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If you are in any doubt as to any aspect of this supplemental 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 Sinofer Holdings Limited, you should at once hand this supplemental circular and the accompanying Revised 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)

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE AND SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

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



SOMERLEY CAPITAL LIMITED

This supplemental circular should be read in conjunction with the SGM Circular of the Company dated 20 November 2018.

A letter from the Board is set out on pages 5 to 22 of this supplemental circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 23 to 24 of this supplemental 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 25 to 41 of this supplemental circular.

The SGM of the Company will be held as originally scheduled at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2018 at 10:00 a.m.. The supplemental notice of the SGM is set out on pages 50 to 52 of this supplemental circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying Revised 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 Revised 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

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DEFINITIONS

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

“Agreement for the Use of Fund”	the agreement for the use of fund dated 21 November 2018 entered into by Sinochem Fertilizer (as the lender) with Sinochem Agriculture and Sinochem Corporation (each as a borrower)
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Loan”	the entrusted loan in a total principal amount of not more than RMB1 billion to be provided by Sinochem Fertilizer to Sinochem Agriculture through Sinochem Finance pursuant to the Entrusted Loan Contract
“Entrusted Loan Contract”	the entrusted loan contract dated 26 November 2018 entered into by Sinochem Fertilizer (as the lender) with Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent)
“Fund”	the fund in a total amount of not more than RMB1.1 billion to be provided by Sinochem Fertilizer to Sinochem Agriculture and Sinochem Corporation pursuant to the Agreement for the Use of Fund
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund, comprising all independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund
“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“Latest Practicable Date”	28 November 2018, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein
“Letter of Undertaking”	the letter of undertaking issued by Sinochem Corporation to Sinochem Fertilizer on 2 November 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Form of Proxy”	the form of proxy issued by the Company on 20 November 2018 along with the SGM Circular and the SGM Notice
“PRC” or “China”	the People’s Republic of China, which for the purposes of this supplemental circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan

DEFINITIONS

“Revised Form of Proxy”	the revised form of proxy issued by the Company together with this supplemental circular and the supplemental notice as set out on pages 50 to 52 of this supplemental circular
“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
“SGM Circular”	the circular of the Company dated 20 November 2018 in relation to the matters to be considered and approved at the SGM
“SGM Notice”	the notice of the SGM dated 20 November 2018
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“shareholder(s)”	registered holder(s) of Share(s)
“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC and a subsidiary of Sinochem Group
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability incorporated in 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 Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company incorporated in the PRC and an indirect subsidiary of Sinochem Group

DEFINITIONS

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“%”	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

5 December 2018

To: the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the SGM Circular and the SGM Notice of the Company dated 20 November 2018, which set out the time and venue of the SGM and contain the resolutions to be considered and approved at the SGM.

* For identification purposes only

LETTER FROM THE BOARD

The SGM will be held as originally scheduled at at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2018 at 10:00 a.m., and in addition to the resolutions contained in the SGM Notice, the supplemental resolutions contained in the supplemental notice as set out on pages 50 to 52 of this supplemental circular will also be considered and approved at the same meeting.

The purpose of this supplemental circular is to provide you with the supplemental notice of the SGM and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed supplemental resolutions at the SGM.

MAJOR AND CONNECTED TRANSACTION – PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcement of the Company dated 7 November 2018 in relation to the provision of financial assistance by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, to Sinochem Agriculture and Sinochem Corporation, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and a major transaction of the Company under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all three independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this supplemental circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 25 to 41 of this supplemental circular, which contains its advice to the Independent Board Committee and the Independent Shareholders. Your attention is also drawn to the additional information set out in the appendices to this supplemental circular.

Background

As at 28 October 2018 (the monthly closing date for October 2018), the Group had cash and other quick assets easily convertible into cash in a total amount of approximately RMB4.2 billion, including bank balances and cash of approximately RMB2.6 billion, wealth management products of approximately RMB0.6 billion and bills receivable of approximately RMB1 billion. Given that the Group has sufficient bank balances and cash, but has not identified any proper project for investment, the Group intends to make certain risk-controllable financial investments with its surplus funds according to its cash management policies, so as to obtain appropriate investment returns.

LETTER FROM THE BOARD

In this connection, on 26 November 2018, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the lender), entered into the Entrusted Loan Contract with Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent), pursuant to which Sinochem Fertilizer agreed to provide the Entrusted Loan in a total principal amount of not more than RMB1 billion to Sinochem Agriculture through Sinochem Finance. Furthermore, on 21 November 2018, Sinochem Fertilizer (as the lender) entered into the Agreement for the Use of Fund with Sinochem Agriculture and Sinochem Corporation (each as a borrower), pursuant to which Sinochem Fertilizer agreed to provide the Fund in a total amount of not more than RMB1.1 billion to Sinochem Agriculture and Sinochem Corporation.

Principal Terms of the Entrusted Loan Contract

Date	:	26 November 2018
Parties	:	(a) Sinochem Fertilizer (as the lender); (b) Sinochem Agriculture (as the borrower); and (c) Sinochem Finance (as the lending agent).
Total principal amount	:	Not more than RMB1 billion of a revolving nature. Sinochem Agriculture may re-borrow any portion of the total principal amount of the Entrusted Loan that has been repaid or prepaid.
Interest rate	:	4.385% per annum.
Term	:	The Entrusted Loan Contract shall become effective from the date of approval by the Independent Shareholders at the SGM, and expire on 15 December 2019. Sinochem Agriculture shall make a withdrawal application to Sinochem Fertilizer in writing through Sinochem Finance during the term of the Entrusted Loan Contract and within the total principal amount of the Entrusted Loan. Sinochem Finance shall issue a certificate for the release of each loan at the time of its release, setting out the amount of each loan, date of release and maturity date. The maturity date of each loan shall not exceed the term of the Entrusted Loan Contract.

LETTER FROM THE BOARD

- Repayment** : Sinochem Agriculture shall repay the principal of each loan to Sinochem Fertilizer through Sinochem Finance on the maturity date of such loan, and shall pay any interest accrued on such loan to Sinochem Fertilizer through Sinochem Finance on a quarterly basis. Sinochem Agriculture may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the principal of the Entrusted Loan and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the principal of the Entrusted Loan and any interest accrued thereon, in whole or in part, prior to the maturity date.
- Use of proceeds** : Sinochem Agriculture shall use the Entrusted Loan for its daily working capital, including the procurement and storage of autumn grain crops.
- Handling fee** : The handling fee shall include a fixed handling fee calculated at 0.005% of the total principal amount of the Entrusted Loan, and a floating handling fee calculated at 0.03% of the total principal amount of the Entrusted Loan, subject to a cap of the floating handling fee of no more than RMB300,000.

The pricing and payment of the handling fee will be incorporated in and governed by the financial services framework agreement dated 9 December 2016 and its supplemental agreement dated 17 January 2018 entered into between the Company and Sinochem Finance, and the handling fee will be subject to the annual caps under such agreements (please refer to the announcements of the Company dated 9 December 2016 and 17 January 2018 for details).

LETTER FROM THE BOARD

Other provisions : Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis, and shall provide detailed information concerning the use of each loan to Sinochem Fertilizer at the time of applying for such loan. Sinochem Fertilizer shall have the right to decide whether to release the loan to Sinochem Agriculture based on the information provided by it. If, during the term of the Entrusted Loan Contract, Sinochem Agriculture intends to invest any project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.

