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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.

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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

**CONTINUING CONNECTED TRANSACTIONS
UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT
AND
SULPHUR IMPORT FRAMEWORK AGREEMENT
AND
SHARE PREMIUM REDUCTION**

**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 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 17 to 18 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 19 to 33 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 2018 at 10:00 a.m. is set out on pages 38 to 40 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

20 November 2018

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DEFINITIONS

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
“Bye-laws”	the bye-laws of the Company, as amended, modified or otherwise supplemented from time to time
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“Contributed Surplus Account”	the contributed surplus account of the Company
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dohigh Trading”	敦尚貿易有限公司 (Dohigh Trading Limited), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Effective Date”	the date on which the Share Premium Reduction shall become effective, being the next business day immediately following the date of passing of the special resolution to approve the Share Premium Reduction at the SGM
“Fertilizer Sales Co-operation Framework Agreement”	the fertilizer sales co-operation framework agreement dated 30 October 2018 entered into among Sinochem Macao, Sinochem Fertilizer and Sinochem Group
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“Latest Practicable Date”	13 November 2018, 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
“Macao”	Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao and Taiwan
“RMB”	Renminbi, the lawful currency 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 2018 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages 38 to 40 of this circular

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of an amount of RMB2,380,000,000 (equivalent to approximately HK\$2,500,000,000) standing to the credit of the Share Premium Account and the transfer of the credit arising therefrom to the Contributed Surplus Account
“shareholder(s)”	registered holder(s) of Shares
“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”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Sinochem Macao”	中化化肥澳門離岸商業服務有限公司 (Sinochem Fertilizer Macao Commercial Offshore Limited), a company incorporated in Macao on 16 November 2004 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Sulphur Import Framework Agreement”	the sulphur, fertilizer and other fertilizer raw materials import framework agreement dated 30 October 2018 entered into among Sinochem Fertilizer, Dohigh Trading and Sinochem Group
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

LETTER FROM THE BOARD



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

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

20 November 2018

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT
AND
SULPHUR IMPORT FRAMEWORK AGREEMENT
AND
SHARE PREMIUM REDUCTION**

INTRODUCTION

On behalf of the Board, I invite you to attend the SGM to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2018 at 10:00 a.m.. At the SGM, ordinary resolutions will be proposed to approve continuing connected transactions, and a special resolution will be proposed to approve the Share Premium Reduction.

* For identification purposes only

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2018 in relation to the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement. The transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 19 to 34 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders. Your attention is also drawn to the general information set out in the Appendix to this circular.

(A) CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 30 October 2017 in relation to the existing fertilizer sales co-operation framework agreement entered into between Sinochem Macao and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, and Sinochem Group. Such agreement will expire on 31 December 2018.

On 30 October 2018, Sinochem Macao and Sinochem Fertilizer entered into the Fertilizer Sales Co-operation Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will continue to import fertilizer products sourced by Sinochem Macao and sell them to Sinochem Fertilizer during the period from 1 January 2019 to 31 December 2019 (both days inclusive).

Principal Terms of the Fertilizer Sales Co-Operation Framework Agreement

Date

30 October 2018

Parties

- (a) Sinochem Macao
- (b) Sinochem Fertilizer
- (c) Sinochem Group

LETTER FROM THE BOARD

Nature of transactions

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer products in the PRC, will import the products sourced by Sinochem Macao and sell such products to Sinochem Fertilizer. Sinochem Group will also import a small amount of fertilizer products and raw materials directly from overseas from time to time. Sinochem Group has undertaken that, except for any fertilizer products and raw materials imported by it on behalf of its other customers, it will sell all the fertilizer products and raw materials it imports to Sinochem Fertilizer exclusively. On the other hand, Sinochem Fertilizer is free to purchase fertilizer products and raw materials from any authorized importers.

Pricing

Under the Fertilizer Sales Co-operation Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the parties are as follows:

- (i) the price to be paid by Sinochem Group to Sinochem Macao for fertilizer products sold by Sinochem Macao to Sinochem Group shall be determined in accordance with the prevailing international market price;
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced from overseas by Sinochem Macao shall be determined in accordance with the purchasing price paid by Sinochem Group plus reasonable costs incurred by Sinochem Group in relation to the import of fertilizer products, including product inspection costs, customs clearing charges, agency fees, import customs duty, bank charges and other fees payable to third parties (in aggregate representing approximately 1.2% of the import price), as well as reasonable administrative costs; and
- (iii) the price to be paid by Sinochem Fertilizer to Sinochem Group for fertilizer products and raw materials sourced by Sinochem Group directly from overseas suppliers shall be determined in accordance with the prevailing domestic wholesale price at port.

In determining the prevailing international market price and the prevailing domestic wholesale price at port, the parties generally make reference to weekly reports published by certain independent commodity information providers such as Argus Media (<http://www.arguschina.cn>) and Baichuan (百川資訊) (<http://www.baiinfo.com>). Such reports, usually updated on a weekly basis and available to the Company by subscription, provide up to date information on market trend and prevailing market prices.

LETTER FROM THE BOARD

In addition, the Group maintains regular contacts with domestic and overseas fertilizer producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. Before placing a purchase order with Sinochem Group, the Group usually obtains reference prices from three or more suppliers. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. Such prices will be reported to the manager of the fertilizer department, and then submitted to the vice president in charge of the fertilizer business for approval.

