group (if any) to Sinochem Fertilizer shall be refunded in full to Sinochem Group.

Completion

Upon satisfaction of the conditions, both Sinochem Fertilizer and Sinochem Group shall actively assist and cooperate with Qinghai Salt Lake on its share transfer registration applications with the relevant state-owned property rights registration authority, and Sinochem Fertilizer shall cooperate with Sinochem Group to complete the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch. Completion shall take place on the date when the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch is completed.

The gain or loss (including but without limitation dividend distribution, bonus shares, capitalization of capital reserves and etc.) in connection with the shares of Qinghai Salt Lake during the period from the date of signing of the Share Transfer Agreement to the date of Completion shall be vested to or borne by Sinochem Fertilizer. If for whatever reason Sinochem Group has obtained proceeds of the shares of Qinghai Salt Lake during such period, Sinochem Group shall return the proceeds to Sinochem Fertilizer for free immediately after the date of Completion.

INFORMATION ON QINGHAI SALT LAKE

Qinghai Salt Lake is a joint stock limited liability company established in the PRC whose shares are traded on the SZSE. Its principal activities are the development, production and sale of potassium chloride, and the comprehensive development and utilization of salt lake resources. Its other businesses include the production of cement, commercial chain and hotel businesses. According to the announcement dated 3 August 2017 published by Qinghai Salt Lake on the SZSE, Qinghai Salt Lake is discussing the proposals such as asset and debt restructuring and debt for equity swap. As at the Latest Practicable Date, the proposals are under preparation and planning with no specific transaction counterparty being determined. There are uncertainties as to whether the proposals can materialize.

Based on the reviewed financial statements of Qinghai Salt Lake as set out in Appendix II to this circular prepared in accordance with the same accounting policies as those adopted by the Group in preparation of its consolidated financial statements, the net assets value of Qinghai Salt Lake as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 were approximately RMB19,280 million, RMB24,482 million, RMB26,372 million and RMB25,998 million, respectively, and the profit/loss of Qinghai Salt Lake for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the six months ended 30 June 2017 were as follows:

	For the year ended 31 December			For the six months ended
	2014	2015	2016	30 June 2017
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Profit/(loss) before taxation	1,720	762	489	(486)
Profit/(loss) after taxation	1,331	544	210	(521)

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group's new strategic development direction is to adapt to the modern agricultural development trend, with a core focus on integration of various agricultural inputs and services. The Group will provide agricultural services directly to end users, enhance research and development, and continuously promote products upgrades, so as to gradually form a competitive product portfolio, thereby enhancing the Group's overall competitiveness.

Although the shares of Qinghai Salt Lake was an important potassium chloride asset previously acquired by Sinochem Fertilizer under its global resource strategy, Sinochem Fertilizer has currently adjusted its development strategy and positioning, and the holding of shares of Qinghai Salt Lake has become a resource constraint towards the promotion of the Group's new strategy. As at 30 September 2017, the carrying value of equity interest in Qinghai Salt Lake is approximately RMB7,987 million which accounted for approximately 37% of the Group's total assets value. To this end, the Group intends to sell its shares in Qinghai Salt Lake to release a large amount of capital, and received cash proceeds of approximately RMB8,063 million from the Disposal. The proceeds received can be used to implement the strategic transformation of the Group's business model, contribute to the Group's cash flow and financial position, and in the long-run, further create value for the Company's shareholders.

The promulgation of new regulations by the China Securities Regulatory Commission and the SZSE in May 2017, which imposed certain restrictions on the disposal of equity interest in listed companies by their substantial shareholders, brought difficulties to the Group in finding potential buyers. Eventually, the offer from Sinochem Group was the only offer received by the Group.

The Group and Sinochem Group are fully aware of the undertakings of Sinochem Group under the Non-competition Undertaking dated 6 June 2005. Pursuant to the Non-competition Undertaking, Sinochem Group has undertaken to the Company that it will not and will procure its subsidiaries not to, without the prior written consent of the Company, develop, operate or assist in operating, participate in or conduct any business which may compete with the fertilizer business carried out by the Group, either on its own or jointly with or on behalf of any other person or company in the PRC. Following Completion, Sinochem Group will hold approximately 20.52% equity interest in Qinghai Salt Lake, whose principal activities include the development, production and sale of potassium chloride, a type of fertilizer, in the PRC.

After taking into account the reasons for the Disposal as disclosed above, the Board decided to give the written consent with respect to the transfer of shares in Qinghai Salt Lake to Sinochem Group pursuant to the Non-competition Undertaking by entering into the Share Transfer Agreement with Sinochem Group. The Company will further issue a written consent to Sinochem Group on or before the date of Completion, allowing it to participate in the business of Qinghai Salt Lake only through its shareholding in Qinghai Salt Lake. In making such decision, the Board has also taken into account the Company's option and right of first refusal with respect to the equity interest in Qinghai Salt Lake upon Completion under the Non-competition Undertaking. Pursuant to the Non-competition Undertaking, the Company shall have an option to require Sinochem Group to sell its equity interest in any business which may compete with the business of the Group (e.g. Qinghai Salt Lake upon Completion) at fair market value, and Sinochem Group may not dispose of such equity interest to any party without the prior written consent of the Company. Furthermore, Sinochem Group should inform the Company immediately upon any intention to transfer such equity interest and the Company shall have a right of first refusal. An independent board committee of the Company, comprising at least two independent non-executive Directors, would be formed to decide whether to acquire such equity interest.

On the above basis, the Directors (including the independent non-executive Directors) are of the view that the Disposal is conducted by the Company 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. Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, are regarded as having a material interest in the Disposal and therefore had abstained from voting on the Board resolution passed to approve the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

If the Disposal is approved by the Independent Shareholders, the equity interest in Qinghai Salt Lake will be classified from interests in associates to non-current assets held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and will no longer be equity accounted for in the consolidated financial statements of the Company. Upon Completion, such non-current assets held for sale will be derecognized in the consolidated financial statements of the Company.

The gain or loss of the Group as a result of the Disposal represents the consideration to be received by the Group from the Disposal of approximately RMB8,063 million, less the estimated transaction costs for the Disposal of approximately RMB15 million, the carrying value of the 20.52% equity interest in Qinghai Salt Lake as at the date of Completion, and the capital and other reserves in relation to the Group's share of Qinghai Salt Lake's net assets changes of approximately RMB711 million (other than profit or loss or other comprehensive income and distributions received) which were recognized by the Group in previous years. Based on the carrying value of the equity interest in Qinghai Salt Lake as at 30 September 2017 of approximately RMB7,987 million, the estimated loss of the Group as a result of the Disposal is approximately RMB650 million.

The actual gain or loss in connection with the Disposal may be different from the above and will be assessed after Completion.

Earnings

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 1 January 2017, the loss attributable to owners of the Company for the six months ended 30 June 2017 would amount to approximately RMB729 million from a profit of approximately RMB13 million as a result of the Disposal.

Assets and liabilities

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming Completion had taken place on 30 June 2017, the total assets of the Remaining Group as at 30 June 2017 would decrease from approximately RMB21,243 million to approximately RMB21,220 million, the total liabilities of the Remaining Group as at 30 June 2017 would remain unchanged, and the net assets of the Remaining Group as at 30 June 2017 would decrease from approximately RMB8,214 million to approximately RMB8,191 million due to the Disposal. For the avoidance of doubt, in assessing the aforementioned financial impact on the total assets, total liabilities and net assets of the Remaining Group, the Company has not taken into account its intention to repay outstanding loans of the Group with part of the proceeds received from the Disposal as set out below.

USE OF PROCEEDS

The Group will receive cash proceeds of approximately RMB8,063 million from the Disposal. The Group intends to use approximately RMB4,000 million for repaying the Group's outstanding loans with due dates between 3 November 2017 and 20 September 2019. The remaining proceeds will be used to satisfy the requirements for the Group's future strategic development and normal business operations. According to the requirements under the "13th Five-Year" Development Plan of the National Development and Reform Commission with respect to the zero growth of fertilizer usage in the PRC, it is anticipated that the modern agricultural development will focus on improving the efficiency of agricultural inputs such as fertilizers, seeds and pesticides and enhancing the scientific and automated planting management. To cope with this development trend, in addition to the traditional fertilizer products, the Group will introduce and conduct research and development on high-quality and efficient fertilizer products and agricultural inputs, and offer to farmers such services as guidance for agricultural planting and related financing, so as to form an integrated "product + service" business model combining upstream and downstream businesses. It is expected that (i) approximately RMB1,000 million to RMB2,000 million will be used for developing and expanding the Group's current businesses by way of capital expenditure and/or investments, focusing on modern agricultural development; (ii) approximately RMB800 million will be used for potential acquisitions in connection with the Group's compound fertilizer business; (iii) approximately RMB850 million has been set aside for research and development and also enhancement of the Group's existing facilities; and (iv) the remaining balance will be used for general working capital purpose. Before identifying any projects for investment, any surplus funds from the proceeds may be deposited with banks or finance institutions in accordance with the cash management policies of the Group so as to ensure proper returns from the surplus funds.

INFORMATION ON THE COMPANY AND SINOCHEM GROUP

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 Fertilizer is 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.

Sinochem Group is a key state-controlled enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, agriculture, real estate and finance, etc.

LISTING RULES IMPLICATIONS

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Independent Shareholders at the SGM.

SGM

A resolution approving the Disposal shall be proposed at the SGM.

In view of Sinochem Group's interests in the Disposal, Sinochem Group and its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the SGM to approve the Disposal.

A notice convening the SGM to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:15 p.m. (or immediately after the conclusion or adjournment of the special general meeting of the Company scheduled to be convened on the same day at 2:00 p.m. at the same venue, whichever is the later) is set out on pages 73 to 74 of this circular.

A form of proxy for the SGM is enclosed herewith. Whether or not shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider 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 the shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising three independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Disposal. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular, which contains its advice to the Independent Shareholders and the letter from Somerley set out on pages 15 to 39 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Sinofert Holdings Limited
Qin Hengde
Executive Director and Chief Executive Officer

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

1 December 2017

To: the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF 20.52% EQUITY INTEREST IN QINGHAI SALT LAKE

We refer to the circular of the Company dated 1 December 2017 (the "**Circular**") to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Disposal is entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 39 of the Circular which contains its opinion in respect of the Disposal.

* *For identification purposes only*

Having taken into account the advice of Somerley and its recommendation in relation thereto, we consider that the Disposal is entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the SGM.

Yours faithfully,
Independent Board Committee of
Sinofert Holdings Limited
TSE Hau Yin, Aloysius
KO Ming Tung, Edward
LU Xin

The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

1 December 2017

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF 20.52% EQUITY INTEREST IN QINGHAI SALT LAKE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Details of the Disposal are contained in the circular of the Company to the Shareholders dated 1 December 2017 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 October 2017 (after trading hours), Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Group entered into the Share Transfer Agreement, pursuant to which Sinochem Fertilizer agreed to sell, and Sinochem Group agreed to purchase, 571,578,484 issued shares of Qinghai Salt Lake, representing approximately 20.52% of its total issued share capital, at a consideration of approximately RMB8,063.2 million, subject to the terms and conditions of the Share Transfer Agreement.

Given that one or more of the applicable percentage ratios in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and is therefore a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is conditional upon, among others, approval by the Independent Shareholders at the SGM. In view of Sinochem Group's interests in the Disposal, Sinochem Group and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Disposal.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius, has been established to advise the Independent Shareholders in relation to the Disposal. We, Somerley, have been appointed by the Company as the Independent Financial Adviser in this regard.

During the past two years, Somerley has acted as independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions of the Group, details of which were set out in the circulars of the Company dated 4 February 2016, 23 January 2017 and 20 November 2017. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Somerley received normal professional fees from the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Sinochem Group and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have reviewed, among other things, the Share Transfer Agreement, the annual reports of the Company for the years ended 31 December 2015 and 2016, the interim report of the Company for the six months ended 30 June 2017, and the information contained in the Circular. We have reviewed the trading performance of the shares of Qinghai Salt Lake on the SZSE, and conducted a site visit to Qinghai Salt Lake's operations in Qinghai province, the PRC. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Sinochem Group or Qinghai Salt Lake, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Disposal, we have taken the following principal factors and reasons into consideration:

1. Business and financial information on the Group

1.1 Overview of the Group and background to the Disposal

The Group is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. Its main business comprises research and development, production, procurement, distribution and agricultural services in relation to fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses. As set out in the Company's 2016 annual report, the Group is, in terms of revenue, one of the largest fertilizer manufacturers and distribution service providers in the PRC, and the largest supplier of imported fertilizer in the PRC in 2016. The Shares are listed on the Main Board of the Stock Exchange, with a market capitalisation of approximately HK$8.4 billion as at the Latest Practicable Date. The ultimate controlling shareholder of the Company is Sinochem Group, a state-owned enterprise established in 1950. Sinochem Group held an effective interest of approximately 52.65% in the Company as at the Latest Practicable Date.

In 2008, the Group, through Sinochem Fertilizer, completed an acquisition of approximately 18.49% of the then equity interest in 青海鹽湖工業股份有限公司 (Qinghai Salt Lake Potash Co. Ltd.) ("**Salt Lake Potash**") from Sinochem Group (the "**2008 Acquisition**"). The Group's equity interest in Salt Lake Potash was diluted to approximately 8.94% in 2011 after Salt Lake Potash issued new shares as part of an acquisition, after which it was renamed as Qinghai Salt Lake. In 2015, the Group acquired a further approximately 15.01% of the then issued share capital of Qinghai Salt Lake from Sinochem Corporation (the "**2015 Acquisition**", together with 2008 Acquisition, the "**Previous Acquisitions**"). Following certain subsequent share issuances by Qinghai Salt Lake, the Group held approximately 20.52% of the issued share capital of Qinghai Salt Lake as at the Latest Practicable Date.