Liabilities for breach of contract : If Sinochem Agriculture fails to perform its obligations under the Entrusted Loan Contract, Sinochem Fertilizer shall have the right to instruct Sinochem Finance to cease the release of the Entrusted Loan to Sinochem Agriculture and to require Sinochem Agriculture to repay the principal of the Entrusted Loan that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture is unable to repay the principal of the Entrusted Loan and any interest accrued thereon as scheduled or fails to use the Entrusted Loan in accordance with the use specified in the Entrusted Loan Contract, Sinochem Fertilizer shall also have the right to impose on Sinochem Agriculture an additional interest at 50% of the accrued interest on the overdue amount or the amount used in breach of the Entrusted Loan Contract.

Principal Terms of the Agreement for the Use of Fund

Date : 21 November 2018

Parties : (a) Sinochem Fertilizer (as the lender);
(b) Sinochem Agriculture (as the borrower); and
(c) Sinochem Corporation (as the borrower).

Total amount of the Fund : Not more than RMB1.1 billion of a revolving nature. Sinochem Agriculture and/or Sinochem Corporation may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.

LETTER FROM THE BOARD

- Interest rate** : The interest rate for the use of the Fund by Sinochem Agriculture is 4.5675% per annum, and the interest rate for the use of the Fund by Sinochem Corporation is 3.915% per annum.
- Term** : The Agreement for the Use of Fund shall become effective from the date of approval by the Independent Shareholders at the SGM, and expire on 14 December 2019. Sinochem Agriculture and/or Sinochem Corporation shall make a withdrawal application to Sinochem Fertilizer in writing during the term of the Agreement for the Use of Fund and within the total amount of the Fund. Sinochem Fertilizer shall issue a written confirmation for the release of each fund at the time of its release, setting out the amount of each fund, date of release and maturity date. The maturity date of each fund shall not exceed the term of the Agreement for the Use of Fund.
- Repayment** : Sinochem Agriculture and/or Sinochem Corporation shall repay each fund to Sinochem Fertilizer on the maturity date of such fund, and shall pay any interest accrued on such fund to Sinochem Fertilizer on a quarterly basis. Sinochem Agriculture and/or Sinochem Corporation may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture and/or Sinochem Corporation, require Sinochem Agriculture and/or Sinochem Corporation to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.
- Use of proceeds** : Sinochem Agriculture shall use the Fund for its equity investment in the sectors of agricultural materials and agricultural services, and Sinochem Corporation shall use the Fund for its daily working capital.

LETTER FROM THE BOARD

Other provisions : Sinochem Agriculture and/or Sinochem Corporation shall provide detailed information concerning the use of each fund to Sinochem Fertilizer at the time of applying for such fund. Sinochem Fertilizer shall have the right to decide whether to release the fund to Sinochem Agriculture and/or Sinochem Corporation based on the information provided by the relevant party(ies). If, during the term of the Agreement for the Use of Fund, Sinochem Agriculture intends to invest any project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.

Liabilities for breach of contract : If Sinochem Agriculture fails to perform its obligations under the Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. If Sinochem Corporation fails to perform its obligations under the Agreement for the Use of Fund, Sinochem Fertilizer may hold Sinochem Agriculture jointly liable therefor, and thus it shall have the right to cease the release of the Fund to Sinochem Agriculture and Sinochem Corporation and to require Sinochem Agriculture and Sinochem Corporation to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture and/or Sinochem Corporation are/is unable to repay the Fund and any interest accrued thereon as scheduled or fail(s) to use the Fund in accordance with the use specified in the Agreement for the Use of Fund, Sinochem Fertilizer shall also have the right to impose on the breaching party(ies) an additional interest at 50% of the accrued interest on the overdue amount or the amount used in breach of the Agreement for the Use of Fund.

Pricing Basis

The terms of the Entrusted Loan Contract and the Agreement for the Use of Fund are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market price and market practices.

LETTER FROM THE BOARD

Basis for determining the amount of the Entrusted Loan and the Fund

When determining the amount of the Entrusted Loan and the Fund, the Group has taken into account its cash and cash equivalents on hand, the financial needs of Sinochem Agriculture and Sinochem Corporation and their use of proceeds, as well as the assessment of the Group on the financial and business conditions of Sinochem Agriculture and Sinochem Corporation. In particular, when determining the amount of the Entrusted Loan, the Group has made reference to the procurement plan of Sinochem Agriculture for 2019 for its purchase of corn and rice in an amount of approximately RMB1 billion. When determining the amount of the Fund, the Group has mainly considered the equity investment plan of Sinochem Agriculture and the estimated scale of such equity investment. Specifically, Sinochem Agriculture is considering the equity investment in agricultural related sector, and it is intended that the estimated acquisition consideration will be partially financed by the Fund to be provided under the Agreement for the Use of Fund. After Sinochem Agriculture finalizes the terms of the equity investment (including the acquisition consideration) with the counterparties and obtains all relevant approvals, Sinochem Agriculture will provide detailed information on the use of the Fund to Sinochem Fertilizer pursuant to the Agreement for the Use of Fund, based on which the Group will decide whether to release the Fund to Sinochem Agriculture and the amount of the Fund to be released.

Basis for determining the interest rates of the Entrusted Loan and the Fund

When determining the interest rate of each of the Entrusted Loan and the Fund, the Group has made reference to the latest benchmark interest rate of 4.35% for one-year loan as published by the People's Bank of China (the “**PBOC Benchmark Rate**”) and the interest rates of loans of the similar term previously offered by independent commercial banks to the relevant borrower. Details are set out below:

- (i) The interest rate of the Entrusted Loan to Sinochem Agriculture is 4.385% per annum, which is equal to the sum of the PBOC Benchmark Rate of 4.35% and the handling fee rate for the provision of the Entrusted Loan (including the fixed handling fee at the rate of 0.005% and the floating handling fee at the rate of 0.03%). Such handling fee rate is same as the rate charged by Sinochem Finance for the provision of entrusted loan services in its previous transactions with the Group.
- (ii) The interest rate of the Fund to Sinochem Agriculture is 4.5675% per annum. As the Fund will mainly be used by Sinochem Agriculture for its equity investment, the liquidity risk of which is usually higher than that used for daily working capital, the Group set a higher interest rate for such Fund to Sinochem Agriculture, representing 105% of the PBOC Benchmark Rate.

LETTER FROM THE BOARD

- (iii) The interest rate of the Fund to Sinochem Corporation is 3.915% per annum, representing 90% of the PBOC Benchmark Rate. In view of the solid financial track records and high credit rating of Sinochem Corporation as further described in paragraph (v) under the section headed “Internal Control Measures”, the interest rate of the Fund to Sinochem Corporation was set to be slightly lower than the PBOC Benchmark Rate. When determining such interest rate, the Group has made reference to four loans granted by different independent commercial banks to Sinochem Corporation in 2017 and 2018, all of which bore an interest at 90% of the PBOC Benchmark Rate on the drawdown date. The above four independent commercial banks are all prestigious international commercial banks who have stringent approval process before granting loans and determining interest rates to borrowers, and all of them offered to Sinochem Corporation the same discount on the PBOC Benchmark Rate based on the then market conditions. On such basis, the Company considers that the interest rate charged by such banks to Sinochem Corporation can serve as a fair reference on its determination of the interest rate of the Fund to Sinochem Corporation.

Given that Sinochem Corporation has a stronger financial position and credit profile as compared to Sinochem Agriculture, and the historical interest rates for loans offered by independent commercial banks or Sinochem Finance to Sinochem Corporation were lower than those available to Sinochem Agriculture, the Company is of the view that a lower interest rate to Sinochem Corporation under the Agreement for the Use of Fund, as compared to the interest rate to Sinochem Agriculture, is fair and reasonable and is similar to the interest rates for comparable loans offered by independent third parties.