As the procurement and approval process involves reference to industry reports as well as up to date market prices as mentioned above, the Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the type, specification, quantity, packaging and price of the fertilizer products, and Sinochem Fertilizer shall make the full payment to Sinochem Group by bank draft or other means for its purchase of the fertilizer products. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Sinochem Macao in relation to the import of the fertilizer products.

The parties shall enter into specific agreements setting out detailed terms of the transactions including the payment terms. The payment terms, subject to further negotiation between the parties, will be in line with the market practices.

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Fertilizer Sales Co-operation Framework Agreement will have a term from 1 January 2019 to 31 December 2019. The term of the Fertilizer Sales Co-operation Framework Agreement can be extended with the consent of Sinochem Macao, Sinochem Fertilizer and Sinochem Group.

Where a party to the Fertilizer Sales Co-operation Framework Agreement has breached any terms of the Fertilizer Sales Co-operation Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party(ies) requesting remedy of the breach, the other party(ies) may terminate the Fertilizer Sales Co-operation Framework Agreement. In addition, during the term of the Fertilizer Sales Co-operation Framework Agreement, Sinochem Macao and Sinochem Fertilizer are entitled to terminate the Fertilizer Sales Co-operation Framework Agreement by giving one month's notice to the other parties.

LETTER FROM THE BOARD

Annual Caps

Annual cap for continuing connected transactions between Sinochem Macao and Sinochem Group

The Company estimates that the annual cap for the year ending 31 December 2019 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be US\$1,080,000,000. Such annual cap has been estimated based on the projected quantity of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing international market price) during the term of the Fertilizer Sales Co-operation Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2017 and the nine months ended 30 September 2018 were approximately US\$417,521,000, US\$478,425,000 and US\$450,611,000, respectively.

Annual cap for continuing connected transactions between Sinochem Fertilizer and Sinochem Group

The Company estimates that the annual cap for the year ending 31 December 2019 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be RMB7,960,000,000. Such annual cap has been estimated based on:

- (i) the projected quantity of sale of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products (which is determined on a cost basis) during the term of the Fertilizer Sales Co-operation Framework Agreement; and
- (ii) the projected quantity of sale of fertilizer products and raw materials sourced by Sinochem Group directly from overseas suppliers to Sinochem Fertilizer and the projected average price per tonne of fertilizer products and raw materials (which is determined in accordance with the prevailing domestic wholesale price at port) during the term of the Fertilizer Sales Co-operation Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2017 and the nine months ended 30 September 2018 were approximately RMB3,129,073,000, RMB3,296,530,000 and RMB3,236,837,000, respectively.

The historical amounts for the two years ended 31 December 2017 are substantially lower than the annual caps for the year ending 31 December 2019, which is mainly due to (i) the lower imports in the first half of 2016 and 2017 as a result of the extended negotiation and finalization of potash contracts with major international potash suppliers, which was concluded only in July of the relevant year, and (ii) a

LETTER FROM THE BOARD

decline in staple food prices, particularly the lower minimum purchase price of rice set by the PRC government in 2017, the reduction of farmers' income and area of arable land, the continued oversupply situation in the fertilizer industry in the PRC, and the fall in the prices of fertilizer products.

During the first half of 2018, there has been a gradual recovery of fertilizer industry in the PRC due to the supply-side reform in the agriculture sector of the PRC, which led to an increase in price of fertilizer products in the PRC and the Group's import and sales volume of fertilizer products. As a result, the historical amounts for the nine months ended 30 September 2018 has been close to the full-year transaction amounts in 2017. With the recovery of the fertilizer industry, the Company expects that the demand for fertilizer products and the international market price of fertilizer products will continue to increase in 2019. In particular, the latest spot price of potash products, one of the key fertilizer products transacted under the Fertilizer Sales Co-operation Framework Agreement, in Asian countries reached around US\$300 per tonne in September 2018, which represented an increase of more than 30% over the price of potash products in mid-2017.

Having considered the projected price of fertilizer products in 2019 and the Group's estimated purchase quantities of fertilizer products, the Board is of the view that the increase in the annual caps for the year ending 31 December 2019 is fair and reasonable.

(B) CONTINUING CONNECTED TRANSACTIONS UNDER THE SULPHUR IMPORT FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 11 December 2017 in relation to the existing sulphur and other fertilizer raw materials import framework agreement entered into between Dohigh Trading and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, and Sinochem Group. Such agreement will expire on 31 December 2018.

On 30 October 2018, Dohigh Trading and Sinochem Fertilizer entered into the Sulphur Import Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will continue to import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading and sell them to Sinochem Fertilizer during the period from 1 January 2019 to 31 December 2019 (both days inclusive).

Principal Terms of the Sulphur Import Framework Agreement

Date

30 October 2018

LETTER FROM THE BOARD

Parties

- (a) Dohigh Trading
- (b) Sinochem Fertilizer
- (c) Sinochem Group

Nature of transactions

Pursuant to the Sulphur Import Framework Agreement, Sinochem Group shall import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading only, and sell them all to Sinochem Fertilizer except for the sulphur, fertilizer and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers.

Pricing

Under the Sulphur Import Framework Agreement, the pricing principles for the sale and purchase of sulphur, fertilizer and other fertilizer raw materials between the parties are as follows:

- (i) the price to be paid by Sinochem Group to Dohigh Trading for sulphur, fertilizer and other fertilizer raw materials sold by Dohigh Trading to Sinochem Group shall be determined in accordance with the prevailing international market price; and
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for sulphur, fertilizer and other fertilizer raw materials sold by Sinochem Group to Sinochem Fertilizer shall be determined in accordance with the prevailing domestic wholesale price at port.