Qinghai Salt Lake has been one of the Group's potash suppliers. We are advised by the management of the Group, for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 that the purchases by the Group from Qinghai Salt Lake amounted to approximately RMB560.9 million, RMB1,115.5 million, RMB894.8 million and RMB703.4 million respectively, representing approximately 2.0%, 5.0%, 7.7% and 8.8% of the Group's total purchases in each respective period. As advised by the management of the Group, the increasing purchases from Qinghai Salt Lake were principally due to reduced imports of overseas fertilizer products in the past two years, and a corresponding increased reliance on domestic suppliers.

1.2 Financial information

Financial results

Set out below is a summary of the consolidated financial results of the Group for the three years ended 31 December 2014, 2015 and 2016, and for the six months ended 30 June 2016 and 2017, as extracted and summarised from the annual and interim reports of the Company:

	For the six months ended 30 June		For the year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	10,469,328	8,908,822	14,959,092	26,121,488	28,311,086
Gross profit	904,516	354,899	241,162	1,669,088	1,418,101
Share of results of associates	(130,109)	27,575	(8,290)	32,220	133,660
Profit/(loss) for the period/ year	**8,400**	**(495,260)**	**(4,822,426)**	**202,547**	**135,422**
Profit for the period/year attributable to shareholders of the Company	**12,990**	**(432,134)**	**(4,635,885)**	**220,855**	**229,339**
Earnings/(losses) per Share *(RMB)*	**0.0018**	**(0.0615)**	**(0.66)**	**0.0314**	**0.0326**
Dividend for the period/year	**–**	**–**	**–**	**59,014**	**59,415**
Per Share				*HK$0.0097*	*HK$0.0104*

Revenue of the Group primarily represents sales of potash, nitrogen, phosphate and compound fertilizer in the PRC. As shown above, after a slight decrease in 2015, revenue of the Group recorded a significant drop in 2016 to approximately RMB14,959.1 million in 2016, or a drop of approximately 42.7% compared to 2015, mainly due to a decline in sales volumes and selling price of various fertilizer products in the PRC, as a result of the drop in price of agricultural products and an oversupply of fertilizers in the PRC, according to the Company's 2016 annual report. For the six months ended 30 June 2017, the Group generated a revenue of approximately RMB10,469.3 million, approximately 17.5% higher than that of 2016, primarily due to the increase in sales volumes of fertilizers in the first half of 2017 as a result of a reduced oversupply situation in the fertilizer industry in the PRC, according to the Company's 2017 interim report.

The Group's share of results from Qinghai Salt Lake declined since 2015. Due to the reduction in the Group's estimation of the present value of future cash flows expected to be generated by Qinghai Salt Lake, the Group made a significant impairment on its interest in Qinghai Salt Lake of approximately RMB2,830 million in 2016. For the first half of 2017, the Group shared a loss from Qinghai Salt Lake as a result of further deterioration in operating performance of Qinghai Salt Lake, which recorded a loss of approximately RMB520.6 million for this period. Coupled with the above, the Group recorded a low profit margin of less than 1% in both 2014 and 2015, and incurred a significant loss of approximately RMB4,822.4 million in 2016. Due to the abovementioned increase in sales volume during the first half of 2017, and an improvement in the Group's operating efficiency, the Group recorded a marginal profit in the first half of 2017, despite the Group sharing in a loss from Qinghai Salt Lake as outlined above.

For details of the financial performance of Qinghai Salt Lake, please refer to the section below headed "Business and financial information of Qinghai Salt Lake".

Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2016 and 30 June 2017, as extracted and summarised from the 2017 interim report of the Company:

	As at 30 June 2017	**As at 31 December 2016**
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interests in associates	8,568,688	8,707,156
Other non-current assets	6,213,694	6,327,076
Total non-current assets	**14,782,382**	**15,034,232**
Total current assets	**6,460,648**	**7,830,861**
Total assets	**21,243,030**	**22,865,093**
Interest-bearing borrowings	4,014,195	2,540,000
Other current liabilities	5,164,610	8,189,306
Total current liabilities	**9,178,805**	**10,729,306**
Interest-bearing borrowings	3,494,360	3,493,185
Other non-current liabilities	355,748	373,029
Total non-current liabilities	**3,850,108**	**3,866,214**
Total liabilities	**13,028,913**	**14,595,520**
Total equity	**8,214,117**	**8,269,573**
Equity attributable to shareholders of the Company	**8,356,645**	**8,407,511**

The Group recorded total assets of approximately RMB21,243.0 million as at 30 June 2017, of which approximately RMB8,568.7 million (or 40.3% of the total) represented the Group's interests in associates. Such balance mainly comprised the Group's interest in Qinghai Salt Lake of approximately RMB8,071.0 million, representing the single largest asset of the Group. Other assets of the Group as at 30 June 2017 included inventories of approximately RMB3,712.0 million, property, plant and equipment of approximately RMB3,379.8 million and bank balances and cash of approximately RMB490.9 million.

As at 30 June 2017, the Group recorded total liabilities of approximately RMB13,028.9 million, which mainly comprised interest-bearing borrowings of approximately RMB7,508.6 million and trade and bills payables of approximately RMB3,763.2 million. Equity attributable to the shareholders of the Company was approximately RMB8,356.6 million as at 30 June 2017. The debt-to-equity ratio of the Group, calculated on the basis of total interest-bearing debt divided by total equity (the "**Gearing Ratio**"), was 91.4% on 30 June 2017, representing a significant increase as compared to the Gearing Ratio of approximately 73.0% as at 31 December 2016.

2. Reasons for and benefits of the Disposal

When the Group first acquired shares of Qinghai Salt Lake in March 2008, it was primarily for the strategic purpose of (i) acquiring direct access to potassium resources, (ii) transforming the Company into a leading integrated agro-chemical company in China, and (iii) benefiting from Qinghai Salt Lake's growth profile.

The Group had been sourcing potash from Qinghai Salt Lake before it first became a shareholder in 2008. Although the Group has two board seats on Qinghai Salt Lake, it has never been the single largest shareholder of Qinghai Salt Lake nor has it ever controlled the board of Qinghai Salt Lake. Based on our discussion with the management of the Group, Qinghai Salt Lake enters into supply agreements with the Group on an annual basis, and the Group does not expect such supply relationship to change after Completion.

As stated in the letter from the Board in the Circular, according to the "13th Five-Year" Development Plan of the National Development and Reform Commission, which adopted a zero-growth policy in relation to the fertilizer usage in the PRC, it is anticipated that modern agricultural development will focus on improving the efficiency of agricultural inputs such as seeds and pesticides, and enhance scientific and automated planting management. To cope with the above, in addition to traditional fertilizer products, the Group will introduce and conduct research and development on high-quality and efficient fertilizer products and agricultural inputs, and offer to farmers such services as guidance for agricultural planting and related financing, so as to form an integrated "product + service" business model combining upstream and downstream businesses. The Disposal is expected to release the capital required for implementing the strategic development of the Group's business model, which includes funding possible capital expenditure and/or investments relating to the development of its existing businesses, and various projects to enhance current facilities and research and development initiatives. Out of the total proceeds from the Disposal of approximately RMB8,063.2 million, the Group has allocated approximately half to undertake the above strategic plan. The other half of the proceeds would be used to repay outstanding loans, which is expected to substantially reduce the Gearing Ratio, which increased from approximately 20.4% as at 31 December 2014 to approximately 73.0% as at

31 December 2016, and further increased to 91.4% as at 30 June 2017. Details of the use of proceeds from the Disposal are set out in the section below headed "Financial effects of the Disposal – Liquidity and gearing".

While Qinghai Salt Lake's annual revenue grew from approximately RMB3.1 billion in 2007 to approximately RMB10.4 billion in 2016, its recent contribution to Group's result was not satisfactory. As further elaborated in the section below headed "Business and financial information of Qinghai Salt Lake", the financial results of Qinghai Salt Lake have deteriorated in recent years, principally due to a significant decline in the selling price of potassium chloride and the worsening operating loss from sales of chemical products. In particular, the net profit of Qinghai Salt Lake has been decreasing in the past two financial years, and a net loss was recorded in the first half of 2017. An impairment loss of approximately RMB2,830 million was recognised by the Group in 2016 in respect of its investment in Qinghai Salt Lake, a major factor contributing to the Group's substantial net loss in 2016. The uncertainties surrounding the future performance of Qinghai Salt Lake, an associate that the Group does not control, constitute a significant risk factor for the future performance of the Group.

Considering the above, we concur with the Directors that the Disposal would allow the Group to release required capital to focus on a new strategic direction and to reduce the debt level. As the above rationale for the Disposal align with the new strategic direction of the Group, we consider that the entering into of the Share Transfer Agreement is in the ordinary and usual course of business of the Group.

3. Principal terms of the Share Transfer Agreement

Set out below are the principal terms of the Share Transfer Agreement:

3.1 Subject matter

Pursuant to the Share Transfer Agreement entered into between Sinochem Group and Sinochem Fertilizer on 24 October 2017, Sinochem Fertilizer agreed to sell its entire holding of 571,578,484 shares of Qinghai Salt Lake, representing approximately 20.52% of its total issued share capital.

3.2 Consideration

The total consideration for the Disposal is approximately RMB8,063.2 million, or approximately RMB14.11 per share of Qinghai Salt Lake, based primarily on the pricing mechanism stipulated in the SASAC Interim Measures (as defined below). The consideration of approximately RMB14.11 per share equals 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB15.68 per share from 30 August 2017 to 17 October 2017 (being the date of the announcement of Qinghai Salt Lake in relation to its trading suspension pending the disclosure of the Disposal).

We understand that pursuant to Article 24 of "Interim measures for the administration of state-owned shareholders' transfer of their shares of listed companies"（國有股東轉讓所持上市公司股份管理暫行辦法）promulgated by SASAC (as retrieved from SASAC's website at http://www.sasac.gov.cn/n2588035/n2588320/n2588335/c4259834/content.html on the Latest Practicable Date) (the "**SASAC Interim Measures**"), the price for the transfer of the shares of listed companies from the state-owned enterprises shall be determined based on the daily volume weighted average closing price of the listed shares for the previous 30 trading days preceding the date of the indicative announcement published by the target company. In case a discount is considered, the transfer price after discount shall not be lower than 90% of the above-mentioned daily volume weighted average closing price. As confirmed with the management of the Group, the pricing mechanism of the Disposal complies with the applicable SASAC Interim Measures.

3.3 Payment

The consideration for the Disposal shall be paid by Sinochem Group to Sinochem Fertilizer in cash in two instalments as follows:

(i) within five business days of signing of the Share Transfer Agreement, Sinochem Group shall pay 30% of the consideration as refundable deposit to Sinochem Fertilizer in cash; and

(ii) within sixty business days after obtaining the approval from SASAC, Sinochem Group shall pay the remaining 70% of the consideration to Sinochem Fertilizer in cash.

The management of the Group has confirmed to us that the Group has received the 30% of the consideration for the Disposal as at the Latest Practicable Date.

3.4 Conditions precedent to the Disposal

Completion is subject to and conditional upon satisfaction of the following conditions:

(i) Sinochem Fertilizer obtaining the appropriate internal approvals and authorisations with respect to the Disposal in accordance with its articles of association;

(ii) the Company obtaining the appropriate internal approvals and authorisations with respect to the Disposal in accordance with the relevant provisions of the Listing Rules and its bye-laws (including but without limitation the passing of the ordinary resolution by the Independent Shareholders at the SGM approving the Disposal);

(iii) Sinochem Group obtaining the appropriate internal approvals and authorisations with respect to its acquisition of shares of Qinghai Salt Lake in accordance with its articles of association; and

(iv) obtaining of the approval from SASAC with respect to the Disposal.

If the conditions of the Disposal are not satisfied by 30 June 2018, either party shall have the right to terminate the Share Transfer Agreement and all moneys paid by Sinochem Group (if any) to Sinochem Fertilizer shall be refunded in full to Sinochem Group.

Based on our understanding from the Company, none of the conditions precedent to the completion of the Share Transfer Agreement are waiveable. As at the Latest Practicable Date, the above conditions precedent (i) and (iii) have been fulfilled.

3.5 Completion

Upon satisfaction of the conditions, both Sinochem Fertilizer and Sinochem Group shall actively assist and cooperate with Qinghai Salt Lake on its share transfer registration applications with the relevant state-owned property rights registration authority, and Sinochem Fertilizer shall cooperate with Sinochem Group to complete the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch. Completion shall take place on the date when the share transfer registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch is completed.

3.6 Non-competition Undertaking

On 6 June 2005, Sinochem Group entered into the Non-competition Undertaking, pursuant to which Sinochem Group has undertaken to the Company that Sinochem Group will not and will procure its subsidiaries not to, without the prior written consent of the Company, develop, operate or assist in operating, participate in or conduct any business which may compete with the fertilizer business carried out by the Group, either on its own or jointly with or on behalf of any other person or company in the PRC. We are advised by management of the Group that the Company will issue a written consent to Sinochem Group on or before the date of Completion, allowing it to participate in the business of Qinghai Salt Lake only through its shareholding in Qinghai Salt Lake.