When assessing whether the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund are conducted on normal commercial terms, the Company has considered not only the interest rates charged to Sinochem Agriculture and Sinochem Corporation, but also other terms of the Entrusted Loan Contract and the Agreement for the Use of Fund. Pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, the Group shall have the right to (i) decide, on a case by case basis, whether to release each loan/fund to Sinochem Agriculture and Sinochem Corporation based on the information provided by Sinochem Agriculture and Sinochem Corporation at the time of their application for such loan/fund, and (ii) by serving a prior written notice of five business days to Sinochem Agriculture and Sinochem Corporation, require Sinochem Agriculture and Sinochem Corporation to repay the Entrusted Loan and Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. Such provisions provide great flexibility for the Group’s fund management and enable the Group to recover its funds at any time should it have any funding needs or any investment opportunity arise, which are not normally available to lenders in usual loan agreements with independent third parties, and are favourable terms to the Group as compared to the terms with independent third parties. On the above basis, the Company is of the view that the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund are conducted on normal commercial terms.

LETTER FROM THE BOARD

Provision of Guarantee

Sinochem Corporation issued a Letter of Undertaking to Sinochem Fertilizer on 2 November 2018, pursuant to which Sinochem Corporation has undertaken to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund. If Sinochem Agriculture fails to repay the principal of the Entrusted Loan and the Fund, and any interest accrued thereon pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to require Sinochem Corporation to make repayments for Sinochem Agriculture by serving a prior written notice to Sinochem Corporation.

The liabilities of Sinochem Corporation under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and any interest accrued thereon pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund. Sinochem Corporation shall issue a letter of guarantee to Sinochem Fertilizer in respect of the Entrusted Loan and the Fund before they are released to Sinochem Agriculture in accordance with the Letter of Undertaking.

Reasons for and Benefits of the Transactions

Reference is made to the circular of the Company dated 1 December 2017 (the “**Disposal Circular**”) in relation to the disposal by Sinochem Fertilizer of its equity interest in Qinghai Salt Lake Industry Co., Ltd., a potash producer in the PRC, to Sinochem Group for a consideration of approximately RMB8.1 billion (the “**Disposal**”). As disclosed in the Disposal Circular, after repayment of certain borrowings, the remaining proceeds from the Disposal in an amount of approximately RMB4.1 billion would be used to satisfy the requirements for the Group’s future strategic development and normal business operations, and before identifying any projects for investment, any surplus funds from the proceeds may be deposited with banks or financial institutions in accordance with the cash management policies of the Group.

The objectives of the Group’s cash management policies are to generate appropriate investment returns from its surplus funds not currently required by its principal businesses, and to maintain flexibility for the Group to recover such funds should it have any funding needs or any investment opportunity arise. As no suitable project for investment has been identified as at the Latest Practicable Date as further described below, the Group has sufficient cash resources on hand, and intends to use the surplus funds for short-term treasury activities (such as the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund) in accordance with its cash management policies. The right of Sinochem Fertilizer to require early repayment under the Entrusted Loan Contract and the Agreement for the Use of Fund enables the Group to recover its funds at any time, and use such funds for development and expansion of its current businesses or potential acquisitions in accordance with the use of proceeds as disclosed in the Disposal Circular. The Group has no intention to change the use of proceeds as disclosed in the Disposal Circular.

LETTER FROM THE BOARD

During its ordinary and usual course of business, the Group has been managing its surplus funds in various ways, such as placing deposits with financial institutions and investing in financial assets. The Treasury Division of the Company is responsible for monitoring and analyzing the Group's position of cash resources and supervising the implementation of the Group's cash management policies. After taking into account the following factors, the Company believes that the transactions to be entered into by the Group under the Entrusted Loan Contract and the Agreement for the Use of Fund in accordance with its cash management policies will enable the Group to make use of its surplus funds in a better way at a low level of risk:

- (i) Sinochem Agriculture has commenced businesses in areas such as the northeast, northwest, southwest and Huanghuai of China, and the regions in which its customers locate can serve as an effective replenishment to the existing markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. Sinochem Agriculture intends to use the Entrusted Loan and the Fund for its procurement and storage of autumn grain crops and its equity investment in the sectors of agricultural materials and agricultural services, which will expand the service territory and business scale of Sinochem Agriculture, and will in turn facilitate Sinochem Fertilizer to further extend sales channels through Sinochem Agriculture and increase its operating revenue and profitability;
- (ii) The interest rate of each of the Entrusted Loan and the Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group may obtain a higher interest income through the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund to increase its rate of return on cash and cash equivalents, thereby improving its investment income;
- (iii) All of the Entrusted Loan and the Fund will be financed by the Group from its surplus funds. Therefore, the Company is of the view that the provision of the Entrusted Loan and the Fund will not affect the working capital or daily operations of the Group, and the Group currently has no intention to seek additional loans to finance its daily operations during the term of the Entrusted Loan Contract and the Agreement for the Use of Fund. Moreover, pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to require Sinochem Agriculture and Sinochem Corporation to repay the principal of the Entrusted Loan and the Fund, and any interest accrued thereon, in whole or in part, prior to the maturity date, which increases the flexibility of fund management by Sinochem Fertilizer. Sinochem Fertilizer can recover the Entrusted Loan and the Fund within a short period of time when there is any unexpected funding requirement to conduct its daily operations and to repay its existing debts; and

LETTER FROM THE BOARD

- (iv) The Group has also considered a number of alternative ways to make use of its surplus funds, such as investing in industry-related projects, placing short-term deposits with and purchasing low-risk wealth management products from commercial banks in the PRC, and providing loans to independent third parties. However, for the following reasons, the Group considers that the provision of the Entrusted Loan and the Fund has advantages over such alternative investment methods:
- (a) Investing in industry-related projects: given that the domestic fertilizer industry is currently suffering from excess capacity, the Group will be exposed to rather high risks if it invests in industry-related projects in the market, and therefore, no suitable project for investment has been identified as at the Latest Practicable Date. Before identifying any projects for investment, the Group intends to make risk-controllable financial investments with its surplus funds to obtain appropriate investment returns. The right of Sinochem Fertilizer to require early repayment under the Entrusted Loan Contract and the Agreement for the Use of Fund enables the Group to recover the funds at any time should it identify any suitable project for investment. The Company considers that it is in line with its development strategy to reserve the surplus funds for its future business development and make risk-controllable financial investments with such surplus funds before identifying suitable projects;
 - (b) Placing short-term deposits and purchasing low-risk wealth management products: short-term deposits and low-risk wealth management products usually have an interest rate which is lower than that for the Entrusted Loan and the Fund, and have a fixed term which restricts the Group's ability to withdraw its funds before the maturity date; and
 - (c) Providing loans to independent third parties: the right of Sinochem Fertilizer to require early repayment under the Entrusted Loan Contract and the Agreement for the Use of Fund allows the Group to reduce or terminate the borrowings provided to Sinochem Agriculture and Sinochem Corporation based on its own financing needs, which is not normally available to lenders in usual loan agreements with independent third parties, and is a favourable term to the Group. Furthermore, provision of loans to independent third parties may expose the Group to higher risks, as such borrowers may not have the solid financial track records and high credit rating comparable to Sinochem Corporation as further described in paragraph (v) under the section headed "Internal Control Measures". To the knowledge of the Company, neither Sinochem Agriculture nor Sinochem Corporation has defaulted on any of its credit obligations since incorporation.