In determining the prevailing international market price and the prevailing domestic wholesale price at port, the parties generally make reference to weekly reports published by certain independent commodity information providers such as Argus Media (<http://www.arguschina.cn>) and Baichuan (百川資訊) (<http://baiinfo.com>). Such reports, usually updated on a weekly basis and available to the Company by subscription, provide up to date information on market trend and prevailing market prices.

In addition, the Group maintains regular contacts with domestic and overseas producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. Before placing a purchase order with Sinochem Group, the Group usually obtains reference prices from three or more suppliers. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. Such prices will be reported to the manager of the relevant department, and then submitted to the vice president in charge of the business for approval.

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As the procurement and approval process involves reference to industry reports as well as up to date market prices as mentioned above, the Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the type, specification, quantity, packaging and price of the sulphur, fertilizer and other fertilizer raw materials, and Sinochem Fertilizer shall make the full payment to Sinochem Group by bank draft or other means for its purchase of the sulphur, fertilizer and other fertilizer raw materials. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Dohigh Trading in relation to the import of sulphur, fertilizer and other raw fertilizer materials.

The parties shall enter into specific agreements setting out detailed terms of the transactions including the payment terms. The payment terms, subject to further negotiation between the parties, will be in line with the market practices.

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Sulphur Import Framework Agreement will have a term from 1 January 2019 to 31 December 2019 (both days inclusive). The term of the Sulphur Import Framework Agreement can be extended with the consent of Dohigh Trading, Sinochem Fertilizer and Sinochem Group.

Where a party to the Sulphur Import Framework Agreement has breached any terms of the Sulphur Import Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party(ies) requesting remedy of the breach, the other party(ies) may terminate the Sulphur Import Framework Agreement. In addition, during the term of the Sulphur Import Framework Agreement, Dohigh Trading and Sinochem Fertilizer are entitled to terminate the Sulphur Import Framework Agreement by giving one month's notice to the other parties.

Annual Caps

Annual cap for continuing connected transactions between Dohigh Trading and Sinochem Group

The Company estimates that the annual cap for the year ending 31 December 2019 in respect of the purchase of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group from Dohigh Trading will be US\$95,130,000. Such annual cap has been estimated based on the projected quantity of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading and the projected

LETTER FROM THE BOARD

average price per tonne of products (which is determined in accordance with the prevailing international market price) during the term of the Sulphur Import Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2017 and the nine months ended 30 September 2018 were approximately US\$76,100,000, US\$31,301,000 and US\$24,874,000, respectively.

Annual cap for continuing connected transactions between Sinochem Fertilizer and Sinochem Group

The Company estimates that the annual cap for the year ending 31 December 2019 in respect of the sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer will be RMB665,900,000. Such annual cap has been estimated based on the projected quantity of sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer and the projected average price per tonne of products (which is determined in accordance with the prevailing domestic wholesale price at port) during the term of the Sulphur Import Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2017 and the nine months ended 30 September 2018 were approximately RMB568,070,000, RMB259,044,000 and RMB168,215,000, respectively.

The historical amounts for the two years ended 31 December 2017 and the nine months ended 30 September 2018 are substantially lower than the annual caps for the year ending 31 December 2019, which is mainly due to the significant fluctuation of sulphur price during the years of 2016 and 2017, which resulted in a general decrease in demand in the PRC. Since the second quarter of 2018, the demand for sulphur, fertilizer and other fertilizer raw materials has increased, and the Company expects that such trend to continue in 2019. In determining the annual caps for the year ending 31 December 2019, the Company has made reference to the projected price of sulphur in 2019 based on the latest international market price of sulphur in September 2018, and factored in the expected increasing demand for sulphur which is consistent with the forecast of the sulphur market by certain independent researchers. On the above basis, the Board is of the view that the increase in the annual caps for the year ending 31 December 2019 is fair and reasonable.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

(A) Fertilizer Sales Co-operation Framework Agreement

Under the PRC law, the Group is not allowed to import fertilizer products into the PRC (except for small amount trade in border areas (邊境小額貿易) as approved under the PRC law) and the right to import fertilizer products is only granted to Sinochem Group and several other importers. As the Group needs to import fertilizer products through authorized importers, such as Sinochem Group, the Fertilizer Sales Co-operation Framework Agreement was therefore entered into between the parties.

(B) Sulphur Import Framework Agreement

As a state-owned enterprise in the PRC, Sinochem Group enjoyed domestic preferential policies issued by the PRC government from time to time. The Sulphur Import Framework Agreement was entered into for the purchase of sulphur, fertilizer and other fertilizer raw materials through Sinochem Group as importer so as to make full use of domestic preferential policies, such as import-related preferential policies.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement are fair and reasonable.

Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, have abstained from voting on the relevant Board resolutions passed to approve the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Each of Sinochem Macao, Sinochem Fertilizer and Dohigh Trading is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

GENERAL INFORMATION

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

Sinochem 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 Macao is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas.

Dohigh Trading is principally engaged in the trading of fertilizers and other agrichemical 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.

SHARE PREMIUM REDUCTION

The Board intends to put forward for approval by the shareholders at the SGM a proposal of the Share Premium Reduction pursuant to the Companies Act and the Bye-laws.