Following Completion, Sinochem Group will hold an approximately 20.52% equity interest in Qinghai Salt Lake, a major potash producer in the PRC. As described in the letter from the Board in the Circular and pursuant to the Non-competition Undertaking, the Company shall have an option (the "**Option**") requiring Sinochem Group to sell its then entire shareholding in any business which may compete with the business of the Group (including Qinghai Salt Lake upon Completion) at fair market value to it. The Option will remain valid and exercisable by the Company until the termination of the Non-competition Undertaking.

After Completion and in accordance with the Non-competition Undertaking, Sinochem Group should inform the Company immediately upon any intention to transfer such equity interest, and the Company shall have a right of first refusal to acquire such equity interest (the "**Right of First Refusal**"). An independent board committee of the Company, comprising at least two independent non-executive Directors, would be formed to decide whether to acquire such equity interest.

The Option and the Right of First Refusal, which will remain in place during the tenure of the Non-competition Undertaking, affords the Group the option to acquire Sinochem Group's stake in Qinghai Salt Lake, or other relevant equity interests, in the future.

3.7 Future transactions between the Group and Qinghai Salt Lake

Qinghai Salt Lake has been a long-term supplier of potash products to the Group and the management of the Group has confirmed that this is expected to continue following Completion. As Sinochem Group's equity interest in Qinghai Salt Lake upon Completion (assuming there will be no other change between the Latest Practicable Date and the date of Completion) will be lower than 30%, Qinghai Salt Lake is not expected to be a connected person of the Company pursuant to the Listing Rules and therefore future transactions between the Group and Qinghai Salt Lake will not be regarded as continuing connected transactions.

4. Business and financial information on Qinghai Salt Lake

4.1 Background and business of Qinghai Salt Lake

Qinghai Salt Lake is a joint stock limited liability company established in the PRC whose shares are traded on the SZSE. Its business comprises the development, production and sale of potassium chloride (a form of potash), the development and utilisation of salt lake resources, and other businesses. As at the Latest Practicable Date, the market capitalisation of Qinghai Salt Lake was approximately RMB38.6 billion.

Qinghai Salt Lake has the mining right for Chaerhan Salt Lake in Qinghai province, which is the largest potassium mine in the PRC. All potash and chemical products of Qinghai Salt Lake are produced from natural resources extracted from Chaerhan Salt Lake, and no purchase of potassium chloride was made from other independent suppliers. According to the latest annual report and interim report of Qinghai Salt Lake (collectively, "**QSL Reports**"), it is the largest potash producer in China, with sales of potassium chloride of approximately 4.9 million tonnes and 1.8 million tonnes in 2016 and in the first half of 2017 respectively.

Apart from potash production, Qinghai Salt Lake also produces other chemical products utilising natural resources extracted from Chaerhan Salt Lake, for example, lithium, magnesium and PVC related products. According to the announcement of Qinghai Salt Lake dated 26 September 2017, Qinghai Salt Lake is in the process of increasing its production of lithium carbonate. Other ancillary businesses of Qinghai Salt Lake include warehousing, department store and hotel operations.

The two largest shareholders of Qinghai Salt Lake are (i) 青海省國有資產投資管理有限公司 (Qinghai State-owned Assets Investment and Management Co., Ltd.), which in turn is owned by the State-owned Assets Supervision and Administration Commission of Qinghai Provincial People's Government, holding approximately 27.0% of the issued shares of Qinghai Salt Lake as at 30 June 2017, and (ii) Sinochem Fertilizer. As at the Latest Practicable Date, the Group has two representatives on the board of directors of Qinghai Salt Lake out of a total of 12 directors.

4.2 Financial information

For the purpose of analysing the financial information of Qinghai Salt Lake, we have extracted and summarised from the unaudited consolidated financial information of Qinghai Salt Lake and its subsidiaries, as presented in Appendix II to the Circular, which has been reviewed by KPMG, the Company's auditor. The discussion in this section is primarily based on our understanding from the representatives of Qinghai Salt Lake and the management discussion and analysis as set out in the QSL Reports.

Financial results

Set out below is a summary of the unaudited consolidated financial results of Qinghai Salt Lake for the three years ended 31 December 2014, 2015 and 2016, and for the six months ended 30 June 2016 and 2017 respectively, principally as extracted and summarised from Appendix II to the Circular and prepared in accordance with the same accounting policies as those adopted by the Group in preparation of the consolidated financial statements of the Group for those respective periods (the "**Accounting Policies**") :

	For the six months ended 30 June		**For the year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**4,143,572**	**5,205,031**	**9,630,421**	**10,725,511**	**10,256,324**
Cost of sales	(2,946,666)	(2,848,869)	(5,824,418)	(5,917,336)	(5,644,044)
Gross profit	**1,196,906**	**2,356,162**	**3,806,003**	**4,808,175**	**4,612,280**
Gross profit margin	*28.9%*	*45.3%*	*39.5%*	*44.8%*	*45.0%*
Other revenue	995,862	354,822	1,322,004	787,855	907,007
Other net expense	(1,304,481)	(308,991)	(1,587,182)	(1,272,049)	(888,904)
Distribution cost	(150,187)	(993,139)	(1,192,330)	(1,879,272)	(1,616,829)
Administrative expenses	(569,161)	(365,198)	(779,924)	(698,728)	(539,621)
Finance costs	(656,668)	(594,400)	(1,083,540)	(993,123)	(754,386)
Share of profits less losses of associates	1,960	(7,674)	4,377	9,519	615
Income tax	(34,816)	(78,069)	(279,816)	(218,142)	(388,780)
Profit/(loss) for the period/ year	**(520,585)**	**363,513**	**209,592**	**544,235**	**1,331,382**
Net margin	*(12.6)%*	*7.0%*	*2.2%*	*5.1%*	*13.0%*
Profit/(loss) attributable to shareholders of Qinghai Salt Lake	**(522,503)**	**329,354**	**341,265**	**558,966**	**1,302,259**

Revenue

Revenues of Qinghai Salt Lake mainly represented sales of potassium chloride and chemical products in the PRC, of which potassium chloride and chemical products segments were the two largest contributors to overall revenue. Total revenues remained flat in 2014 and 2015, but decreased from approximately RMB10,725.5 million in 2015 to approximately RMB9,630.4 million in 2016, mainly due to a significant decline in the selling price of potassium chloride (exclusive of tax), from approximately RMB1,776.8 per tonne in 2015 to approximately RMB1,505.6 per tonne in 2016, which was in turn caused by an oversupply of fertilizers in the PRC market.

For the six months ended 30 June 2017, Qinghai Salt Lake recorded total revenues of approximately RMB4,143.6 million, a significant decrease of approximately 20.4% compared to the corresponding period in previous year. The drop was principally due to the decrease in (i) the selling price (from approximately RMB1,588.1 per tonne in the first half of 2016 to approximately RMB1,284.1 per tonne in the first half of 2017), and (ii) reduced sales volumes (from approximately 2.5 million tonnes in the first half of 2016 to approximately 1.9 million tonnes in the first half of 2017) of potassium chloride, partly offset by additional revenue contribution from chemical products segment following completion and commencement of the relevant production facilities, in particular lithium products.

Gross profit and gross profit margin

Gross profits and gross profit margins of Qinghai Salt Lake were generally stable in 2014 and 2015, but showed a decreasing trend since the second half of 2016, mainly due to reduced contributions from sales of potassium chloride as mentioned above and enlarged gross losses arising from sales of certain chemical products. For the six months ended 30 June 2017, the gross profit and gross profit margin of Qinghai Salt Lake further decreased, compared to the same period last year. We note from the QSL Reports that such decrease was mainly due to a lower gross profit contribution from sales of potassium chloride.

Other revenue

Other revenue of Qinghai Salt Lake mainly comprised income from transportation and delivery services, warehousing services and rental income. We note from the QSL Reports that other revenue increased in 2016, mainly due to the recognition of (i) gains on disposal of subsidiaries of approximately RMB290.1 million and (ii) additional transportation income following a change in the accounting policy of Qinghai Salt Lake since July 2016, resulting in a re-allocation of the Group's revenue relating to transportation and delivery services into other revenue. Increase in other revenue for the six months ended 30 June 2017 was also mainly a result of the above change in accounting policy.

Other net expense

Other net expense of Qinghai Salt Lake mainly comprised transportation and delivery expenses and impairment losses relating to inventories and property, plant and equipment. Qinghai Salt Lake recorded a substantial amount of inventory impairment related to chemical products in recent years, principally due to the gross losses arising from sales of chemical products, which in turn was mainly a result of the lower utilisation of the related production facilities and hence a higher unit production cost.

Distribution cost and administrative expenses

Distribution cost of Qinghai Salt Lake broadly increased in line with its revenue in 2014 and 2015, but decreased significantly since the second half of 2016, mainly due to expenses relating to transportation and delivery expenses being classified as other net expenses following the abovementioned change in accounting policy. Administrative costs of Qinghai Salt Lake increased in past two years, mainly due to the increase in losses arising from temporary suspension of certain production facilities.

Finance costs

Finance costs of Qinghai Salt Lake mainly comprised interest expenses relating to bank loans and debentures. The increase in finance costs since 2015 was mainly due to additional borrowings to finance construction and development of chemical production facilities. The aggregate amount of interest-bearing borrowings and debentures increased from RMB37,855.0 million as at 31 December 2014 to RMB45,698.9 million as at 30 June 2017.

Profit/(loss) attributable to shareholders of Qinghai Salt Lake

The profit attributable to shareholders of Qinghai Salt Lake declined in recent years, having decreased from approximately RMB1,302.3 million in 2014 to approximately RMB559.0 million in 2015, and further to approximately RMB341.3 million in 2016. Such decreases were mainly due to reduced profit contributions from sales of potassium chloride and the increase in impairment losses relating to inventories, as discussed above. For the six months ended 30 June 2017, Qinghai Salt Lake recorded an attributable loss of approximately RMB522.5 million, compared to a profit of approximately RMB329.4 million in the corresponding period in 2016, mainly due to the significantly reduced gross profit as explained above.

2017 Q3 Announcement

We note that Qinghai Salt Lake published an announcement on 31 October 2017 ("**2017 Q3 Announcement**") regarding its unaudited results for the nine months ended 30 September 2017. According to the 2017 Q3 Announcement, Qinghai Salt Lake recorded revenue amounting to approximately RMB7,649.5 million, while the attributable loss continued to deteriorate, to approximately RMB859.2 million, for the nine months ended 30 September 2017. Shareholders should note that the above nine-month results are prepared in accordance with accounting principles generally accepted in the PRC, which is different from the financial information of Qinghai Salt Lake for the three years ended 31 December 2016 and the six months ended 30 June 2017 as presented in this section, which are principally extracted from Appendix II to the Circular and prepared in accordance with the Accounting Policies.

Financial position

Set out below is a summary of the unaudited consolidated financial position of Qinghai Salt Lake as at 31 December 2014, 2015, 2016 and as at 30 June 2017 respectively, principally as extracted and summarised from Appendix II to the Circular and prepared in accordance with the Accounting Policies:

	As at 30 June 2017	**As at 31 December 2016**	**As at 31 December 2015**	**As at 31 December 2014**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	66,676,559	65,807,105	61,634,832	53,298,283
Intangible assets and goodwill	570,550	588,061	589,142	562,560
Other non-current assets	1,563,571	1,524,832	1,670,754	2,699,353
Total non-current assets	**68,810,680**	**67,919,998**	**63,894,728**	**56,560,196**
Inventories	3,067,079	3,389,211	2,870,351	2,649,890
Trade and bills receivables	2,298,062	2,093,574	1,384,981	2,300,368
Other receivables and prepayments	3,843,950	3,730,157	3,532,493	3,106,743
Pledge bank deposits	148,812	277,114	352,024	334,400
Cash and cash equivalents	5,601,763	5,535,834	8,678,631	2,947,710
Total current assets	**14,959,666**	**15,025,890**	**16,818,480**	**11,339,111**
Total assets	**83,770,346**	**82,945,888**	**80,713,208**	**67,899,307**
Trade and bills payables	6,623,218	7,103,817	6,525,481	5,848,854
Other payables and accrued expenses	2,683,948	3,223,811	2,506,085	3,138,054
Interest-bearing borrowings due within one year	10,424,817	9,958,317	5,562,067	7,356,000
Short-term financing bonds	3,800,000	750,000	4,700,000	–
Current tax liabilities	65,723	211,714	68,477	294,337
Other current liabilities	443,837	516,998	771,072	264,034
Total current liabilities	**24,041,543**	**21,764,657**	**20,133,182**	**16,901,279**
Interest-bearing borrowings due after one year	31,474,047	32,387,414	34,165,733	30,498,972
Other non-current liabilities	2,256,399	2,422,286	1,931,848	1,219,203

	As at 30 June 2017 (unaudited) *RMB'000*	As at 31 December 2016 (unaudited) *RMB'000*	As at 31 December 2015 (unaudited) *RMB'000*	As at 31 December 2014 (unaudited) *RMB'000*
Total non-current liabilities	**33,730,446**	**34,809,700**	**36,097,581**	**31,718,175**
Total liabilities	**57,771,989**	**56,574,357**	**56,230,763**	**48,619,454**
Net current liabilities	**(9,081,877)**	**(6,738,767)**	**(3,314,702)**	**(5,562,168)**
Net assets	**25,998,357**	**26,371,531**	**24,482,445**	**19,279,853**
Equity attributable to shareholders of Qinghai Salt Lake	**22,402,014**	**23,041,450**	**22,910,905**	**17,685,415**
NAV per share (RMB)	**8.04**	**12.41**	**12.33**	**11.12**

As at 30 June 2017, Qinghai Salt Lake recorded total assets of approximately RMB83.8 billion, which mainly comprised (i) property, plant and equipment of approximately RMB66.7 billion, mainly representing fertilizer processing facilities, transportation equipment and storage facilities of mining sites of Chaerhan Salt Lake, potassium fertilizer production plants, as well as the magnesium production facilities currently under construction, (ii) cash and cash equivalents of approximately RMB5.6 billion, (iii) other receivables and prepayments of approximately RMB3.8 billion, mainly comprising deductible input VAT arising from purchase of equipment and machinery, and (iv) inventories of approximately RMB3.1 billion. As explained earlier, significant impairment losses have been recognised in recent years on inventories.