LETTER FROM THE BOARD

Internal Control Measures

In order to properly mitigate investment risks while generating investment returns, the Group will take the following risk control measures:

- (i) Sinochem Fertilizer shall have the right to decide whether to release the Entrusted Loan and the Fund to Sinochem Agriculture and Sinochem Corporation based on the information provided by Sinochem Agriculture and Sinochem Corporation at the time of their application for the Entrusted Loan and the Fund, so as to ensure the safe use of the Entrusted Loan and the Fund and to mitigate the recovery risks during the process of determining the release of the Entrusted Loan and the Fund. Sinochem Fertilizer shall be under no obligation to provide the Entrusted Loan and the Fund, in whole or in part, to Sinochem Agriculture and Sinochem Corporation under the Entrusted Loan Contract and the Agreement for the Use of Fund. Before releasing the Entrusted Loan and the Fund, the manager of the Treasury Division of the Company will review the details of the application and analyze the Group's position of bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should he have any concern about the business or financial position of Sinochem Agriculture and Sinochem Corporation. No common director between the Company and Sinochem Group/Sinochem Corporation/Sinochem Agriculture will be involved in the above approval process;
- (ii) Sinochem Agriculture and Sinochem Corporation shall use the Entrusted Loan and the Fund strictly in accordance with the use specified in the Entrusted Loan Contract and the Agreement for the Use of Fund, and Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use by Sinochem Agriculture and Sinochem Corporation of the Entrusted Loan and the Fund to ensure that the Entrusted Loan and the Fund will be used for specified purposes and applied in the projects with development prospect and in compliance with the industrial policies of the PRC;
- (iii) The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture, including analysis on its financial information, development strategy, intended use of the Entrusted Loan and the Fund, as well as the anticipated repayment schedule. Although Sinochem Agriculture was still in a loss making situation in the past two years, its revenue increased substantially to approximately RMB24.3 million in 2016 and further to approximately RMB210.0 million in 2017. Based on its latest unaudited consolidated management accounts, Sinochem Agriculture continued to expand its business operation with its revenue amounting to approximately RMB522.2 million for the first nine months of 2018, and incurred a loss of approximately RMB124.0 million for the same period. As at 30 September 2018, Sinochem Agriculture had total assets, total liabilities and equity attributable to the owner of approximately RMB1,178.1 million, RMB740.3 million and RMB413.0 million, respectively. Sinochem Agriculture, incorporated in

LETTER FROM THE BOARD

November 2015, was in its early stage of development and in the process of business expansion, which required substantial capital inputs and therefore resulted in its loss making since its incorporation. The Group has reviewed the development plan of Sinochem Agriculture for 2019, including its estimated sale scale and cash flow. In particular, the Group has been informed that Sinochem Group will inject capital of RMB400 million to Sinochem Agriculture by the end of 2019 in order to support further development and expansion of the business operation of Sinochem Agriculture. In addition, the Group has reviewed the credit report on Sinochem Agriculture issued by the Credit Reference Center of the People's Bank of China on 25 January 2018, which indicated that there were no outstanding loans overdue by Sinochem Agriculture to financial institutions. Based on the above due diligence results, and taking into account the guarantee to be provided by Sinochem Corporation pursuant to the Letter of Undertaking and the bank facilities available to Sinochem Agriculture as further described in the paragraphs (iv) and (v) below, the Company is optimistic about the repayment capability of Sinochem Agriculture.

- (iv) Sinochem Group has obtained facilities from various financial institutions, and subsidiaries of Sinochem Group (including Sinochem Agriculture and Sinochem Corporation) are permitted by such financial institutions to use funds within such facilities. Therefore, Sinochem Agriculture and Sinochem Corporation may utilize such facilities to make repayment (or even early repayment) of the Entrusted Loan and the Fund to Sinochem Fertilizer when necessary. As at the Latest Practicable Date, the unutilized balance of such facilities is substantially higher than the aggregate amount of the Entrusted Loan and the Fund; and
- (v) Sinochem Corporation has agreed to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund, thus further mitigating the risks of the Group in the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund. Sinochem Corporation is a state-owned enterprise with solid financial track records. Based on its annual reports, Sinochem Corporation recorded a total revenue of approximately RMB370.1 billion and RMB511.1 billion, respectively, for the years ended 31 December 2016 and 2017. The profit attributable to the owners amounted to approximately RMB2.5 billion and RMB5.3 billion, respectively, for the same periods. Sinochem Corporation had a registered capital of RMB39.8 billion and consolidated net assets attributable to the owners of approximately RMB29.9 billion as at 30 June 2018 according to its latest interim report. Furthermore, Sinochem Corporation was rated AAA by China ChengXin International Credit Rating Company Limited, an independent credit rating agency, the highest rating under its credit rating scale, which indicated a strong debt repayment capacity, a remote default risk and an ability to withstand certain negative economic environment scenarios.

LETTER FROM THE BOARD

As such, the Directors (including the independent non-executive Directors) are of the view that the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the shareholders as a whole. Mr. Zhang Wei and Mr. Yang Lin, being the Directors of the Company and management members of Sinochem Group, have abstained from voting on the relevant Board resolution to approve the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund.

Financial Effects of the Transactions

The Entrusted Loan and the Fund will be recorded as loan receivables under current assets of the Group. The provision of the Entrusted Loan and the Fund will increase the loan receivables of the Group and will decrease the bank balances and cash of the Group. The interest income from the Entrusted Loan and the Fund will be recorded as interest income of the Group.

Save for the aforesaid, there would be no material effect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund on the earnings, assets and liabilities of the Group.

Implications of the Listing Rules

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Each of Sinochem Agriculture and Sinochem Corporation is a subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Accordingly, each of Sinochem Agriculture and Sinochem Corporation is a connected person of the Company. Therefore, the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund in aggregate are more than 5%, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund in aggregate are more than 25% but less than 100%, such transactions also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of 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, an indirect wholly-owned subsidiary of the Company, is principally 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, the ultimate controlling shareholder of the Company, 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.

Sinochem Corporation is a subsidiary of Sinochem Group and an indirect controlling shareholder of the Company. It is principally engaged in the investment and management of exploration and production of petroleum and natural gas; investment and management of oil refining, gas stations, storage and warehousing; research, development, investment and management of fertilizer, seeds, pesticides and agricultural products; research, development, investment and management of rubber, plastics, chemical materials, fluorine chemicals, coal chemicals and pharmaceuticals; and development, investment and management of mineral resources and new energy.

Sinochem Agriculture is a wholly-owned subsidiary of Sinochem Group. Its core businesses include the promotion of integrated planting solutions, land trust, design of agricultural input packages, auxiliary facilities for agricultural mechanization, technology tracking, as well as the services in relation to the sale of agricultural products, food banks and agricultural informatization, and the businesses such as agricultural and production credit, agricultural and financial leasing, and agricultural insurance. Sinochem Agriculture also carries out projects on the renovation of low- and medium-yield farmlands, improvement of soil, demonstration of precision agriculture and utilization of agricultural waste as resources.

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the People's Bank of China. It is subject to the supervision of the China Banking and Insurance Regulatory Commission. Sinochem Finance is principally engaged in the provision of financial services to member units of Sinochem Corporation, mainly including financial and financing advisory service, credit authentication and related consulting service, agency service, provision of guarantees, entrusted loan and investment, bill acceptance and discount, settlement service, deposit service, loan and finance lease, etc.