The amount standing to the credit of the Share Premium Account of the Company as at 31 December 2017, based on the audited consolidated financial statements of the Company, was approximately RMB7,580,000,000. It is proposed that an amount of RMB2,380,000,000 (equivalent to approximately HK\$2,500,000,000) standing to the credit of the Share Premium Account be reduced and that the credit arising therefrom be transferred to the Contributed Surplus Account. It is further proposed that the credit being transferred be used for such purpose as the Directors may from time to time deem fit, including offsetting the accumulated losses of the Company.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional upon:

- (a) the passing of a special resolution by the shareholders to approve the Share Premium Reduction at the SGM; and
- (b) compliance with section 46(2) of the Companies Act, including (i) the publication of a notice in relation to the Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the Effective Date; and (ii) the Board having satisfied that on the Effective Date,

LETTER FROM THE BOARD

there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the Effective Date.

Reasons for the Share Premium Reduction

Under the Companies Act, where the Company issues Shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premiums on those Shares shall be transferred to the Share Premium Account. The Company shall not declare or pay a dividend or make a distribution out of the Share Premium Account.

On the other hand, the Company may declare or pay a dividend or make a distribution out of the Contributed Surplus Account if there are no reasonable grounds for believing that the Company is, or after the payment of dividend or distribution would be, unable to pay its liabilities as they become due, and that the realizable value of the Company's assets would not thereby be less than its liabilities.

The Share Premium Reduction and the subsequent transfer of the credit arising therefrom to the Contributed Surplus Account will increase the distributable reserves of the Company, and also allow the Company to offset its accumulated losses, thereby giving the Company greater flexibility to declare or pay dividends or make distributions to the shareholders in the future as and when the Board considers appropriate. The Board therefore considers that the Share Premium Reduction is in the best interests of the Company and the shareholders as a whole.

Effect of the Share Premium Reduction

The implementation of the Share Premium Reduction does not involve any reduction in the authorized or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares.

Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the Board considers that the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, business operations, management or financial position of the Company or the interests of the shareholders as a whole.

SGM

Ordinary resolutions approving (i) the Fertilizer Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and (ii) the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps shall be proposed at the SGM, and a special resolution approving (iii) the Share Premium Reduction shall be proposed at the SGM.

LETTER FROM THE BOARD

In view of Sinochem Group's interests in the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, Sinochem Group and its associates are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the SGM to approve the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. No shareholder is required to abstain from voting on the special resolution to be proposed at the SGM to approve the Share Premium Reduction.

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 2018 at 10:00 a.m. is set out on pages 38 to 40 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 consider that the proposed resolutions set out in the notice of the SGM are in the best interests of the Company and the shareholders as a whole. The Directors therefore recommend the shareholders to vote in favour of all the resolutions set out in the notice of the SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

20 November 2018

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT
AND
SULPHUR IMPORT FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 20 November 2018 (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 Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are 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 are 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 Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 16 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 33 of the Circular which contains its opinion in respect of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are 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 are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions 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

LETTER FROM SOMERLEY

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

20 November 2018

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT AND SULPHUR IMPORT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the import of (i) fertilizer products for Sinochem Fertilizer by Sinochem Group through the arrangement with Sinochem Macao pursuant to the terms of the Fertilizer Sales Co-operation Framework Agreement and (ii) sulphur, fertilizer and other fertilizer raw materials for Sinochem Fertilizer by Sinochem Group through the arrangement with Dohigh Trading pursuant to the terms of the Sulphur Import Framework Agreement, for the year 2019 (the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought, including the relevant annual caps (the “**Annual Caps**”). Details of the Continuing Connected Transactions and the Annual Caps are contained in the circular of the Company to the Shareholders dated 20 November 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, each of Sinochem Macao, Dohigh Trading and Sinochem Fertilizer is an indirectly wholly-owned subsidiary of the Company. Since Sinochem Group is the ultimate controlling shareholder of the Company holding an interest of approximately 52.7% of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios in respect of the Annual Caps are more than 5%, the Continuing Connected Transactions (including the Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under the Listing Rules.

LETTER FROM SOMERLEY

In view of Sinochem Group's interests in each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, Sinochem Group and its associates are required to abstain from voting on the resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps).

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Tse Hau Yin, Aloysius, Mr. Ko Ming Tung, Edward and Mr. Lu Xin, has been established to advise the Independent Shareholders whether the terms of the Continuing Connected Transactions (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain connected transactions of the Group, details of which were set out in the circulars of the Company dated 23 January 2017, 20 November 2017, 1 December 2017 and 12 February 2018. In addition, Somerley currently acts as the independent financial adviser to the Company in relation to the provision of financial assistance to its connected persons, as detailed in the announcement of the Company dated 7 November 2018. The above engagements were/are limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Somerley received or will receive normal professional fees from the Company. Notwithstanding the above engagements, 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 also 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 and Sinochem Group, 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 terms of the Continuing Connected Transactions (including the Annual Caps), we have taken the following principal factors and reasons into consideration:

LETTER FROM SOMERLEY

1. Information on the Group and Sinochem Group

The Group

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. For the years ended 31 December 2016 and 2017, the Group recorded revenue of approximately RMB15.0 billion and RMB17.6 billion respectively. For the first half of 2018, the revenue of the Group amounted to approximately RMB13.0 billion, representing an increase of approximately 24.5% compared to the same period in 2017, mainly attributable to (i) the rising fertilizer product prices, with an increase in average selling price of approximately 12.9%, and (ii) the increase in sales volumes of fertilizer products by approximately 10.3% to approximately 6.7 million tonnes, over the same period in 2017, as set out in the Company's 2018 interim report. As at the Latest Practicable Date, the Company had a market capitalisation of approximately HK\$6.5 billion.