As at 30 June 2017, Qinghai Salt Lake recorded total liabilities of approximately RMB57.8 billion, which mainly comprised (i) interest-bearing borrowings and financing bonds of approximately RMB45.7 billion, representing a majority of Qinghai Salt Lake's liabilities, (ii) trade and bills payables to suppliers of approximately RMB6.6 billion, and (iii) other payables and accrued expenses of approximately RMB2.7 billion,which mainly consisted of receipts in advance from customers, interests payable and accrued payroll and welfare. The interest-bearing borrowings and financing bonds consisted of bank borrowings of approximately of RMB34.9 billion, bonds of approximately RMB3.8 billion, and debentures of approximately RMB7.0 billion with an interest rate of 4.99%, as at 30 June 2017. We note from Qinghai Salt Lake's 2017 interim report that the unutilised banking facilities available to Qinghai Salt Lake amounted to approximately RMB22.5 billion as at 30 June 2017.

As at 30 June 2017, Qinghai Salt Lake recorded equity attributable to its shareholders of approximately RMB22.4 billion. On a per share basis, the net asset value (the "**NAV**") attributable to the shareholders of Qinghai Salt Lake decreased from approximately RMB12.41 per share as at 31 December 2016 to approximately RMB8.04 per share as at 30 June 2017, principally due to the increase in number of issued shares from 1,857,393,734 shares as at 31 December 2016 to 2,786,090,601 shares as at 30 June 2017 as a result of the Bonus Issue (as defined below).

2017 Q3 Announcement

According to the 2017 Q3 Announcement, prepared in accordance with accounting principles generally accepted in the PRC, Qinghai Salt Lake recorded total assets of approximately RMB83.6 billion and total liabilities of approximately RMB57.8 billion, and equity attributable to its shareholders of approximately RMB22.1 billion, with no material changes as compared to those balances as at 30 June 2017.

4.3 Prospects

Sales of potassium chloride contributed a substantial part of Qinghai Salt Lake's total revenue historically. As set out in Qinghai Salt Lake's 2016 annual report, global commodity prices, including potash prices, in general exhibited a downward trend. As such, sales of potassium chloride, while remaining the largest business segment of Qinghai Salt Lake, contributed less to the operating performance of Qinghai Salt Lake than before. Going forward, the restrictions on production for domestic potash producers due to measures related to environmental protection and the oversupply situation in the fertilizer market may create uncertainties regarding Qinghai Salt Lake's performance. We have reviewed statistics from the National Bureau of Statistics of the PRC (as retrieved from its website at http://data.stats.gov.cn/easyquery.htm?cn=B01 on the Latest Practicable Date) and note that the producer price index for agricultural products has decreased to 96.8 points in the third quarter of 2017, from 101.5 points in the fourth quarter of 2016, and that the fertilizer inventory levels at the end of the third quarter of 2017 have increased by approximately 27.6% as compared to that in the beginning of 2017, which in general indicate an oversupply situation in the PRC.

With a view to a comprehensive development of the resources from the Chaerhan Salt Lake, Qinghai Salt Lake established a number of chemical production facilities, including those relating to magnesium and PVC related products. However, the majority of these production facilities have yet to run at full capacity. In addition, Qinghai Salt Lake has been increasing its production and sale of lithium. The selling price of lithium increased by over 10% in the first half of 2017, and Qinghai Salt Lake recorded revenue and net profit of approximately RMB172.1 million and RMB88.5 million respectively from its lithium operations. We understand from the management of Qinghai Salt Lake that efforts are being focused on improving operations, including upgrading the production facilities and lifting the production capacity.

According to an announcement of Qinghai Salt Lake dated 3 August 2017, Qinghai Salt Lake is discussing certain proposals such as asset and debt restructurings and a debt for equity swap. Such proposals are under preparation with no specific transaction counterparty having been determined as at the Latest Practicable Date. There are uncertainties as to whether such proposals will materialise.

Qinghai Salt Lake's operations generated a net profit in previous years, but profits declined in recent years owing to a weak fertilizer market and a loss-making chemical products segment. Having considered (i) the weak performance of Qinghai Salt Lake in the past two years, (ii) the fluctuation in global commodity prices, especially potash, (iii) that

Qinghai Salt Lake's ability to improve its operational efficiency remains unclear, and (iv) the outcome of the restructuring proposals under preparation is unknown, we are of the view that the outlook of Qinghai Salt Lake is subject to financial and commercial uncertainties.

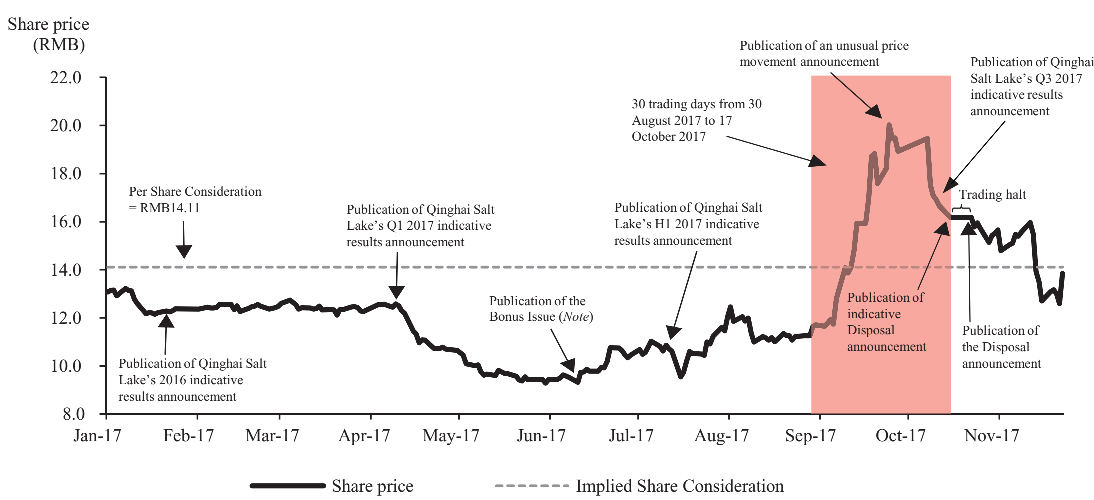
5. Evaluation of the consideration for the Disposal

As set out in the section headed "Principal terms of the Share Transfer Agreement", the consideration for the Disposal was determined with reference to the SASAC Interim Measures, pursuant to which the consideration for the transfer of listed shares by state-owned shareholders shall not be lower than 90% of the daily volume-weighted average closing price of the listed shares for the previous 30 trading days preceding the date of the indicative announcement published by the target company (the "**30 Days VWAP**"). We note that the same pricing mechanism, using the 30 Days VWAP, was adopted for both the 2008 Acquisition and the 2015 Acquisition.

As set out in the letter from the Board, the consideration of approximately RMB14.11 per Qinghai Salt Lake share (the "**Per Share Consideration**") represents 90% of the 30 Days VWAP of approximately RMB15.68 per Qinghai Salt Lake share from 30 August 2017 to 17 October 2017 (being the date of the announcement of Qinghai Salt Lake in relation to its trading suspension pending the disclosure of the Disposal). The total consideration for the Disposal is approximately RMB8,063.2 million, being the product of (i) the Per Share Consideration of approximately RMB14.11 and (ii) the 571,578,484 shares of Qinghai Salt Lake held by the Group, based primarily on the SASAC Interim Measures.

5.1 Analysis of Qinghai Salt Lake's share price

The share price chart below illustrates the daily closing price of the Qinghai Salt Lake shares as quoted on the SZSE from 2 January 2017 up to the Latest Practicable Date (the "**Review Period**"):



*Note: On 12 June 2017 Qinghai Salt Lake announced a bonus issue (the "**Bonus Issue**") to the then shareholders of Qinghai Salt Lake by way of capitalising its capital reserve, on the basis of 5 shares for every 10 shares held on 16 June 2017, and the ex-distribution date was 19 June 2017. Following completion of the Bonus Issue, the issued shares of Qinghai Salt Lake increased from 1,857,393,734* *to 2,786,090,601. The share price of Qinghai Salt Lake for the period from 1 January 2017 to 18 June 2017 (the day before the ex-distribution date) as presented in the share price chart above has been adjusted for the effect of the Bonus Issue on the share price of Qinghai Salt Lake*

The shares of Qinghai Salt Lake traded within a relatively stable range in early 2017, with the adjusted price between RMB12.10 and RMB13.30 and closing at RMB12.20 on 14 April 2017. On the same date, Qinghai Salt Lake published its indicative results announcement for the three months ended 31 March 2017, which indicated a loss attributable to shareholders of Qinghai Salt Lake in the range of RMB224.0 million to RMB300.0 million. After that, the share price followed a general downward trend and reached an adjusted six-month low of approximately RMB9.29 on 1 June 2017, before climbing to RMB10.61 on 14 July 2017. On the same date after market close, Qinghai Salt Lake announced to the market that it expected to record an enlarged loss attributable to shareholders of Qinghai Salt Lake, in the range of RMB447.0 million to RMB670.0 million, for the six months ended 30 June 2017. The market price of Qinghai Salt Lake shares dropped by approximately 10.0% on the following trading day, followed by a gradual, overall rise in July and August 2017. Beginning in early September 2017, the market price exhibited a clear upward trend, reaching a high of RMB20.02 on 26 September 2017, the highest point during the Review Period, which may relate to (i) Qinghai Salt Lake's production and development in respect of lithium and (ii) updates on the restructuring proposals, as set out in an unusual price movement announcement published by Qinghai Salt Lake on 26 September 2017. Afterwards, the share price of Qinghai Salt Lake trended downward prior to publication of an indicative announcement relating to the Disposal on 17 October 2017, after which trading was suspended. The Group published the announcement as regards the Disposal on 24 October 2017, and trading in shares of Qinghai Salt Lake resumed on the following day. After that, the shares of Qinghai Salt Lake generally traded between RMB14.80 and RMB16.00 in the following month until mid-November 2017, after which the share price dropped to a low of RMB12.59 on 23 November 2017. The share price of Qinghai Salt Lake closed at RMB13.85 on the Latest Practicable Date, lower than the Per Share Consideration of approximately RMB14.11.

5.2 *Comparison of the market prices of Qinghai Salt Lake share*

The Per Share Consideration of approximately RMB14.11 represents:

(i) a premium of approximately 1.9% over the closing price of RMB13.85 per Qinghai Salt Lake share as quoted on the SZSE on the Latest Practicable Date;

(ii) a discount of approximately 12.8% to the closing price of RMB16.18 per Qinghai Salt Lake share as quoted on the SZSE on the last trading day immediately prior to the date of the Share Transfer Agreement (the "**Last Trading Day**");

(iii) a discount of approximately 10.2% to the average closing price of approximately RMB15.72 per Qinghai Salt Lake share as quoted on the SZSE for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 13.8% over the average closing price of approximately RMB12.40 per Qinghai Salt Lake share as quoted on the SZSE for the last 90 consecutive trading days immediately prior to and including the Last Trading Day and adjusted for the effect of the Bonus Issue; and

(v) a premium of approximately 75.5% over NAV per Qinghai Salt Lake share of approximately RMB8.04 based on the NAV attributable to the shareholders of Qinghai Salt Lake of approximately RMB22,402.0 million as at 30 June 2017 divided by 2,786,090,601 shares of Qinghai Salt Lake in issue as at 30 June 2017.

As set out above, the Per Share Consideration of approximately RMB14.11 is lower than the (average) closing price of Qinghai Salt Lake on the Last Trading Day, and for the last 30 full trading days. However, the Per Share Consideration represented an approximately 13.8% premium over the average closing price of Qinghai Salt Lake shares for the last 90 consecutive trading days and a premium of approximately 75.5% over the NAV per Qinghai Salt Lake share as at 30 June 2017. Owing to the rising share price, the Per Share Consideration represents discounts to the near-term market prices of Qinghai Salt Lake, but a premium over longer-term market prices of Qinghai Salt Lake. The discounts to the near-term market prices were principally due to (i) a strong rising trend despite the significant drop in share price shortly before the Disposal announcement, and (ii) the 10% discount applied to the 30 Days VWAP in arriving at the consideration for the Disposal (please refer to the sub-section below headed "Comparable transactions" for further analysis). As the share price of Qinghai Salt Lake has exhibited substantial fluctuations, in particular from September 2017, a longer-term average may be more representative of the share price performance of Qinghai Salt Lake. As described in the above section, the closing price of the shares of Qinghai Salt Lake in general continued to trend downward after the Disposal announcement and closed lower than the Per Share Consideration, at RMB13.85 on the Latest Practicable Date.