SGM

Supplemental resolutions approving the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund shall be proposed at the SGM.

LETTER FROM THE BOARD

In view of Sinochem Group's interests in the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Group and its associates are required to abstain and shall abstain from voting on the supplemental resolutions to be proposed at the SGM to approve the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund.

The Revised 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 Revised 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 (the "**Closing Time**"). Completion and return of the Revised Form of Proxy as instructed will not preclude shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

Any shareholder who has not yet lodged the Original Form of Proxy is requested to lodge the Revised Form of Proxy if he or she intends to appoint a proxy to attend the SGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged. Any shareholder who has already lodged the Original Form of Proxy should note that:

- (i) if the Revised Form of Proxy is lodged before the Closing Time, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed;
- (ii) if no Revised Form of Proxy is lodged before the Closing Time, the Original Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed. The proxy so appointed pursuant to the Original Form of Proxy will be entitled to vote in accordance with the instructions previously given by the shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the SGM, including the proposed supplemental resolutions as set out in the supplemental notice.

Apart from the proposed supplemental resolutions set out in the supplemental notice of the SGM, all other matters of the SGM remain unchanged. For details of other resolutions to be considered and approved at the SGM, eligibility for attending the SGM, registration procedures and other relevant matters, please refer to the SGM Circular and the SGM Notice of the Company dated 20 November 2018.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the supplemental 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



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

5 December 2018

To: the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

We refer to the supplemental circular of the Company dated 5 December 2018 (the “**Supplemental Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Supplemental 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 transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund 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 transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund.

We wish to draw your attention to the letter from the Board set out on pages 5 to 22 of the Supplemental Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 41 of the Supplemental Circular which contains its opinion in respect of the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley and its recommendation in relation thereto, we consider that the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund 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 supplemental 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 supplemental circular.



SOMERLEY CAPITAL LIMITED

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

5 December 2018

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Entrusted Loan Contract and the Agreement for the Use of Fund (collectively, the “**Loan Transactions**”), for which the Independent Shareholders’ approval is being sought. Details of the Loan Transactions are contained in the supplemental circular of the Company to the shareholders dated 5 December 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Sinochem Fertilizer (an indirect wholly-owned subsidiary of the Company, as the lender) entered into (i) the Entrusted Loan Contract dated 26 November 2018 in relation to the provision of the Entrusted Loan to Sinochem Agriculture (as the borrower) through Sinochem Finance (as the lending agent), and (ii) the Agreement for the Use of Fund dated 21 November 2018 in relation to the provision of the Fund to Sinochem Agriculture and Sinochem Corporation (each as borrower). Sinochem Corporation (as the guarantor) issued a Letter of Undertaking, pursuant to which Sinochem Corporation has undertaken to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund.

LETTER FROM SOMERLEY

As at the Latest Practicable Date, each of Sinochem Agriculture and Sinochem Corporation is a subsidiary of Sinochem Group, being the ultimate controlling shareholder of the Company and holding an effective interest of approximately 52.7% of the Company. Accordingly, each of Sinochem Agriculture and Sinochem Corporation is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Loan Transactions constitute connected transactions of the Company. Given that one or more of the applicable percentage ratios in respect of the Loan Transactions, in aggregate, are more than 5%, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the Loan Transactions, in aggregate, are more than 25% but less than 100%, such transactions also constitute major transactions of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

The Company will convene the SGM to seek approval from the Independent Shareholders in respect of the Loan Transactions. In view of Sinochem Group's interests in the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Group and its associates are required to abstain and shall abstain from voting on the resolutions to be proposed at the SGM to approve the Loan Transactions.

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 formed to advise the Independent Shareholders whether the terms of the Loan Transactions 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 import of fertilizer products, sulphur, fertilizer and other fertilizer raw materials by the Group from its connected persons, as detailed in the circular of the Company dated 20 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 Finance, Sinochem Agriculture, Sinochem Corporation 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.

LETTER FROM SOMERLEY

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have reviewed, among other things, (i) the Entrusted Loan Contract, (ii) the Agreement for the Use of Fund, (iii) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), (iv) the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), and (v) other information contained in the Circular. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Sinochem Finance, Sinochem Agriculture, Sinochem Corporation or any of their respective subsidiaries and associates, 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 Loan Transactions, we have taken the following principal factors and reasons into consideration:

1. Background to, reasons for, and benefits of, the Loan Transactions

Background and recent developments

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. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$6.2 billion as at the Latest Practicable Date.

In October 2017, the Company announced the disposal of Sinochem Fertilizer’s equity interest in Qinghai Salt Lake Industry Co., Ltd, a potash producer in the PRC, to Sinochem Group for a consideration of approximately RMB8.1 billion (the “**Disposal**”). The Disposal was approved by the then independent shareholders of the Company in December 2017, and it was completed in the first half of 2018. After repayment of certain borrowings, the Group has cash resources on hand more than sufficient to fund its strategic development and normal business operations. As at 30 June 2018, the bank balances and cash of the Group amounted to approximately RMB1,743.7 million, an increase of over 5 times as compared to balances of approximately RMB286.8 million as at 31 December 2017, principally due to the proceeds received from the Disposal. As at 28 October 2018, such balances were approximately RMB2.6 billion.

LETTER FROM SOMERLEY

The Directors stated in the 2017 Annual Report that the Group will, among others, put a focus on the national Rural Revitalisation Strategy, keep streamlining business structure and renovating its business model so as to achieve stable and sustainable growth. We understand that the Group has been exploring business opportunities or projects with a view to further developing its existing business, as well as enhancing current facilities and research development initiatives, and that the Group has also considered a number of alternative ways to make use of its cash resources, such as investing in industry-related projects. However, in the Director's view, there is excess capacity presently in the domestic fertilizer industry, so the industry-related projects are unattractive. No suitable investments/projects of this type have been identified by the Group in the first ten months of 2018.

We understand from the management of the Group that it has been the responsibility of the Treasury Division of the Company to monitor and analyze the Group's cash resources, and the Group has been managing its cash resources in various ways from time to time, such as placing deposits with financial institutions and investing in financial assets. Commencing from the second half of 2018, the Group's cash management policies are to focus on investments with reduced risks. Against this background, before identifying any projects for investment, the Directors propose to make investments with its cash resources according to its risk and cash management policies, so as to obtain appropriate investment returns and commercial benefits (see below).

Reasons for, and benefits of, the Loan Transactions

The key reasons for, and benefits of, the Loan Transactions are set out in the letter from the Board contained in the Circular and summarised below:

- Obtain a higher interest income from the Loan Transactions than the Group's interest income earned from bank deposits placed with commercial banks in the PRC: We note that the interest rates under the Loan Transactions, ranging from 3.915% to 4.5675%, are higher than the benchmark interest rate of 1.5% specified by the People's Bank of China (the "PBOC") for deposits of one year as at the Latest Practicable Date.
- Certain operating efficiencies will be achieved through expansion of Sinochem Agriculture's business scale and service territory: The Group has been selling fertilizer products to Sinochem Agriculture since 2017. Customers of Sinochem Agriculture (mainly family farms, major professional farmers, farmer cooperatives that are engaged in the production of staple foods and economic crops) are different from those of Sinochem Fertilizer (mainly distributors) and serve as an effective replenishment to the existing market of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products during its provision of agricultural services to its customers. The provision of the Entrusted Loan and the Fund to Sinochem Agriculture will help expand its business scale and service territory, which will in turn further extend the sales channels of Sinochem Fertilizer and increase Sinochem Fertilizer's operating revenue and profitability.