Sinochem Macao is incorporated in Macao and is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas suppliers.

Dohigh Trading is incorporated in Hong Kong and is principally engaged in the trading of fertilizers and other agrichemical products.

Sinochem Fertilizer is incorporated in the PRC and 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

Sinochem Group is the controlling shareholder of the Company. It is a key state-controlled enterprise and a Global Fortune 500 Company. Its core businesses involve, among others, energy, chemical, agriculture, real estate and finance.

2. Background to and reasons for the Continuing Connected Transactions

(i) Fertilizer Sales Co-operation Framework Agreement

Pursuant to the PRC law, only approved importers are allowed to import fertilizer products into the PRC. The Group is not allowed to do so, except for small amounts in border areas, as approved under the PRC law. Over the years, only Sinochem Group, and a limited number of other importers, have been granted the right to import fertilizer products into the PRC, and the Group sees no indication that the above law is expected to change in near future.

LETTER FROM SOMERLEY

The Group needs to import fertilizer products through authorised importers in its ordinary course of business. Since 2005, Sinochem Macao has been sourcing fertilizer products from overseas and selling them to Sinochem Group, after which Sinochem Group imports the products into the PRC and sells them (except for products imported by Sinochem Group as an agent for other customers) to Sinochem Fertilizer.

Currently, the arrangements between the three parties are governed by the existing fertilizer sales co-operation framework agreement dated 29 September 2017, for a term of one year (the “**Existing Fertilizer Sales Co-operation Framework Agreement**”), which will expire on 31 December 2018. The Existing Fertilizer Sales Co-operation Framework Agreement was approved by the then independent shareholders at a shareholders’ meeting held on 20 December 2017.

In view of the long term business relationship between the Group and Sinochem Group, and Sinochem Group being one of the approved PRC fertilizer importers, the Fertilizer Sales Co-operation Framework Agreement has been entered into between Sinochem Macao, Sinochem Group and Sinochem Fertilizer on 30 October 2018, to govern and continue the aforementioned import services for the year ending 31 December 2019.

(ii) Sulphur Import Framework Agreement

As a state-owned enterprise in the PRC, Sinochem Group enjoys domestic preferential policies issued by the PRC government from time to time, such as import-related preferential policies. In order to make full use of such policies that may reduce the Group’s cost of import, since 2009, Dohigh Trading has been sourcing overseas sulphur and other fertilizer raw materials and selling them to Sinochem Group, after which Sinochem Group imports the products into the PRC and sells them (except for products imported by Sinochem Group as an agent for other customers) to Sinochem Fertilizer.

Currently, the arrangements between the three parties are governed by the existing sulphur import framework agreement dated 11 December 2017, for a term of one year (the “**Existing Sulphur Import Framework Agreement**”), which will expire on 31 December 2018. Since the relevant applicable percentage ratios were less than 5%, the transactions contemplated under the Existing Sulphur Import Framework Agreement were subject to the reporting, announcement and annual review requirements only, and no independent shareholders’ approval was required under the Listing Rules.

In view of the long term business relationships between the Group and Sinochem Group, the Sulphur Import Framework Agreement has been entered into between Dohigh Trading, Sinochem Group and Sinochem Fertilizer on 30 October 2018 to govern and continue the aforementioned import services for the year ending 31 December 2019.

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3. Principal terms of the Continuing Connected Transactions

The principal terms of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement are presented below. Please refer to the letter from the Board in the Circular as regards to further details on the Continuing Connected Transactions.

(i) *Fertilizer Sales Co-operation Framework Agreement*

General

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group, an approved importer of fertilizer products into the PRC, which will import the products sourced by Sinochem Macao and then sell them to Sinochem Fertilizer in the PRC. Sinochem Group will also import a small amount of fertilizer products and raw materials directly from overseas from time to time. Sinochem Group has undertaken that, except for fertilizer products and raw materials imported by it on behalf of other customers, it will sell all the fertilizer products and raw materials it imports to Sinochem Fertilizer exclusively. On the other hand, Sinochem Fertilizer is free to purchase fertilizer products and raw materials from any authorised importers.

Pricing

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the three parties are as follows:

- (i) for products sourced by Sinochem Macao for Sinochem Fertilizer, the price to be paid by Sinochem Group to Sinochem Macao shall be determined in accordance with the prevailing international market price;
- (ii) for fertilizer products sold to Sinochem Fertilizer by Sinochem Group sourced from overseas by Sinochem Macao, Sinochem Group will charge Sinochem Fertilizer on a cost basis, that is, based on the price of the imported fertilizer products purchased from Sinochem Macao plus reasonable cost incurred by Sinochem Group in relation to the import of the fertilizers, including product inspection costs, customs clearing charges, agency fees, import customs duty, bank charges and other fees payable to third parties (in aggregate representing 1.2% of the import price), as well as reasonable administrative costs (collectively the “**Import Charges**”), which is generally consistent with the pricing basis adopted pursuant to the Existing Fertilizer Sales Co-operation Framework Agreement; and

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- (iii) for fertilizer products and raw materials sold to Sinochem Fertilizer by Sinochem Group sourced directly from overseas, Sinochem Group will charge Sinochem Fertilizer in accordance with the prevailing domestic wholesale price at port.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the fertilizer products, and Sinochem Fertilizer shall make the full payment to Sinochem Group for its purchases. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Sinochem Macao in relation to the import of the fertilizer products. Payments are usually made by telegraphic transfer within 90 days upon signing of the specific agreements.