5.3 Analysis of historical trading volume of Qinghai Salt Lake share

Set out in the table below are the monthly total trading volumes of the shares of Qinghai Salt Lake and the percentages of the monthly total trading volume to (i) the total issued shares of Qinghai Salt Lake and (ii) the total issued shares of Qinghai Salt Lake held by the public (see footnote 3 to the table below) during the Review Period:

	Monthly total trading volume of Qinghai Salt Lake share *(Note 1)*	Percentage of the monthly total trading volume to the total issued shares of Qinghai Salt Lake *(Note 2)*	Percentage of the monthly total trading volume to the total issued shares of Qinghai Salt Lake held by the public *(Note 3)*
2017			
January	173,493,904	9.3%	17.8%
February	160,582,304	8.6%	16.5%
March	212,218,311	11.4%	21.8%
April	185,646,810	10.0%	19.1%
May	128,518,771	6.9%	13.2%
June	294,444,385	10.6%	20.1%
July	537,664,114	19.3%	36.8%
August	621,685,830	22.3%	42.5%
September	3,069,108,012	110.2%	210.0%
October	1,221,581,860	43.8%	83.6%
From 1 November to the Latest Practicable Date	1,109,532,860	39.8%	75.9%

Notes:

(1) Source: Bloomberg

(2) The calculation is based on the monthly total trading volumes of shares of Qinghai Salt Lake divided by the total issued share capital of Qinghai Salt Lake at the end of each month, or at the Latest Practicable Date, as applicable

(3) The calculation is based on the monthly total trading volumes of shares of Qinghai Salt Lake share divided by the total issued share capital of Qinghai Salt Lake held by the public, which is defined as the total issued shares of Qinghai Salt Lake minus the aggregate number of shares held by the two largest shareholders of Qinghai Salt Lake (being 青海省國有資產投資管理有限公司 (Qinghai State-owned Assets Investment and Management Co., Ltd.) and Sinochem Fertilizer, both of which hold over 10% of the issued shares of Qinghai Salt Lake), at the end of each month, or at the Latest Practicable Date, as applicable

As shown in the above table, except for the relatively high monthly trading volumes in September, October and November 2017 (which may be related to the significant fluctuations in share price during these periods as mentioned in the sub-section above headed "Analysis of Qinghai Salt Lake's share price"), the monthly trading volumes of Qinghai Salt Lake shares represented approximately 6.9% to 22.3% of total issued shares of Qinghai Salt Lake, and approximately 13.2% to 42.5% of Qinghai Salt Lake shares held by the public. We note that the SZSE listing rules impose disposal restrictions on substantial shareholders of a listed company in that they are not allowed to sell more than 2% of the total issued shares of a listed company in any continuous period of 90 calendar days, unless they dispose of the shares by way of an agreement. Based on the above observations, we consider that even though the shares of Qinghai Salt Lake are relatively actively traded, the Group may well have encountered obstacles to disposing of its entire shareholding in Qinghai Salt Lake in the market within a relatively short period of time, which might also have caused a downward pressure on the share price.

5.4 Comparable transactions

Pursuant to the Share Transfer Agreement, Sinochem Fertilizer agreed to sell its approximately 20.52% interest in Qinghai Salt Lake, a significant block of shares, at a price equivalent to 90% of the 30 Days VWAP, in accordance with the SASAC Interim Measures. We note that the same pricing basis was applied to the pricing of Previous Acquisitions when the Group acquired shares of Qinghai Salt Lake.

We have reviewed placings of significant blocks of existing shares (i.e. 10% to 30% of the share capital), with a transaction value of at least RMB1.0 billion, of companies listed on the SZSE that would not result in a change of the largest shareholder (taking into account parties acting in concert with it), as announced by the listed company on the website of the SZSE during the period from 1 January 2016 to and including the Latest Practicable Date. Details of our review are set out below:

				Premium/(discount) of the placing price over/(to) the (average) closing share price immediately prior to signing of the relevant agreement			
Date of the agreement	**Company**	**Total value of placing shares**	**Percentage of placing shares to total issued shares**	**last trading day**	**Last 5 trading days**	**Last 10 trading days**	**Last 30 trading days**
		RMB billion	*%*				
27 August 2017	NETAC Technology Co., Ltd. (stock code: 300042)	1.14	19.84	20.7%	21.9%	21.8%	22.8%
16 August 2017	Jinzi Ham Co., Ltd. (stock code: 002515)	1.54	14.72	10.4%	11.3%	14.4%	12.6%
9 June 2017	China Vanke Co., Ltd. (stock code: 000002)	29.20	14.07	(9.9)%	(10.7)%	(7.8)%	(4.6)%
12 April 2017	Xin Zhi Motor Co., Ltd. (stock code: 2664)	2.42	26.00	(8.4)%	(7.2)%	(8.8)%	(9.3)%
14 March 2017	Xi'an Dagang Road Machinery Co., Ltd. (stock code: 300103)	1.18	29.95	(16.2)%	(16.6)%	(17.5)%	(14.6)%
2 August 2016	Hunan Valin Steel Co., Ltd. (stock code: 000932)	1.10	10.08	(8.1)%	(8.1)%	(6.6)%	(6.5)%
22 January 2016	China High-Speed Railway Technology Co., Ltd. (stock code: 000008)	3.84	18.74	(10.0)%	(16.7)%	(17.7)%	(29.0)%

Date of the agreement	Company	Total value of placing shares	Percentage of placing shares to total issued shares	Premium/(discount) of the placing price over/(to) the (average) closing share price immediately prior to signing of the relevant agreement: last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days
		RMB billion	*%*				
			Mean	*(3.1)%*	*(3.7)%*	*(3.2)%*	*(4.1)%*
			Median	*(8.4)%*	*(8.1)%*	*(7.8)%*	*(6.5)%*
			Maximum	*20.7 %*	*21.9 %*	*21.8 %*	*22.8 %*
			Minimum	*(16.2)%*	*(16.7)%*	*(17.7)%*	*(29.0)%*
24 Oct 2017	**The Disposal**	**8.1**	**20.52**	**(12.8)%**	**(15.1)%**	**(20.7)%**	**(10.2)%**

Source: website of the SZSE, Bloomberg

*Note: We also considered Guangdong Sunwill Precising Plastic Co., Ltd. (stock code: 002676) ("**Guangdong Sunwill**") to be a Comparable Transaction as it falls under the above criteria. Shares of Guangdong Sunwill were placed at premiums of approximately 59.7% to 66.4% on the basis of the above ranges. However, we consider that such premiums might have been influenced by the announcement of an acquisition by Guangdong Sunwill from the new shareholder on the same date as the placing agreement. On this basis, we consider the transaction to be an outlier*

Most of the Comparable Transactions above have involved placing discounts to historical trading prices. While the discount as represented by the Per Share Consideration for the last trading day and the last 5, 10 and 30 trading days is higher than the mean and median discounts of the Comparable Transactions, we note that the discount of approximately 10.2% as represented by the Per Share Consideration for the last 30 trading days, which takes into account a wider share price range prior to signing of the Share Transfer Agreement, is well within the relevant range of discounts. As the share price of Qinghai Salt Lake has exhibited substantial fluctuations, in particular beginning in September 2017, a longer-term average would be more representative of the recent share price performance of Qinghai Salt Lake. Based on the foregoing, we consider the discount as represented by the Per Share Consideration reasonable.

As described in the above section headed "Prospects", while potassium chloride production remains a major part of the business, Qinghai Salt Lake has been expanding its chemical production segment. Based on the QSL Reports, Qinghai Salt Lake recorded a significant portion of property, plant and equipment under construction, and the production facilities have yet to run at full capacity. On the basis of the above, we consider Qinghai Salt Lake to be a diversified business, covering production of potassium chloride and chemical production as well as various ancillary operations and services in the PRC, with different financial performance (as detailed in the section headed "Business and financial information of Qinghai Salt Lake"). This, in our view, makes it difficult to identify direct comparable companies in the market.

6. Financial effects of the Disposal

Qinghai Salt Lake is currently being equity accounted for as an associate of the Group, where the Group's share of Qinghai Salt Lake's net assets and results are included in the Group's consolidated balance sheet and consolidated statement of profit or loss respectively. Immediately upon Completion, the Group will cease to have any interest in Qinghai Salt Lake. Accordingly, Qinghai Salt Lake's net assets and results will no longer be reflected in the Group's consolidated financial statements. As stated in the letter from the Board in the Circular, the gain or loss (including dividend distribution) in connection with the shares of Qinghai Salt Lake during the period from the date of the Share Transfer Agreement to the date of Completion shall be vested in or borne by Sinochem Fertilizer.

Unless otherwise stated, the analysis below on the financial effects of the Disposal references the unaudited pro forma financial information of the Remaining Group in Appendix IV to the Circular, which has been prepared for illustrative purposes only based on certain assumptions as set out therein. The actual financial effects of the Disposal on the Group can only be determined upon Completion, and accordingly may be different from the pro forma financial information presented below.

6.1 Liquidity and gearing

The Group's bank balances and cash were approximately RMB490.9 million as at 30 June 2017. Following Completion, the Group is expected to receive net proceeds of approximately RMB8,048.1 million, calculated based on the gross proceeds from the Disposal of approximately RMB8,063.2 million, less the estimated transaction costs of approximately RMB15.1 million. This is a very significant sum for the Group, equivalent to approximately 114.3% of the Company's entire market capitalisation as at the Latest Practicable Date. Such proceeds are expected to significantly improve the liquidity position of the Group.

As at 30 June 2017, the Group had a Gearing Ratio of approximately 91.4%. As the consideration under the Disposal will be received by the Group in cash, and assuming RMB4,000 million of the proceeds will be used to repay the Group's outstanding loans, with due dates between 3 November 2017 and 20 September 2019. For illustrative purpose only, the Gearing Ratio, on the basis of the pro forma consolidated statement of financial position as at 30 June 2017 and assuming a reduction of each of cash and interest-bearing borrowings of RMB4,000 million, would be substantially reduced to approximately 42.8%.

The remaining proceeds, amounting to approximately RMB4,048.1 million, will be used to fund the Group's future strategic development, and normal business operations as appropriate. According to the management of the Group, (i) approximately RMB1,000 million to RMB2,000 million is expected to be used for developing and expanding the Group's current businesses by way of capital expenditure and/or investments, focusing on an integrated "product + service" business model as set out under the section headed "Reasons for and benefits of the Disposal", (ii) approximately RMB800 million would be used for potential acquisitions in connection with the Group's compound fertilizer business, (iii) approximately RMB850 million has been set aside for research and development and enhancement of the Group's existing facilities, and (iv) the remaining balance would be used for general working capital purpose. We are advised by the management of the Group that the unutilised proceeds may be deposited with commercial banks or financial institutions in accordance with the cash management policies of the Group, for the purpose of earning interest income.

6.2 Earnings

For the nine months ended 30 September 2017, Qinghai Salt Lake incurred a net loss, which has negatively impacted the financial performance of the Group. Following Completion, the Group will no longer be exposed to any loss of Qinghai Salt Lake.

As set out in note 4 to the unaudited pro forma financial information of the Remaining Group, had the Disposal completed on 1 January 2017, the estimated one-off loss from the Disposal would be approximately RMB879.9 million, calculated based on the total consideration to be received by the Group from the Disposal after the deduction of estimated transaction costs for the Disposal, less (i) the carrying value of the 20.52% equity interest in Qinghai Salt Lake as at 1 January 2017 of approximately RMB8,216.4 million and (ii) the capital and other reserves in relation to the Group's share of Qinghai Salt Lake's net asset changes (other than profit or loss or other comprehensive income and distributions received) which were recognised by the Group in previous years, of approximately RMB711.6 million ("**Previous Reserve Reduction**"). We understand from the management of the Group that the difference between the above pro forma disposal loss of approximately RMB879.9 million (assuming the Disposal had been completed on 1 January 2017) and the estimated disposal loss of approximately RMB650 million as stated in the letter from the Board (based on the carrying value of the equity interest in Qinghai Salt Lake as at 30 September 2017) was mainly a result of the Group having recorded a share of loss of Qinghai Salt Lake during the nine months ended 30 September 2017.

6.3 NAV

As at 30 June 2017, the net assets of the Group amounted to approximately RMB8,214.1 million. As set out in the unaudited pro forma financial information of the Remaining Group, had the Disposal completed on 30 June 2017, the net assets of the Group would be reduced to approximately RMB8,191.2 million, representing a decrease of approximately RMB22.9 million or approximately 0.3%. The minimal reduction in NAV compared to the estimated loss on disposal as mentioned above is due to the reversal of the Previous Reserve Reduction, offsetting most of the loss on disposal which would reduce the NAV.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Disposal is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Share Transfer Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent

Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2014, 2015 and 2016, and the six months ended 30 June 2017 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinofert.com):

- the Annual Report 2014 dated 26 March 2015 (pages 85 to 175);
- the Annual Report 2015 dated 31 March 2016 (pages 84 to 167);
- the Annual Report 2016 dated 30 March 2017 (pages 98 to 179); and
- the Interim Report 2017 dated 24 August 2017 (pages 27 to 57).

INDEBTEDNESS

As at the close of business on 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had total outstanding debts of approximately RMB6,501,947,000 as below. The unsecured and guaranteed bank borrowings were guaranteed by the Company.