LETTER FROM SOMERLEY

The Company has confirmed to us that since the Loan Transactions will be funded by the Group's surplus cash resources, such that the working capital needs and daily operations of the Group will not be affected, and that the Group currently has no intention to seek additional loans to finance its daily operations during the term of each of the Entrusted Loan Contract and the Agreement for the Use of Fund. In addition, the Group shall have the right to (i) on a case by case basis, decide whether to enter into any loan transactions pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, and (ii) demand Sinochem Agriculture and/or Sinochem Corporation to early repay the outstanding amounts under the Loan Transactions, in whole or in part, prior to the maturity date. This means that the Loan Transactions represent an opportunity for the Group to earn a higher rate of return as compared to bank deposits, while still keeping control over the use of funds and retaining the right to call the funds back at short notice.

Separately, the Group has a number of internal control measures in place to protect the interests of the shareholders regarding the Loan Transactions, as further analysed in the section below headed "Internal control procedures". Moreover, Sinochem Corporation has undertaken to provide a guarantee in favour of Sinochem Fertilizer in connection with all the contractual obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund. We also note that according to the relevant laws and regulations promulgated by the China Banking and Insurance Regulatory Commission and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance (as the lending agent under the Entrusted Loan Contract) falls into financial difficulty, Sinochem Corporation, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting capital into Sinochem Finance based on its funding needs, to restore its financial position. The above provides assurance that the risk of Sinochem Fertilizer's borrowings to Sinochem Agriculture is properly addressed.

2. Information on the parties

Sinochem Fertilizer

Sinochem Fertilizer, the lender under the Loan Transactions, is incorporated in the PRC and is principally 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. It is a wholly-owned subsidiary of the Company.

LETTER FROM SOMERLEY

Sinochem Group

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

Sinochem Agriculture

Sinochem Agriculture, a borrower under the Loan Transactions, is incorporated in the PRC and is a wholly-owned subsidiary of Sinochem Group. Its core business includes the promotion of integrated planting solutions, design of agricultural input packages, as well as the provision of services in relation to the sale of agricultural products. In addition, Sinochem Agriculture also carries out projects relating to, among others, the renovation of low- and medium-yield farmlands, improvement of soil and utilization of agricultural waste as resources.

Sinochem Corporation

Sinochem Corporation, the guarantor and also a borrower under the Loan Transactions, is incorporated in the PRC and is the intermediate controlling shareholder of the Company. It is principally engaged in, among others, investment and management of exploration and production of petroleum and natural gas, investment and management of oil refining, gas stations, storage and warehousing, and research, development, investment and management of fertilizer, seeds, pesticides and agricultural products.

For further information on Sinochem Agriculture and Sinochem Corporation, please refer to the section below headed “Financial and credit information on Sinochem Agriculture and Sinochem Corporation”.

Sinochem Finance

Sinochem Finance, a lending agent under the Entrusted Loan Contract, is a non-bank financial institution established in September 2007 with the approval of the PBOC. It is regulated by the China Banking and Insurance Regulatory Commission, and is principally engaged in the provision of various financial services to Sinochem Group and its associates, including arrangement of the entrusted loans, settlement services and loan and finance lease. It is a wholly-owned subsidiary of Sinochem Corporation.

3. Principal terms of the Loan Transactions and the Letter of Undertaking

As set out in the letter from the Board contained in the Circular, the terms of the Entrusted Loan Contract and the Agreement for the Use of Fund have been agreed upon by the parties after arm's length negotiations, having regard to the prevailing market price and market practices, the financial needs of Sinochem Agriculture and Sinochem Corporation and their use of the proceeds, as well as the Group's assessment of the financial condition and business of Sinochem Agriculture and Sinochem Corporation. Summarised below are the principal terms of the Loan Transactions under each of the Entrusted Loan Contract and the Agreement for the Use of Fund, as well as the details of the Letter of Undertaking:

Entrusted Loan Contract

Subject matter

On 26 November 2018, Sinochem Fertilizer (as the lender) entered into the Entrusted Loan Contract with Sinochem Agriculture (as the borrower) and Sinochem Finance (as the lending agent), pursuant to which Sinochem Fertilizer agreed to provide the Entrusted Loan, in a total principal amount of not more than RMB1 billion, to Sinochem Agriculture through Sinochem Finance. The Entrusted Loan will be used by Sinochem Agriculture as additional working capital, including for the procurement and storage of autumn grain crops in 2019. Sinochem Agriculture plans to purchase corn and rice in an aggregate amount of approximately RMB1 billion for the purpose of subsequent re-sale in the PRC market.

Term

The Entrusted Loan Contract shall become effective from the date of approval by the Independent Shareholders at the SGM and expire on 15 December 2019, and the maturity date of each Entrusted Loan being drawn shall not exceed the term of the Entrusted Loan Contract. The Entrusted Loan is of a revolving nature, and any portion of total amounts repaid may be re-borrowed by Sinochem Agriculture.

Interest rate

The interest rate of the Entrusted Loan is 4.385% per annum. As set out in the letter from the Board contained in the Circular, such rate is equal to the latest benchmark interest rate of 4.35% for one-year loan as published by the PBOC (the "**PBOC Benchmark Rate**") plus a handling fee of 0.035% (as set out below) for the arrangement of the Entrusted Loan.

LETTER FROM SOMERLEY

Handling fee

For the arrangement of the Entrusted Loan, Sinochem Fertilizer is required to pay to Sinochem Finance a fixed handling fee (calculated at 0.005% of the total principal amount of the Entrusted Loan) and a floating handling fee (calculated at 0.03% of the total principal amount of the Entrusted Loan, subject to a cap of RMB300,000). This is as provided for under the financial services framework agreements entered into between the Company and Sinochem Finance, details of which are set out in the Company's announcement dated 17 January 2018.

Repayment

The principal amount of each Entrusted Loan shall be repaid on the maturity date, and any interest accrued on such Entrusted Loan shall be repaid on a quarterly basis. However, Sinochem Fertilizer may require Sinochem Agriculture to repay the principal amount of the Entrusted Loan and any interest accrued thereon, in whole or in part, prior to the maturity date, by serving a written notice of five business days to Sinochem Agriculture.

Other provisions

Sinochem Fertilizer shall have the right to decide not to provide the Entrusted Loan to Sinochem Agriculture in a particular instance, based on the relevant loan drawdown application and other information provided. During the term of the Entrusted Loan Contract, if Sinochem Agriculture intends to invest in any project of an amount exceeding 25% of its total assets value, Sinochem Agriculture shall obtain a written consent from Sinochem Fertilizer prior to making such investment.

Agreement for the Use of Fund

Subject matter

On 21 November 2018, Sinochem Fertilizer (as the lender) entered into the Agreement for the Use of Fund with Sinochem Agriculture and Sinochem Corporation (each as borrower), pursuant to which Sinochem Fertilizer agreed to provide the Fund, in a total principal amount of not more than RMB1.1 billion, to Sinochem Agriculture and/or Sinochem Corporation. Sinochem Agriculture intends to use the Fund for equity investment in agricultural related sectors, whereas Sinochem Corporation intends to use the Fund for its general working capital. The Directors state in its letter contained in the Circular that when determining the amount of the Fund, the Group has mainly considered the equity investment plan of Sinochem Agriculture, including the estimated scale of such investment. We are further advised by the management of the Group that Sinochem Agriculture is considering equity investment in agricultural related sector, and it is intended that the estimated acquisition consideration will be partially financed by the Fund.