(ii) Sulphur Import Framework Agreement

General

Pursuant to the Sulphur Import Framework Agreement, Sinochem Group will import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading only, and sell them all to Sinochem Fertilizer, except for any sulphur, fertilizer and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers.

Pricing

Pursuant to the Sulphur Import Framework Agreement, the pricing principles for the sale and purchase of sulphur, fertilizer and other fertilizer raw materials between the three parties are as follows:

- (i) the price to be paid by Sinochem Group to Dohigh Trading for its overseas purchases of sulphur, fertilizer and other fertilizer raw materials shall be determined in accordance with the prevailing international market price; and
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for its domestic purchases of sulphur, fertilizer and other fertilizer raw materials shall be determined in accordance with the prevailing domestic wholesale price at port.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the sulphur, fertilizer and other fertilizer raw materials, and Sinochem Fertilizer shall make the full payment to Sinochem Group for its purchases. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Dohigh Trading in relation to the

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import of sulphur, fertilizer and other fertilizer raw materials. Payments are usually made by telegraphic transfer within 90 days upon signing of the specific agreements.

(iii) Comparison of terms with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions and sample contracts for the purchases and sales under the Existing Fertilizer Sales Co-operation Framework Agreement and the Existing Sulphur Import Framework Agreement, and compared them with (i) contracts reviewed by us for similar purchases selected from the lists of transactions from independent fertilizer importers that were selected on a random basis from such lists covering the period from 1 January 2018 to 30 September 2018, in the relevant categories, and (ii) the respective international market price and domestic wholesale price at port sourced from independent commodity information providers, such as Argus Media (<http://www.arguschina.cn>) and Baichuan (百川資訊) (<http://www.baiinfo.com>). We note that the terms of the transactions contemplated under the Continuing Connected Transactions, in particular the pricing terms and credit terms, are broadly similar to the transaction terms between the Group and the independent third parties and/or the international market price or domestic wholesale price at port, as reviewed by us, and consider the sample contracts selected to be fair and representative.

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4. The Annual Caps

Set out below are the historical transaction amounts and the relevant annual caps under the Continuing Connected Transactions for the two years ended 31 December 2017 and for the nine months ended 30 September 2018, and the Annual Caps for 2019:

(i) Fertilizer Sales Co-operation Framework Agreement

(a) Review of historical figures

	For the year ended 31 December		For the nine months ended 30 September
	2016	2017	2018
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	('000)	('000)	('000)
<u>Historical transactions</u> <u>between Sinochem</u> <u>Macao and Sinochem</u> <u>Group</u>	US\$417,521	US\$478,425	US\$450,611
Relevant annual caps	US\$1,430,000	US\$1,010,000	US\$929,000
Utilisation rates	29.2%	47.4%	64.7% (Note)
<u>Historical transactions</u> <u>between Sinochem</u> <u>Fertilizer and Sinochem</u> <u>Group</u>	RMB3,129,073	RMB3,296,530	RMB3,236,837
Relevant annual caps	RMB9,300,000	RMB7,560,000	RMB6,596,000
Utilisation rates	33.6%	43.6%	65.4% (Note)

Note: Based on the relevant nine months transaction amounts and pro rata annual cap amounts

As shown in the above table, both domestic sales of fertilizer products by Sinochem Group to Sinochem Fertilizer and import of fertilizer products by Sinochem Group from Sinochem Macao have trended upward since 2016, with the transaction amounts increased by approximately 5.4% to approximately RMB3,296.5 million in 2017, and by approximately 14.6% to approximately US\$478.4 million in 2017, respectively. Less than half of the relevant annual caps were utilised in 2017, largely due to (i) lower imports in the first half of the year as a result of extended negotiations and finalisation of potash contracts with major international potash suppliers, which was concluded only in July 2017, and (ii) a decline in staple food prices, particularly the lower minimum purchase price of rice set by the PRC government in 2017, the reduction of farmers' income and

LETTER FROM SOMERLEY

area of arable land, for example, relating to corn, a continued oversupply situation in the fertilizer industry in the PRC, and the fall in the prices of fertilizer products.

The transactions between the three parties under the Existing Fertilizer Sales Co-operation Framework Agreement increased modestly in 2018. For the nine months ended 30 September 2018, the domestic sales of fertilizer products by Sinochem Group to Sinochem Fertilizer and the relevant imports by Sinochem Group from Sinochem Macao reached approximately RMB3,236.8 million and US\$450.6 million respectively, close to the full-year transaction amounts in 2017. The relevant annual caps utilisation rates have been fairly utilised for the first nine months in 2018. As advised by the management of the Group, there has been a gradual recovery of fertilizer industry in the PRC as a result of several factors, including the supply-side reform in China's agriculture sector, which lead to an increment in fertilizer prices in the PRC and the Group's import and sales volume of fertilizer products during the first half of 2018, as set out in the Company's 2018 interim report. In this respect, we note that the Group achieved sales of approximately 1.6 million tonnes of potash and approximately 1.4 million tonnes of compound fertilizer during the first six months of 2018, representing an increase of approximately 16.8% and 9.1% respectively, as compared to the same period in 2017, according to the Company's 2018 interim report.

(b) Assessment of the Annual Caps

Transactions between Sinochem Macao and Sinochem Group

The annual cap in respect of the transactions between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is US\$1,080.0 million for the year ending 31 December 2019.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the purchase of the fertilizer products by Sinochem Group from Sinochem Macao. The annual cap is estimated based on (i) the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao; and (ii) the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing international market price) for 2019.