	RMB
Bank borrowings	
– Secured and unguaranteed	5,000,000
– Unsecured and guaranteed	187,142,645
– Unsecured and unguaranteed	2,815,856,785
	3,007,999,430
Bonds	3,493,947,499
Total outstanding debts	6,501,946,929

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, no member of the Group had outstanding at the close of business on 31 October 2017 any mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, or any obligations under hire purchase contracts or finance leases payable or any guarantees or other contingent liabilities.

WORKING CAPITAL

Taking into account the Group's cash and cash equivalents on hand, financial resources available to the Group, proceeds from the Disposal and cash generated from future operations, the Directors after due and careful enquiry, are of the view that, in the absence of unforeseeable circumstances, the Group has sufficient working capital for the Group's present requirements, that is, for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the Disposal, the Group intends to focus on integration of various agricultural inputs and services. The Group will provide agricultural services directly to end users, enhance research and development, and continuously promote products upgrades, so as to gradually form a competitive product portfolio, thereby enhancing the Group's overall competitiveness.

The Disposal will release a large amount of capital for the Group to implement the strategic transformation of its business model, contribute to its cash flow and financial position. The Group will continue to look for investing opportunities in relation to the fertilizer business which have synergies with the current fertilizer business of the Group or to increase its market share in both the PRC and the global fertilizer business. Looking ahead, the Group will continue to promote the production and sale of its fertilizer products, as well as the integration of its products and services, with a view to creating a sustainable business model and striving for business growth in order to bring in largest returns for the shareholders.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated statements of financial position of Qinghai Salt Lake Industry Co., Ltd. (the "Target Company" or "Qinghai Salt Lake") and its subsidiaries (hereinafter collectively referred to as the "Target Group") as of 31 December 2014, 2015, 2016 and 30 June 2016 and 2017, and the related unaudited consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017, and explanatory notes (collectively referred to as the "Unaudited Consolidated Financial Information"). The Unaudited Consolidated Financial Information has been prepared on the basis set out in Note (1) to the Unaudited Consolidated Financial Information below and prepared in accordance with paragraph 68(2)(a)(i)(A) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The auditor of Sinofert Holdings Limited (the "Company"), KPMG, was engaged to review the Unaudited Consolidated Financial Information of the Target Group in accordance with Hong Kong Standard on Review Engagements ("HKSRE") 2400 (Revised), *Engagements to Review Historical Financial Statements*, and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*, issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditors would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

Unaudited consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017
(Expressed in Renminbi)

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	10,256,324	10,725,511	9,630,421	5,205,031	4,143,572
Cost of sales	(5,644,044)	(5,917,336)	(5,824,418)	(2,848,869)	(2,946,666)
Gross profit	4,612,280	4,808,175	3,806,003	2,356,162	1,196,906
Other revenue	907,007	787,855	1,322,004	354,822	995,862
Other net expense	(888,904)	(1,272,049)	(1,587,182)	(308,991)	(1,304,481)
Distribution cost	(1,616,829)	(1,879,272)	(1,192,330)	(993,139)	(150,187)
Administrative expenses	(539,621)	(698,728)	(779,924)	(365,198)	(569,161)
Profit from operations	2,473,933	1,745,981	1,568,571	1,043,656	168,939
Financial costs	(754,386)	(993,123)	(1,083,540)	(594,400)	(656,668)
Share of profits less losses of associates	615	9,519	4,377	(7,674)	1,960
Profit/(Loss) before taxation	1,720,162	762,377	489,408	441,582	(485,769)
Income tax	(388,780)	(218,142)	(279,816)	(78,069)	(34,816)
Profit/(Loss) and total comprehensive income/(expence) for the year/period	1,331,382	544,235	209,592	363,513	(520,585)
Attributable to:					
Equity shareholders of the Target Company	1,302,259	558,966	341,265	329,354	(522,503)
Non-controlling interests	29,123	(14,731)	(131,673)	34,159	1,918

Unaudited consolidated statements of financial position at 31 December 2014, 2015, 2016 and 30 June 2016 and 2017
(Expressed in Renminbi)

	Years ended 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	53,298,283	61,634,832	65,807,105	66,676,559
Investment properties	15,733	136,352	131,959	129,762
Intangible assets	541,219	567,801	584,132	566,621
Advance payments for acquisition of property, plant and equipment	1,932,489	753,337	630,178	679,869
Goodwill	21,341	21,341	3,929	3,929
Interest in associates	86,335	85,227	107,564	106,525
Available-for-sale investments	478,125	478,125	478,125	478,125
Deferred tax assets	157,547	194,905	171,519	164,139
Other long-term assets	29,124	22,808	5,487	5,151
	56,560,196	63,894,728	67,919,998	68,810,680
Current assets				
Inventories	2,649,890	2,870,351	3,389,211	3,067,079
Trade and bills receivables	2,300,368	1,384,981	2,093,574	2,298,062
Other receivables and prepayments	3,106,743	3,532,493	3,730,157	3,843,950
Pledged bank deposit	334,400	352,024	277,114	148,812
Cash and cash equivalents	2,947,710	8,678,631	5,535,834	5,601,763
	11,339,111	16,818,480	15,025,890	14,959,666
Current liabilities				
Trade and bills payables	5,848,854	6,525,481	7,103,817	6,623,218
Other payables and accrued expenses	3,138,054	2,506,085	3,223,811	2,683,948
Interest-bearing borrowings due within one year	7,356,000	5,562,067	9,958,317	10,424,817
Short-term financing bond	–	4,700,000	750,000	3,800,000
Current portion of obligations under finance lease	264,034	771,072	516,998	443,837
Current tax liabilities	294,337	68,477	211,714	65,723
	16,901,279	20,133,182	21,764,657	24,041,543
Net current liabilities	(5,562,168)	(3,314,702)	(6,738,767)	(9,081,877)
Total assets less current liabilities	50,998,028	60,580,026	61,181,231	59,728,803

	Years ended 31 December 2014	2015	2016	At 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Interest-bearing borrowings due after one year	30,498,972	34,165,733	32,387,414	31,474,047
Deferred income	565,591	645,595	648,279	651,673
Obligations under finance lease	438,191	560,674	933,954	789,719
Provisions	86,000	6,000	44,865	6,000
Other non-current liabilities	129,421	719,579	795,188	809,007
	31,718,175	36,097,581	34,809,700	33,730,446
NET ASSETS	19,279,853	24,482,445	26,371,531	25,998,357
CAPITAL AND RESERVES				
Share capital	1,590,509	1,857,394	1,857,394	2,786,091
Reserves	16,094,906	21,053,511	21,184,056	19,615,923
Total equity attributable to equity shareholders of the Target Company	17,685,415	22,910,905	23,041,450	22,402,014
Perpetual capital instruments	–	–	1,483,019	1,483,019
Non-controlling interests	1,594,438	1,571,540	1,847,062	2,113,324
TOTAL EQUITY	19,279,853	24,482,445	26,371,531	25,998,357

Unaudited consolidated statements of changes in equity for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017

(Expressed in Renminbi)

	Attributable to equity shareholders of the Target Company								
	Share capital	Capital reserve	Statutory reserve	Special reserve	Retained profits	Total	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance 1 January 2014	1,590,509	5,915,457	1,425,784	223,717	7,254,991	16,410,458	–	1,594,978	18,005,436
Profit and total comprehensive income for the year	–	–	–	–	1,302,259	1,302,259	–	29,123	1,331,382
Maintenance and production fund	–	–	–	79,631	–	79,631	–	–	79,631
Dividends approved in respect of the previous year	–	–	–	–	(106,563)	(106,563)	–	–	(106,563)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(102,691)	(102,691)
Transfer between reserves	–	–	163,857	–	(163,857)	–	–	–	–
Contribution by non-controlling interests	–	(370)	–	–	–	(370)	–	73,028	72,658
Balance at 31 December 2014 and 1 January 2015	1,590,509	5,915,087	1,589,641	303,348	8,286,830	17,685,415	–	1,594,438	19,279,853
Profit and total comprehensive income for the year	–	–	–	–	558,966	558,966	–	(14,731)	544,235
Maintenance and production fund	–	–	–	(36,326)	–	(36,326)	–	–	(36,326)
Dividends approved in respect of the previous year	–	–	–	–	(136,784)	(136,784)	–	–	(136,784)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(19,364)	(19,364)
Transfer between reserves	–	–	119,854	–	(119,854)	–	–	–	–
Contribution by owners of the Company	266,885	4,572,749	–	–	–	4,839,634	–	–	4,839,634
Contribution by non-controlling interests	–	–	–	–	–	–	–	11,197	11,197
Balance at 31 December 2015 and 1 January 2016	1,857,394	10,487,836	1,709,495	267,022	8,589,158	22,910,905	–	1,571,540	24,482,445
Profit and total comprehensive income for the year	–	–	–	–	341,265	341,265	–	(131,673)	209,592
Maintenance and production fund	–	–	–	(72,201)	–	(72,201)	–	6,877	(65,324)
Dividends approved in respect of the previous year	–	–	–	–	(57,580)	(57,580)	–	–	(57,580)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(360)	(360)
Transfer between reserves	–	–	136,207		(136,207)	–	–	–	–
Contribution by owners of the Company	–	7	–	–	–	7	–	–	7
Contribution by non-controlling interests	–	(80,946)	–	–	–	(80,946)	–	400,678	319,732
Increase of perpetual capital instruments	–	–	–	–	–	–	1,483,019	–	1,483,019

	Attributable to equity shareholders of the Target Company								
	Share capital	Capital reserve	Statutory reserve	Special reserve	Retained profits	Total	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2016 and 1 January 2017	1,857,394	10,406,897	1,845,702	194,821	8,736,636	23,041,450	1,483,019	1,847,062	26,371,531
Profit and total comprehensive income for the period	–	–	–	–	(522,503)	(522,503)	–	1,918	(520,585)
Maintenance and production fund	–	–	–	(367)	–	(367)	–	1,844	1,477
Dividends approved in respect of the previous years	–	–	–	–	(116,566)	(116,566)	–	–	(116,566)
Distributions to non-controlling interests	–	–	–	–	–	–	–	(1,200)	(1,200)
Transfer between capital	928,697	(928,697)	–	–	–	–	–	–	–
Contribution by non-controlling interests	–	–	–	–	–	–	–	263,700	263,700
Balance at 30 June 2017	2,786,091	9,478,200	1,845,702	194,454	8,097,567	22,402,014	1,483,019	2,113,324	25,998,357
Balance at 31 December 2015 and 1 January 2016	1,857,394	10,487,836	1,709,495	267,022	8,589,158	22,910,905	–	1,571,540	24,482,445
Profit and total comprehensive income for the period	–	–	–	–	329,354	329,354	–	34,159	363,513
Maintenance and production fund	–	–	–	(7,288)	–	(7,288)	–	–	(7,288)
Dividends approved in respect of the previous years	–	–	–	–	(57,580)	(57,580)	–	–	(57,580)
Contribution by non-controlling interests	–	(80,946)	–	–	–	(80,946)	–	397,658	316,712
Increase of perpetual capital instruments	–	–	–	–	–	–	1,482,000	–	1,482,000
Balance at 30 Jun 2016	1,857,394	10,406,890	1,709,495	259,734	8,860,932	23,094,445	1,482,000	2,003,357	26,579,802

Unaudited consolidated statements of cash flows
for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017
(Expressed in Renminbi)

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities					
Cash generated from operations	1,742,601	1,298,285	2,199,693	658,066	480,123
Income tax paid	(371,671)	(481,360)	(113,193)	(73,166)	(173,427)
Net cash generated from operating activities	1,370,930	816,925	2,086,500	584,900	306,696
Investing activities					
Payment for acquisitions of property, plant and equipment	(7,487,678)	(5,045,253)	(3,267,110)	(1,728,296)	(1,551,312)
Payment for acquisitions of intangible assets	(6,299)	(71,939)	(53,333)	–	–
Payment for acquisitions of other long-term assets	(4,841)	(3,039)	(777)	(777)	(630)
Disposal of a subsidiary	–	–	325,696	325,696	–
Interest received from bank deposits	33,264	12,135	23,207	11,808	11,888
Proceeds from dividends from associates	–	4,845	6,549	6,549	3,000
Dividends received from available-for-sale investments	12,000	12,000	10,000	10,000	15,000
Proceeds received from disposal of, property, plant and equipment	714	977	533	43	2,247
Net cash used in investing activities	(7,452,840)	(5,090,274)	(2,955,235)	(1,374,977)	(1,519,807)

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financing activities					
Interest paid	(2,244,821)	(2,469,779)	(2,670,300)	(1,675,033)	(1,209,161)
Proceeds from borrowings raised	12,742,282	15,613,780	9,215,000	5,465,000	8,101,750
Repayment of loans and borrowings	(3,601,800)	(9,047,683)	(10,555,750)	(7,635,500)	(5,503,000)
Dividends paid	(209,254)	(156,148)	(57,940)	(57,579)	(117,766)
Proceeds from perpetual capital instruments	–	–	1,482,000	1,482,000	–
Capital injection from non-controlling interests	14,500	611,000	84,000	84,000	263,700
Capital injection from owners of the Company	–	4,839,634	–	–	–
Repayment for financial lease obligations	(195,502)	(264,034)	(771,072)	(697,485)	(256,483)
Proceeds from borrowings for financial lease obligations	200,000	877,500	1,000,000	1,000,000	–
Net cash generated from/(used in) financing activities	6,705,405	10,004,270	(2,274,062)	(2,034,597)	1,279,040
Net increase/(decrease) in cash andcash equivalent	623,495	5,730,921	(3,142,797)	(2,824,674)	65,929
Cash and cash equivalents at 1 January	2,324,215	2,947,710	8,678,631	8,678,631	5,535,834
Cash and cash equivalents at 31 December/30 June	2,947,710	8,678,631	5,535,834	5,853,957	5,601,763

Notes to the financial information

(Expressed in Renminbi unless otherwise indicated)

(1) Basis of preparation

The unaudited consolidated financial information of the Target Group comprising the consolidated statements of financial position of the Target Group as at 31 December 2014, 2015, 2016 and, 30 June 2016 and 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2014, 2015, 2016 and, for the six months ended 30 June 2016 and 2017, and explanatory notes (the "Unaudited Consolidated Financial Information") has been prepared in accordance with Rule 14.68(2)(a)(i) of the Listing Rules solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of 20.52% equity interest of Qinghai Salt Lake in accordance with paragraph 14.68(2)(a)(i)(A) of the Listing Rules.