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Term

The Agreement for the Use of Fund shall become effective from the date of approval by the Independent Shareholders at the SGM and expire on 14 December 2019, and the maturity date of each Fund being drawn shall not exceed the term of the Agreement for the Use of Fund. The Fund is of a revolving nature, and any portion of total amounts repaid may be re-borrowed by Sinochem Agriculture and/or Sinochem Corporation.

Interest rate

The interest rate of the Fund applicable to Sinochem Agriculture is 4.5675% per annum (representing 105% of the PBOC Benchmark Rate), and the interest rate applicable to Sinochem Corporation is 3.915% per annum (representing 90% of the PBOC Benchmark Rate). As set out in the letter from the Board contained in the Circular, in determining the above rates, the Group has taken into account, among others, the liquidity of the Fund to be used by Sinochem Agriculture and the interest rate payable by Sinochem Corporation under the loans granted to Sinochem Corporation by independent commercial banks in recent years.

Repayment

Each Fund shall be repaid on the maturity date, and any interest accrued on such Fund shall be repaid on a quarterly basis. In addition, Sinochem Fertilizer may require Sinochem Agriculture and/or Sinochem Corporation to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date, by serving a written notice of five business days to Sinochem Agriculture and/or Sinochem Corporation.

Other provisions

Sinochem Fertilizer shall have the right to decide not to provide the Fund to Sinochem Agriculture and/or Sinochem Corporation in a particular instance, based on the relevant fund drawdown application and other information provided. During the term of the Agreement for the Use of Fund, if Sinochem Agriculture intends to invest in any project of an amount exceeding 25% of its total assets value, Sinochem Agriculture shall obtain a written consent from Sinochem Fertilizer prior to making such investment.

Letter of Undertaking

On 2 November 2018, Sinochem Corporation (as the guarantor) issued a Letter of Undertaking to Sinochem Fertilizer, pursuant to which Sinochem Corporation has undertaken to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities (the “**Joint and Several Guarantee**”) in connection with all the contractual obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund.

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If Sinochem Agriculture fails to repay the principal of the Entrusted Loan and the Fund, and any interest accrued thereon pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Fertilizer shall have the right, under the Joint and Several Guarantee, to require Sinochem Corporation to make repayments for Sinochem Agriculture by serving a written notice to Sinochem Corporation.

The liabilities of Sinochem Corporation under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and any interest accrued thereon pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund. Sinochem Corporation shall issue a letter of guarantee to Sinochem Fertilizer in respect of the Entrusted Loan and the Fund before they are released to Sinochem Agriculture in accordance with the Letter of Undertaking. We have been provided with the draft guarantee letter to be issued by Sinochem Corporation in this regard, and note that such draft guarantee letter is generally prepared in line with the Letter of Undertaking.

We have discussed with the Company's PRC legal adviser, BEIJING DHH LAW FIRM ("DHH"), and understand that the Joint and Several Guarantee, compared to an ordinary guarantee, provides a higher level of protection to the lender under the relevant PRC laws and regulations. In a situation where the relevant borrower defaults on a loan repayment, the guarantor under the ordinary guarantee arrangements may refuse the lender's demand of assuming guarantee responsibilities before the judicial or arbitration procedures have confirmed that the relevant borrower is incapable of repaying the loan. Under the Joint and Several Guarantee arrangements, if the relevant borrower fails to perform his obligations at the maturity of the loan, the guarantor, upon request from the lender, will be required to assume guarantee responsibilities within the scope of the relevant guarantee contract without any such judicial or arbitration procedures.

In addition, DHH further stated in its opinion letter that, among others, (i) each of the Entrusted Loan Contract and the Agreement for the Use of Fund is legally binding under the relevant PRC laws and regulations, (ii) the Letter of Undertaking and the draft guarantee letter in connection with the Loan Transactions, as reviewed by them, are legally binding under the relevant PRC laws and regulations, (iii) Sinochem Corporation is required to provide a Joint and Several Guarantee to Sinochem Fertilizer as regards Sinochem Agriculture's contractual liabilities in respect of the Entrusted Loan and the Fund under the Entrusted Loan Contract and the Agreement for the Use of Fund, and (iv) in the event that Sinochem Agriculture fails to perform its obligations during the contract term, Sinochem Fertilizer has the right to require Sinochem Corporation to assume all the contractual liabilities for and on behalf of Sinochem Agriculture pursuant to each of the Entrusted Loan Contract and the Agreement for the Use of Fund, and in accordance with the scope of the relevant guarantee letter.

Our view

The Loan Transactions are in line with the objectives of the Group to generate higher risk-adjusted returns from cash not currently required by its principal businesses. As the Loan Transactions represent a short-term treasury management exercise of the Group, they are designed to have a relatively short formal duration of approximately one year. However, Sinochem Fertilizer has right to demand early repayment pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund as described above,

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which provides flexibility to the Group. We consider this right to require early repayment during the one-year term, which is not normally available to lenders in term loan facilities, to be a favourable term to the Group, allowing the Group to reduce or terminate the borrowings extended to Sinochem Agriculture and Sinochem Corporation, if its own financing needs unexpectedly exceed the Group's projections.

In the event that Sinochem Agriculture fails to perform its obligations under the Entrusted Loan Contract and the Agreement for the Use of Fund, Sinochem Fertilizer has the right to require Sinochem Corporation to make repayments for and on behalf of Sinochem Agriculture, based on the guarantee to be given in accordance with the Letter of Undertaking. Such guarantee will be given on a joint and several basis, such that Sinochem Corporation will be liable for all the joint and several obligations of Sinochem Agriculture under the Entrusted Loan Contract and the Agreement for the Use of Fund (including any early repayment or repayment of the total outstanding principal and interest of the Loan Transactions) as if it is the borrower under the Loan Transactions. In our view, the Letter of Undertaking provides protection to the Group as regards its credit risk associated with the loans to Sinochem Agriculture. Moreover, we consider that the credit risk associated with Sinochem Agriculture under the Loan Transactions is similar to that of Sinochem Corporation, a state-owned enterprise with substantial asset base and profitability as analysed in below section headed "Financial and credit information on Sinochem Agriculture and Sinochem Corporation".

We have reviewed the terms of the Entrusted Loan Contract and the Agreement for the Use of Fund, including the basis for determination of the agreed interest rates. We note that the PBOC Benchmark Rate was 4.35% as at the Latest Practicable Date, and the interest rates under the Loan Transactions, ranging from 3.915% to 4.5675%, represent between 90% and 105% of such PBOC Benchmark Rate. In addition, we have been provided with certain facilities/notices issued by independent commercial banks or Sinochem Finance to each of Sinochem Agriculture and Sinochem Corporation, on this basis, the interest rates charged to them by other parties are generally comparable to that of the Loan Transactions.

As set out above, the interest rates applicable to Sinochem Agriculture and Sinochem Corporation are determined with reference to, among others, (i) the PBOC Benchmark Rate, (ii) the interest rates previously offered by independent commercial banks for loans with similar terms, and (iii) their respective financial needs and intended uses. We note that, in terms of the asset base and gearing ratio, Sinochem Corporation has a stronger financial position and credit profile than Sinochem Agriculture. Management of the Group also confirmed to us that the historical interest rates for loans of one-year term offered by independent commercial banks or Sinochem Finance to Sinochem Corporation were lower than those available to Sinochem Agriculture. On the above basis, we are of the view that a lower interest rate charged to Sinochem Corporation, when compared with the rate charged to Sinochem Agriculture under the Loan Transactions, is reasonable. Based on our review of the selected facilities granted by independent commercial banks to Sinochem Corporation, the terms of the Fund applicable to Sinochem Corporation, in particular the annual interest rate of 3.915%, are on the terms no less favourable to the Group than those offered to Sinochem Corporation by independent commercial banks for comparable loans, which were agreed on an arm's length basis.