When determining the sales quantities of fertilizer products from Sinochem Macao to Sinochem Group in the year 2019, the management of the Group has in general made reference to the expected sales quantities of fertilizer products from Sinochem Macao to Sinochem Group in 2018, on the basis of the sales volume in first nine months, and factored in an allowance catering for the anticipated improvement in fertilizer demand and unit price in 2019. Further, we have corroborated the above view by reviewing a report published by the International Fertilizer Association (as retrieved from its website at <https://api.ifastat.org/>

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reports/download/12250 on the Latest Practicable Date) in relation to the global potash demand. On the basis of the above, we concur with the view of the Group's management, as set out above.

According to the management of the Group, the projected average price per tonne is based on the most recent international market price of fertilizer products for September 2018. Based on our independent work performed, the forecasted price is within the range of the prices available from independent commodity information providers as of September 2018.

Transactions between Sinochem Fertilizer and Sinochem Group

The annual cap in respect of the transactions between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is RMB7,960.0 million for the year ending 31 December 2019.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the sales of the fertilizer products by Sinochem Group to Sinochem Fertilizer. The annual cap is estimated based on:

- (i) the projected quantities of sales of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products for 2019 (which is determined on a cost basis) and the estimated costs incurred by Sinochem Group for the import of such fertilizer for 2019; and
- (ii) the projected quantities of sales of fertilizer products and raw materials sourced by Sinochem Group directly from other overseas suppliers for Sinochem Fertilizer and the projected average price per tonne of fertilizer products and raw materials (which is determined in accordance with the domestic wholesale price at port) for 2019.

The quantity of fertilizer products expected to be purchased by Sinochem Fertilizer from Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is principally based on the quantity of products expected to be sold by Sinochem Macao to Sinochem Group as discussed in the sub-section above. The expected average price of products for the purpose of the annual cap is generally based on the prices of products to be sold by Sinochem Macao to Sinochem Group as estimated on the bases discussed above, plus an additional cost per tonne, determined after taking into account the administrative and other direct costs incurred for the import of fertilizer products.

As advised by the management of the Group, the annual caps under the Fertilizer Sales Co-operation Framework Agreement for the year of 2019 have been determined higher than that of 2018, this was primarily due to an increase in assumed international market price of fertilizer products in 2019 in setting for the annual caps. Based on the prices available from independent commodity

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information providers as of September 2018, the spot price of potash products, one of the key fertilizer products transacted under the Fertilizer Sales Co-operation Framework Agreement, in Asian countries continued to increase and reach around US\$300 per tonne, due to a strong demand for potash in other regions and markets, including Brazil and Europe. Such price represents an increase of more than 30% over the consensus price of potash products of approximately US\$230 per tonne, agreed between major international potash suppliers and the Group in mid-2017. We have compared the Group's estimated prices with the most current market price range as set out above, and did not note any significant variance.

Having considered (i) the projected price of fertilizer products in 2019 and (ii) the Group's estimated purchase quantities of fertilizer products after taking account into an improvement in demand for fertilizer products, we consider it reasonable for the Directors to set the annual caps of (i) US\$1,080.0 million for transactions between Sinochem Macao and Sinochem Group and (ii) RMB7,960.0 million for transactions between Sinochem Fertilizer and Sinochem Group for the year ending 31 December 2019.

(ii) Sulphur Import Framework Agreement

(a) Review of historical figures

	For the year ended 31 December		For the nine months ended 30 September
	2016	2017	2018
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>
<u>Historical transactions between Dohigh Trading and Sinochem Group</u>	US\$76,100	US\$31,301	US\$24,874
Relevant annual caps	US\$160,000	US\$115,000	US\$47,000
Utilisation rates	47.6%	27.2%	70.6% (Note)
<u>Historical transactions between Sinochem Fertilizer and Sinochem Group</u>	RMB568,070	RMB259,044	RMB168,215
Relevant annual caps	RMB1,200,000	RMB880,000	RMB315,000
Utilisation rates	47.3%	29.4%	71.2% (Note)

Note: Based on the relevant nine months transaction amounts and pro rata annual cap amounts

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We note from the above table that the domestic sales of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer, and the overseas purchases by Sinochem Group from Dohigh Trading, decreased by approximately 54.4% and 58.9% respectively in 2017 as compared to 2016. We are advised by the management of the Group that the sulphur prices fluctuated significantly during the years of 2016 and 2017, in a range of approximately US\$70 per tonne and US\$180 per tonne that resulted in a general decrease in demand in the PRC at that time.

For the nine months ended 30 September 2018, the domestic sales by Sinochem Group to Sinochem Fertilizer amounted to approximately RMB168.2 million, and the relevant purchases by Sinochem Group from Dohigh Trading amounted to approximately US\$24.9 million. The relevant annual caps have been fairly utilised, being approximately 71.2% and 70.6% respectively, for domestic sales and overseas purchases respectively.

(b) Assessment of the annual caps

Transactions between Dohigh Trading and Sinochem Group

The annual cap in respect of the transactions between Dohigh Trading and Sinochem Group under the Sulphur Import Framework Agreement is US\$95.1 million for the year ending 31 December 2019.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the purchase of the sulphur, fertilizer and other fertilizer raw materials by Sinochem Group from Dohigh Trading. The annual cap is estimated based on (i) the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading; and (ii) the projected average price per tonne of products (which is determined with reference to the prevailing international market price) for 2019.