The Unaudited Consolidated Financial Information has been prepared in accordance with the same accounting policies as those adopted by the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation of the consolidated financial statements of the Group for those respective years. The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised), *Presentation of Financial Statements*, or an interim financial report as defined in Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the relevant periods.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group's current liabilities exceeded its current assets by approximately RMB5,562 million, RMB3,315 million, RMB6,739 million and RMB9,082 million, respectively. The liquidity of the Target Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Target Company's sources of liquidity and the unutilized bank facilities, the Directors believe that adequate funding is available to fulfil the Target Group's debt obligations and capital expenditure requirements when preparing the Unaudited Consolidated Financial Information for the year ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017. Accordingly, the Unaudited Consolidated Financial Information have been prepared on a basis that the Target Group will be able to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 are set out below.

Business Review

From the year of 2014 to 2015, the global fertilizer production capacity continued to release, the demand grew slowly, and the production capacity was still excessive.

In the year of 2016, the fertilizer consumption in China came close to zero increase for the first time. China's oversupply situation was relatively severe and both the import and export of fertilizers declined. The profitability of the fertilizer industry continued to deteriorate, the extent of loss in the nitrogen industry was enlarged and the overall fertilizer market shrank. In the face of such grave situation, domestic enterprises sped up their transformation and upgrading, actively developed towards the upstream and downstream of the supply chain and the Remaining Group was confronted with a comparatively fierce competition.

In the first half of 2017, the Chinese economy made steady progress in the environment of world economy recovery. Due to the favorable policies including the lowering of export tax for fertilizers, the fertilizer market rebounded to some extent and the price for fertilizer products increased. However, the operation of the fertilizer enterprises also faced significant challenges.

In order to effectively meet the severe market challenges and maintain its leading position, the Remaining Group continued to deepen strategic transformation and carry out reforms and was committed to becoming an agricultural service enterprise providing high-quality fertilizer products and crop nutrition solutions with the general philosophy of "taking root in the transformation and upgrading of modern agriculture".

The Remaining Group continues to promote the production and sale of its fertilizer products, as well as the integration of its products and services, with a view to creating a sustainable business model and striving for business growth. As at Latest Practicable Date, the Remaining Group has not identified any projects for investments. The main capital expenditure in the following years will be on technological transformation. The management will grasp every opportunity to optimize the industrial layout of compound fertilizer.

Financial Review

For the year ended 31 December 2014, the Remaining Group's revenue amounted to RMB28,311 million. Gross profit amounted to RMB1,418 million. Profit attributable to owners of the Remaining Group amounted to RMB134 million. The net profit margin, calculated based on profit attributable to owners of the Remaining Group divided by revenue, was 0.47%.

For the year ended 31 December 2015, the Remaining Group's revenue amounted to RMB26,121 million, decreased by RMB2,190 million over 2014, which was attributable to the sales volume decrease due to the oversupply in domestic fertilizer market. While the Remaining Group seized market opportunities and the average selling price increased, the gross profit increased by RMB251 million over 2014 to RMB1,669 million. For the same reasons, profit attributable to owners of the Remaining Group recorded a moderate increase to RMB213 million and the net profit margin was 0.82%.

For the year ended 31 December 2016, the Remaining Group's revenue amounted to RMB14,959 million, decreased by RMB11,162 million or 42.73% year-on-year. Gross profit amounted to RMB241 million, decreased by RMB1,428 million over 2015. The decrease was mainly attributable to the resumption of value-added tax and a sluggish market. Loss attributable to owners of the Remaining Group amounted to RMB1,815 million. The net loss margin was 12.13%.

For the first half of 2017, the Remaining Group's revenue amounted to RMB10,469 million, increased by RMB1,560 million, or 17.51% over the corresponding period in 2016. Gross profit amounted to RMB905 million, increased by RMB550 million over the corresponding period in 2016. The increase was mainly attributable to the rebounding of fertilizer market and the rising prices. Profit attributable to owners of the Remaining Group amounted to RMB151 million. The net profit margin was 1.44%.

Segment reporting

In the years of 2014 to 2016, the operating segments of the Remaining Group are divided into Marketing Segment (procurement and distribution of fertilizers and related products) and Production Segment (production and sales of fertilizers). The segment profit/loss represents the profit/loss earned by each segment without taking into account unallocated expenses and income, share of result of associates and joint ventures and finance costs.

For the year ended 31 December 2014, the segment profit of the Remaining Group was RMB163 million, among which, Marketing Segment realized a profit of RMB378 million and Production Segment suffered a loss of RMB215 million.

For the year ended 31 December 2015, the segment profit of the Remaining Group was RMB533 million, among which, Marketing Segment realized a profit of RMB535 million and Production Segment suffered a loss of RMB2 million. The increase of profit from Marketing Segment and the decrease of loss in Production Segment from that of 2014 was resulted from the Remaining Group seizing opportunities of the rebounding market in the middle of the year and cost reduction and efficiency improvement through continuous implementation of technological innovation.

For the year ended 31 December 2016, the segment loss of the Remaining Group was RMB4,337 million, among which, Marketing Segment suffered a loss of RMB507 million and Production Segment suffered a loss of RMB3,830 million, which was mainly due to the resumption of value-added tax and the weak fertilizer market.

In the first half of 2017, the Remaining Group readjusted its strategies and changed its reportable segments to three segments namely Basic Fertilizers Segment, Distribution Segment and Production Segment. Basic Fertilizers Segment refers to the sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash. Distribution Segment refers to the building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizer. Production Segment refers to the production and sales of fertilizers and MCP/DCP, etc.

The Remaining Group's segment profit for the six months ended 30 June 2017 was RMB367 million, among which, the profits of Basic Fertilizers Segment and Distribution Segment were RMB322 million and RMB51 million respectively, and the loss of Production Segment was RMB5 million. This presented a huge increase in segment profit year-on-year, which was mainly attributable to the recovery in the fertilizer market brought by the supply-side reform and the Remaining Group's great efforts in strategic transition and forming a new business model.

Capital structure, liquidity and financial resources

The total assets of the Remaining Group amounted to RMB17,349 million, RMB16,673 million, RMB14,649 million and RMB13,172 million as at 31 December 2014, 2015, and 2016 and 30 June 2017 respectively. The non-current assets amounted to RMB7,548 million, RMB7,556 million, RMB6,818 million and RMB6,711 million as at 31 December 2014, 2015, and 2016 and 30 June 2017 respectively, which primarily consisted of property, plant and equipment. The current assets amounted to RMB9,801 million, RMB9,117 million, RMB7,831 million and RMB6,461 million as at 31 December 2014, 2015, and 2016 and 30 June 2017 respectively, which primarily consisted of cash and cash equivalents, trade and bill receivables, other receivables and prepayments and inventory.

The non-current liabilities of the Remaining Group amounted to RMB3,094 million, RMB3,077 million, RMB3,866 million and RMB3,850 million as at 31 December 2014, 2015, and 2016 and 30 June 2017 respectively, which primarily consisted of interest-bearing borrowings due after one year. The current liabilities amounted to RMB8,735 million, RMB11,586 million, RMB10,729 million and RMB9,179 million as at 31 December 2014, 2015, and 2016 and 30 June 2017 respectively, which primarily consisted of trade and bill payables, other payables and accrued expenses, and interest-bearing borrowings due within one year.

The net current asset of the Remaining Group amounted to RMB1,065 million as at 31 December 2014 and the net current liabilities of the Remaining Group amounted to RMB2,469 million, RMB2,898 million and RMB2,718 million as at 31 December 2015, and 2016 and 30 June 2017, respectively.

The above analysis on capital structure, liquidity and financial resources of the Remaining Group is prepared by simple arithmetic deduction of the carrying value of interests in Qinghai Salt Lake as at the end of the relevant period in the balance sheets of the Group. Based on generally accepted accounting concepts, when there is a reduction in asset in the balance sheet of the Remaining Group mentioned above, there should be either a corresponding increase in another asset, reduction in liability or reduction in total equity which involved assumptions to be made by the Company on the usage of the released financial resources as at the end of the relevant period. Since the above possible accounting treatments may have different outcome to the gearing ratio (calculated by interest-bearing debt divided by total equity) of the Remaining Group, the Company considers that the calculation and disclosure of gearing ratio of the Remaining Group as at the end of the relevant period is not representative and is misleading.

Borrowings

The Remaining Group's principal sources of financing included cash, bank borrowings and proceeds from the issue of bonds and short-term commercial papers. All financial resources were primarily used for the Remaining Group's trading and distribution, production, repayment of liabilities and related capital expenditures.

Below is the analysis of interest-bearing borrowings of the Remaining Group:

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Bank loans, secured	144.41	–	–	5.00
Bank loans, unsecured	40.00	673.43	–	1,654.20
Short-term commercial paper	–	2,000.00	2,000.00	–
Borrowings from Sinochem Group	200.00	200.00	–	–
Borrowings from Sinochem Finance Co., Ltd.	–	60.00	540.00	2,355.00
Borrowings from Sinochem Hong Kong (Group) Co., Ltd	–	850.00	–	–
Bonds	–	–	–	–
Principal amount	2,500.00	2,500.00	3,500.00	3,500.00
Less: unamortized transaction costs	(11.52)	(9.17)	(6.82)	(5.64)
Total	2,872.89	6,274.26	6,033.18	7,508.56
Including:				
Fixed-rate borrowings	2,872.89	5,924.26	6,033.18	7,508.56
Variable-rate borrowings	–	350	–	–

Fixed interest rate borrowings are charged at a rate ranging from 1.35% to 5.12%, from 1.35% to 5%, from 2.10% to 5% and from 1.85% to 5% per annum for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively.

Interests on borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China.

Capital expenditure

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the capital expenditure of the Remaining Group used in purchase of property, plant and equipment and lease payment on land use rights were RMB800 million, RMB397 million, RMB277 million and RMB124 million respectively.

Capital commitments

The Remaining Group had additional capital commitments of RMB1,249 million as at 30 June 2017 which were comprised of commitments for capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

Significant investment and material transaction

Save as disclosed in the section headed "Material Contracts" in Appendix V to this circular, the Remaining Group did not hold any significant investment as at 31 December 2014, 2015 and 2016 and 30 June 2017, and had no material acquisitions or disposals of subsidiaries and associated companies during the three years ended 31 December 2016 and the six months ended 30 June 2017.

Charge on assets

As at 31 December 2014, 2015 and 2016 and 30 June 2017, certain property, plant and equipment with an aggregate carrying value of RMB25,704 million, RMB7,951 million, RMB4,374 million and RMB4,049 million were pledged to secure banking facilities and borrowings granted to the Remaining Group.

Contingent liabilities

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Remaining Group had no significant contingent liabilities.

Employees and remuneration policies

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the total numbers of full-time employees of the Remaining Group (including those employed by the subsidiaries of the Remaining Group) were 7,257, 6,752, 6,240 and 6,266 respectively. The key components of the Remaining Group's remuneration package include basic salary, and where applicable, other allowances, annual incentive bonus, mandatory provident funds, and state-managed retirement benefits scheme. Total staff costs (including Directors' remuneration) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB632 million, RMB671 million, RMB618 million and RMB337 million respectively.

Exchange rate risk

Majority of the Remaining Group's assets, liabilities and transactions are denominated in RMB, US dollar and Hong Kong dollar. Due to the presence of a certain scale of import and export business of the Remaining Group, the exchange rate fluctuations will have an impact on the cost of import and export prices. The management of the Remaining Group adopted prudent foreign exchange forward measures all the time and continued to monitor and control the above risks so as to mitigate the potential negative impact on the Remaining Group's financial performance.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

(A) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SINOFERT HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2017 and related notes as set out in Part B of Appendix IV to the circular dated 1 December 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part B of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of 20.52% equity interest in Qinghai Salt Lake Industry Co., Ltd. (the "Disposal") on the Group's financial position as at 30 June 2017 and the Group's financial performance and cash flows for the six months ended 30 June 2017 as if the Disposal had taken place at 30 June 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 30 June 2017 and the Group's financial performance and cash flows for the six months ended 30 June 2017 has been extracted by the Directors from the interim financial report of the Group for the six months ended 30 June 2017, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
1 December 2017

(B) PRO FORMA FINANCIAL INFORMATION

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Group immediately after the completion of the Disposal(the "Remaining Group"), comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2017 ("Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the Disposal as if it had been completed on 30 June 2017 and 1 January 2017 respectively.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Remaining Group in accordance with paragraph 4.29 of the Listing Rules and has been prepared by the directors of the Company for the purpose of illustrating the effect of the Disposal.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information is based upon the unaudited consolidated statement of financial position of the Group as at 30 June 2017 and the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2017, which have been extracted from the Company's published interim financial report for the six months ended 30 June 2017, and adjusted on a pro forma basis to reflect the effect of the Disposal. These pro forma adjustments are (i) directly attributable to the Disposal and not relating to other future events and decision and (ii) factually supportable based on the terms of the share transfer agreement entered between Sinochem Fertilizer, a subsidiary of the Group, and Sinochem Group.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1. Unaudited pro forma consolidated statement of financial position as at 30 June 2017

	The Group At 30 June 2017	Pro forma adjustment	*Note*	The Remaining Group
	RMB'000	*RMB'000*		*RMB'000*
Non-current assets				
Property,plant and equipment	3,379,800	–		3,379,800
Lease payments	494,219	–		494,219
Mining rights	595,250	–		595,250
Goodwill	840,483	–		840,483
Other long-term assets	11,065	–		11,065
Interest in associates	8,568,688	(8,071,009)	*Note 1*	497,679
Interests in joint ventures	354,376	–		354,376
Available-for-sale investments	477,835	–		477,835
Advance payment for acquisition of property,plant and equipment	31,255	–		31,255
Deferred tax assets	29,411	–		29,411
	14,782,382	(8,071,009)		6,711,373
Current assets				
Inventories	3,712,010	–		3,712,010
Trade and bills receivables	554,561	–		554,561
Other receivables and advance payments	1,019,345	–		1,019,345
Loans to an associate	670,000	–		670,000
Lease prepayments	13,810	–		13,810
Bank balances and cash	490,922	8,048,139	*Note 2*	8,539,061
	6,460,648	8,048,139		14,508,787

	The Group At 30 June 2017 *RMB'000*	Pro forma adjustment *RMB'000*	*Note*	The Remaining Group *RMB'000*
Current Liabilities				
Trade and bills payables	3,763,173	–		3,763,173
Other payables and receipt in advance	1,386,820	–		1,386,820
Interest-bearing borrowings – due within one year	4,014,195	–		4,014,195
Tax liabilities	14,617	–		14,617
	9,178,805	–		9,178,805
Net current (liabilities)/assets	(2,718,157)	8,048,139		5,329,982
Total assets less current liabilities	12,064,225	(22,870)		12,041,355
Non-current liabilities				
Interest-bearing borrowings -due after one year	3,494,360	–		3,494,360
Deferred income	94,340	–		94,340
Deferred tax liabilities	214,280	–		214,280
Other long-term liabilities	47,128	–		47,128
	3,850,108	–		3,850,108
NET ASSETS	8,214,117	(22,870)		8,191,247
CAPITAL AND RESERVES				
Issued equity	8,267,384	–		8,267,384
Reserves	89,261	(22,870)		66,391
Total equity attributable to owners of the Company	8,356,645	(22,870)		8,333,775
Non-controlling interests	(142,528)	–		(142,528)
TOTAL EQUITY	8,214,117	(22,870)		8,191,247

2. Unaudited pro forma consolidated statement of profit or loss and other comrprehensive income for the six months ended 30 June 2017

	The Group for the six months ended 30 June 2017	Pro forma adjustment	*Note*	The Remaining Group
	RMB'000	*RMB'000*		*RMB'000*
Revenue	10,469,328	–		10,469,328
Cost of sales	(9,564,812)	–		(9,564,812)
Gross profit	904,516	–		904,516
Other income and gains	147,725	–		147,725
Selling and distribution expenses	(388,368)	–		(388,368)
Administrative expenses	(296,538)	–		(296,538)
Other expenses and losses	(29,167)	–		(29,167)
Share of results of associates	(130,109)	137,804	*Note 3*	7,695
Share of results of joint ventures	(19,628)	–		(19,628)
Finance costs	(175,960)	–		(175,960)
Loss on disposal of an associate	–	(879,856)	*Note 4*	(879,856)
Profit/(Loss) before taxation	12,471	(742,052)		(729,581)
Income tax	(4,071)	–		(4,071)
Profit/(Loss) for the period	8,400	(742,052)		(733,652)
Profit/(Loss) for the period attributable to:				
– Owners of the Company	12,990	(742,052)		(729,062)
– Non-controlling interests	(4,590)	–		(4,590)
	8,400	(742,052)		(733,652)

	The Group for the six months ended 30 June 2017 *RMB'000*	Pro forma adjustment *RMB'000*	*Note*	The Remaining Group *RMB'000*
Other comprehensive expenses				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	(43,254)	–		(43,254)
Changes in fair value of available-for-sale investments	(20,602)	–		(20,602)
Other comprehensive expenses for the period	(63,856)	–		(63,856)
Total comprehensive expenses for the period	(55,456)	(742,052)		(797,508)
Total comprehensive expenses attributable to:				
– Owners of the Company	(50,866)	(742,052)		(792,918)
– Non-controlling interests	(4,590)	–		(4,590)
	(55,456)	(742,052)		(797,508)

3. Unaudited pro forma condensed consolidated statement of cash flows for the six months ended 30 June 2017

	The Group for the six months ended 30 June 2017	Pro forma adjustment	Note	The Remaining Group
	RMB'000	*RMB'000*		*RMB'000*
Operating activities				
Cash used in operations	(1,527,980)	–		(1,527,980)
Income tax paid	(3,325)	–		(3,325)
Net cash used in operating activities	(1,531,305)	–		(1,531,305)
Investing activities				
Purchases of property, plant and equipment	(124,133)	–		(124,133)
Proceeds from disposals of property, plant and equipment	2,187	–		2,187
Disposal of an associate	–	8,048,139	*Note 2*	8,048,139
Acquisition of other long-term assets	(2,209)	–		(2,209)
Final installment of consideration paid for acquisition of Sinochem Yunlong Co.,Ltd.	(211,437)	–		(211,437)
Interest received	20,778	–		20,778
Loans to an associate	(574,000)	–		(574,000)
Repayment of loans to an associate	574,000	–		574,000
Dividends received from an associate	7,621	(7,621)	*Note 3*	–
Net cash (used in)/gathered from investing activities	(307,193)	8,040,518		7,733,325

	The Group for the six months ended 30 June 2017 *RMB'000*	Pro forma adjustment *RMB'000*	*Note*	The Remaining Group *RMB'000*
Financing activities				
Repayment of borrowings	(6,508,623)	–		(6,508,623)
Proceeds from new borrowings	9,982,818	–		9,982,818
Repayment of short-term commercial papers	(2,000,000)	–		(2,000,000)
Interest paid	(112,238)	–		(112,238)
Net cash generated from financing activities	1,361,957	–		1,361,957
Net (decrease)/increase in cash and cash equivalents	(476,541)	8,040,518		7,563,977
Cash and cash equivalents as at 1 January 2017	972,118	–		972,118
Effect of foreign exchange rates changes	(4,655)	–		(4,655)
Cash and cash equivalents at 30 June 2017	490,922	8,040,518		8,531,440

Note 1 The adjustment represents the carrying amount of the equity interest in Qinghai Salt Lake as at 30 June 2017. Upon completion of the Disposal, the Remaining Group will no longer be a shareholder of Qinghai Salt Lake. The financial results of Qinghai Salt Lake will no longer be equity accounted for in the consolidated financial statements of the Company.

Note 2 The total consideration for the Disposal is approximately RMB8,063,199,000, subject to the terms and conditions of the share transfer agreement. Total consideration for the Disposal will be satisfied in cash by Sinochem Group on completion.

Disposal-related costs, such as professional fees for legal services, accounting service, stamp duty tax and other transaction costs, are included as part of the transaction costs for the Disposal of Qinghai Salt Lake. For the purpose of preparation of the Unaudited Pro Forma Financial Information of the Remaining Group, such costs related to the Disposal are estimated to be RMB15,060,000.

The adjustment to bank balances and cash represents the total consideration of RMB8,063,199,000 to be received by the Group from the Disposal after the deduction of estimated transaction cost of RMB15,060,000 for the Disposal.

Note 3 The adjustment represents the exclusion of the Remaining Group's share of results of Qinghai Salt Lake and the receipt of dividends received from Qinghai Salt Lake for the six months ended 30 June 2017 as if the Disposal had been completed on 1 January 2017.

Note 4 The adjustment to loss on disposal of an associate represents the total consideration of RMB8,063,199,000 to be received by the Group from the Disposal after the deduction of estimated transaction cost of RMB15,060,000 for the Disposal, less the carrying value of the 20.52% equity interest in Qinghai Salt Lake of RMB8,216,434,000 as at 1 January 2017 and the capital and other reserves of RMB711,561,000 in relation to the Remaining Group's share of Qinghai Salt Lake's net assets changes (other than profit or loss or other comprehensive income and distributions received) which were recognized by the Group in reserve in previous years.

The estimated loss on the Disposal is subject to change on the date of completion of the Disposal. The actual carrying amount of the equity interest in Qinghai Salt Lake and thus the gain/loss on disposal at the date of completion will likely be different from those stated in the pro forma financial information.

Note 5 The adjustments in respect of the pro forma consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows above are not expected to have a continuing effect on the Remaining Group.

Note 6 No adjustment has been made to reflect any trading results or other transaction of the Remaining Group entered into subsequent to 30 June 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares and debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, a Director of the Company had long position in the Shares of the Company as follows:

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Harry Yang	Beneficial owner	600	0.000009%

3. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group, within the two years preceding the Latest Practicable Date and are or may be material:

(a) a share transfer agreement was entered into on 27 April 2015 between Sinochem Fertilizer and Sinochem Corporation, pursuant to which Sinochem Fertilizer acquired from Sinochem Corporation 238,791,954 shares of Qinghai Salt Lake, representing 15.01% of its then total issued share capital, at a total consideration of RMB3,890,101,118.75 (for further details, please refer to the Company's announcement dated 9 December 2014, 12 February 2015 and 11 September 2015 and the circular dated on 27 January 2015);

(b) an equity transfer contract and a supplemental agreement were entered into on 11 August 2016 between Sinochem Fertilizer and Yunnan Yuntianhua Co., Ltd.（雲南雲天化股份有限公司, "**Yuntianhua**"), pursuant to which Sinochem Fertilizer transferred its 25% equity interest in Yunnan Three Circles-Sinochem-Mosaic Fertilizers Co., Ltd.（雲南三環中化美盛化肥有限公司）to Yuntianhua for a consideration of RMB87,994,984.17 (for further details, please refer to the Company's announcement dated 12 August 2016); and

(c) the Share Transfer Agreement.

4. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors are also employees of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
Zhang Wei	Sinochem Group	President and director
	Sinochem Corporation	President and director
Yang Lin	Sinochem Group	General accountant
	Sinochem Corporation	Chief financial officer

5. DIRECTORS' SERVICE CONTRACTS

On 16 February 2017, Mr. Qin Hengde, executive Director and Chief Executive Officer of the Company, entered into a service contract with the Company for a term of three years. On 15 May 2017, Mr. Harry Yang, executive Director of the Company, renewed his service contract with the Company for a term of three years. Pursuant to the terms stipulated in the service contracts of Mr. Qin Hengde and Mr. Harry Yang, the respective service contract with the Company may be (i) terminated prior to its expiry if either party serves two months' prior notice to the other in writing; or (ii) terminated by the Company in case of bankruptcy, diseases and any other significant faults of a director as described in the respective service contract. Should the Company terminate the respective service contract with Mr. Qin Hengde or Mr. Harry Yang prior to its expiry, Mr. Qin Hengde or Mr. Harry Yang will be entitled to receive a cash compensation equivalent to 11 months of his annual director's salary, save for the circumstances described in item (ii) above.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

8. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	**Qualification**
Somerley	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants

As at the Latest Practicable Date, each of Somerley and KPMG:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. CHEUNG Kar Mun, Cindy, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

(c) The principal place of business and head office of the Company in Hong Kong is at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(d) The principal share registrar and transfer office of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copied of the following documents will be available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the Share Transfer Agreement;

(c) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix;

(d) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(e) the report from KPMG on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;

(g) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 39 of this circular;

(h) the written consents referred to in the section headed "Experts" in this appendix;

(i) the annual reports and consolidated financial statements of the Company for each of the two years ended 31 December 2015 and 2016 and the interim report and consolidated financial statements of the Company for the six months ended 30 June 2017; and

(j) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2016, being the date of the Company's latest published audited consolidated financial statements, including the circulars dated 23 January 2017 and 20 November 2017 in relation to the renewal of continuing connected transactions.

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofert Holdings Limited (the "**Company**") will be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:15 p.m. (or immediately after the conclusion or adjournment of the special general meeting of the Company scheduled to be convened on the same day at 2:00 p.m. at the same venue, whichever is the later), or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the transactions contemplated under the Share Transfer Agreement (as defined and described in the circular to the shareholders of the Company dated 1 December 2017, a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and

   (b) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Share Transfer Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment

* *For identification purposes only*

or supplement to any of the provisions of the Share Transfer Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

For and on behalf of the Board of
Sinofert Holdings Limited
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong Special Administrative Region of the People's Republic of China

1 December 2017

Notes:

1. The register of members of the Company will be closed from 15 December 2017 to 20 December 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 14 December 2017.

2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof.

4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. Voting of the ordinary resolution set out in this notice will be by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Zhang Wei (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.