When determining the purchase quantities of sulphur, fertilizer and other fertilizer raw materials by Sinochem Fertilizer in 2019, the management of the Group has primarily made reference to the Group's procurement strategy in respect of sulphur and other fertilizer related products set out for 2019. Based on our review of historical figures and discussions with the management of the Group, the Group sees that the demand for sulphur and other fertilizer related products improved since the second quarter of 2018, and expects such trend to continue in 2019. We have researched and reviewed an independent report that the global demand for sulphur is expected to increase over 10% between 2017 and 2022, and China is one of the countries driving sulphur demand during such five-year forecast period, which is consistent with the Group's view and procurement strategies as set out above.

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In respect of the estimated price level of sulphur and fertilizer related products in 2019, the management of the Group has made reference to the most recent price levels in September 2018. We note that the forecasted prices are comparable to the prices available from independent commodity information providers as of September 2018.

Transactions between Sinochem Fertilizer and Sinochem Group

The annual cap in respect of the transactions between Sinochem Fertilizer and Sinochem Group under the Sulphur Import Framework Agreement is RMB665.9 million for the year ending 31 December 2019.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the sales of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer. The annual cap is estimated based on:

- (i) the projected quantities of sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Fertilizer from Sinochem Group; and
- (ii) the projected average price per tonne of products (which is determined in accordance with the domestic wholesale price at port) for 2019.

The quantity of sulphur, fertilizer and other fertilizer raw materials expected to be sold domestically by Sinochem Group to Sinochem Fertilizer under the Sulphur Import Framework Agreement is equal to the quantity of products expected to be sourced from overseas by Dohigh Trading to Sinochem Group. The average price of products to be sold by Sinochem Group to Sinochem Fertilizer for the purpose of the annual cap is based on the expected domestic wholesale price at port in 2019, which in turn is based on the international prices of sulphur and fertilizer related products as set out above.

Management of the Group informed us that, compared to the year 2018, higher annual caps have been determined under the Sulphur Import Framework Agreement for the year 2019, as the Group expects the demand for sulphur, fertilizer and other fertilizer raw materials would increase in 2019 and it would achieve higher selling prices. We have compared the Group's estimated prices with the most current market price range as set out above, and did not note any significant variance.

Having considered (i) the expected increase in demand for sulphur products in the PRC, and (ii) the estimation of average price level of sulphur products in 2019, as explained above, we consider it reasonable for the Directors to set the annual caps of (i) US\$95.1 million for transactions between Dohigh Trading and Sinochem Group and (ii) RMB665.9 million for transactions between Sinochem Fertilizer and Sinochem Group for the year ending 31 December 2019.

LETTER FROM SOMERLEY

(iii) General comments

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Annual Caps in a way that can take into account the latest market conditions and accommodate the potential growth of the Group's business. In particular, the international and domestic prices of fertilizer products and sulphur fluctuated significantly in recent years, which made it difficult for the management of the Group to project future transactions with Sinochem Group with high certainty. For instance, the spot price of potash in September 2018 represent an increase of over 30%, compared to the consensus price of potash products agreed with major international potash suppliers in mid-2017. Provided that the Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company (as discussed below) as required under the Listing Rules, the Group would have desirable flexibility in conducting its businesses if the Annual Caps are tailored to future business growth. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Annual Caps.

5. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;

LETTER FROM SOMERLEY

- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
- (iv) have exceeded the Annual Caps;
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Continuing Connected Transactions are on normal commercial terms, 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 also consider that the Continuing Connected Transactions (including the Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps).

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

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley, 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.

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 debentures 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, Directors 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	1,000,600	0.014%
Lu Xin	Beneficial owner	6,500,000	0.093%

3. 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

4. DIRECTORS' SERVICE CONTRACTS

On 16 February 2017, Mr. Qin Hengde, an executive Director and the 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, an 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).

5. 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.

6. 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 2017 (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.

7. 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 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley:

- (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 2017 (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.

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the Fertilizer Sales Co-operation Framework Agreement, (ii) the Sulphur Import Framework Agreement, and (iii) the service contracts mentioned in paragraph 4 above is 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.

NOTICE OF SPECIAL GENERAL MEETING



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 2018 at 10:00 a.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Fertilizer Sales Co-operation Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 20 November 2018 (the “**Circular**”), 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) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) 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 Fertilizer Sales Co-operation Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

Fertilizer Sales Co-operation Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

2. **“THAT:**

- (a) the Sulphur Import Framework Agreement (as defined and described in the Circular, a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the Sulphur Import Framework Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) 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 Sulphur Import Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Sulphur Import Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

SPECIAL RESOLUTION

3. **“THAT** conditional upon compliance by the Company with the requirements under section 46(2) of the Companies Act 1981 of Bermuda (as amended), and with effect from the next business day immediately following the date of passing this resolution:

- (a) an amount of RMB2,380,000,000 (equivalent to approximately HK\$2,500,000,000) standing to the credit of the share premium account of the Company be reduced and the credit arising therefrom be transferred to the contributed surplus account of the Company;
- (b) the directors of the Company be and are authorized to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate from time to time, including offsetting the accumulated losses of the Company; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) the directors of the Company be and are hereby authorized to carry out all acts and things which they may consider appropriate, necessary or desirable to give effect to or to implement the foregoing.”

For and 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

20 November 2018

Notes:

- 1 The record date for determining the entitlement of members of the Company to attend and vote at the special general meeting will be on 14 December 2018. 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 2018.
- 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 and special resolutions 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) and Mr. Yang Lin; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.