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Having considered the above, and the reasons for, and benefits of, the Loan Transactions, we are of the view that the Loan Transactions represent an appropriate means of capital management by the Group to generate a higher interest income than its bank deposits.

4. Financial and credit information on Sinochem Agriculture and Sinochem Corporation

As mentioned above, each of Sinochem Agriculture and Sinochem Corporation is a subsidiary of Sinochem Group, one of the largest state-owned enterprises in the PRC with principal businesses in energy, chemicals, agriculture, real estate and finance. Sinochem Group is a “Fortune Global 500” company.

The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture and Sinochem Corporation, according to the letter from the Board contained in the Circular. We have been provided with the relevant due diligence materials, including analysis of the intended uses of the Entrusted Loan and the Fund by the relevant borrower as well as the anticipated repayment schedule. Further, as set out in the letter from the Board contained in the Circular, Sinochem Group has obtained facilities from various financial institutions, Sinochem Group and its subsidiaries (including Sinochem Agriculture and Sinochem Corporation) are permitted to utilise funds available to them under such facilities, for example, to make repayment (or early repayment) of the Entrusted Loan and the Fund to Sinochem Fertilizer if necessary. According to the letter from the Board contained in the Circular, as at the Latest Practicable Date, the unutilised balance of such facilities was substantially higher than the aggregate amount of the Entrusted Loan and the Fund.

Sinochem Agriculture

Set out below is a summary of the financial information of Sinochem Agriculture, as extracted from its audited financial statements for the two years ended 31 December 2017, prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	For the year ended	
	31 December	
	2017	2016
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	209,988,656	24,281,411
Cost of sales	(198,045,473)	(21,443,515)
Gross profit	11,943,183	2,837,896
Loss and total comprehensive loss		
for the year	(45,835,694)	(16,533,019)

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Sinochem Agriculture, incorporated in November 2015, was at an early stage of development and in the process of business expansion, which required substantial capital inputs and therefore resulted in loss making in the past two years. It has commenced business in areas such as the northeast, northwest, southwest and Huanghuai of China, and has an extensive customer base and service network, and generates revenue substantially from third party customers. Revenue of Sinochem Agriculture increased substantially from approximately RMB24.3 million in 2016 to approximately RMB210.0 million in 2017, due to its continuous business expansion.

	As at 31 December	
	2017	2016
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-Current Assets		
Property, plant and equipment and construction in progress	30,283,707	1,074,362
Other non-current assets	10,257,855	524,075
	<u>40,541,562</u>	<u>1,598,437</u>
Current Assets		
Cash and cash equivalents	395,434,207	284,078,388
Inventories	193,166,846	3,042,574
Other current assets	34,277,465	2,119,382
	<u>622,878,518</u>	<u>289,240,344</u>
Current Liabilities		
Trade and other payables	100,790,594	7,363,601
	<u>100,790,594</u>	<u>7,363,601</u>
Net Current Assets	<u>522,087,924</u>	<u>281,876,743</u>
Equity		
Share capital	600,000,000	300,000,000
Reserves	(37,370,514)	(16,524,820)
	<u>562,629,486</u>	<u>283,475,180</u>

As at 31 December 2017, total assets of Sinochem Agriculture mainly included (i) cash and cash equivalents of approximately RMB395.4 million, (ii) inventories of approximately RMB193.2 million and (iii) property, plant and equipment and construction in progress of approximately RMB30.3 million. As at 31 December 2017, total liabilities of Sinochem Agriculture mainly included trade and other payables of approximately RMB100.8 million. To the knowledge of the Company, Sinochem Agriculture has not defaulted on any of its credit obligations since incorporation.

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Sinochem Agriculture has a registered capital of RMB600 million, double the level as at 31 December 2016, and the equity attributable to the owner amounted to approximately RMB562.6 million, as at 31 December 2017. According to the management of the Group, the total investment of Sinochem Agriculture is RMB1 billion, and it is expected that Sinochem Group will inject further capital of RMB400 million to Sinochem Agriculture by the end of 2019, in order to support its further development and expansion.

Based on its latest unaudited consolidated management accounts for the first nine months of 2018, Sinochem Agriculture has continued to expand its business operations strongly, with revenue of approximately RMB522.2 million, it incurred a loss of approximately RMB124.0 million. As at 30 September 2018, Sinochem Agriculture had total assets, total liabilities and equity attributable to the owner of approximately RMB1,178.1 million, RMB740.3 million and RMB413.0 million respectively.

Sinochem Corporation

Based on the 2017 annual report of Sinochem Corporation, it recorded total revenue of approximately RMB370.1 billion and RMB511.1 billion respectively, for the years ended 31 December 2016 and 2017. The profit attributable to the owners amounted to approximately RMB2.5 billion and RMB5.3 billion respectively, during the corresponding periods. As at 30 June 2018, Sinochem Corporation had registered capital of RMB39.8 billion, consolidated net assets attributable to the owners of approximately RMB29.9 billion and a cash balance of approximately RMB43.6 billion, according to its 2018 interim report. To the knowledge of the Company, Sinochem Corporation has not defaulted on any of its credit obligations since incorporation.

According to the credit rating report issued by China ChengXin International Credit Rating Company Limited (“CCXI”) dated 26 June 2018, the credit rating of Sinochem Corporation was AAA, the highest rating under CCXI’s credit rating scale. We are advised by the management of the Group that CCXI’s credit rating scale follows the relevant credit rating guidance issued by the PBOC. According to the report, an AAA rating implies strong debt repayment capacity, remote default risk and an ability to withstand certain negative economic environment scenarios.

On the basis of the above and assuming no material change to Sinochem Corporation’s financial performance and position, we consider that Sinochem Corporation and Sinochem Agriculture, taking into account the Joint and Several Guarantee to be provided by Sinochem Corporation pursuant to the Letter of Undertaking, have substantial and sufficient financial resources to honour their obligations under the Entrusted Loan Contract and the Agreement for the Use of Fund.

5. Financial effects of the Loan Transactions

Earnings, net assets and gearing

As the Group is entitled to receive interest income at the rates of 3.915% to 4.5675% per annum based on the amount of the Entrusted Loan and the Fund, the Loan Transactions should have a positive impact on the Group's future earnings.

As advised by the management of the Group, the provision of the Entrusted Loan and the Fund would be accounted for as loan receivables under current assets in the Group's consolidated statement of financial position, and would not have material impact on the net assets of the Group.

As set out in the 2018 Interim Report, as at 30 June 2018, the current ratio and the debt-to-equity ratio of the Group was approximately 2.04 times and 50.7% respectively. Given that the provision of the Entrusted Loan and the Fund would be classified as current assets, it is expected that there will be no material impact arising from the Loan Transactions on the Group's current ratios and debt-to-equity ratio.

Working capital

As stated in the letter from the Board contained in the Circular and the indebtedness statement in Appendix I to the Circular, the Group had bank balances and cash of approximately RMB2.6 billion as at 28 October 2018, and total outstanding debts of approximately RMB3.7 billion as at 31 October 2018, substantially representing bonds of approximately RMB3.5 billion that will mature in the second half of 2019. Further, we note from the 2018 Interim Report that as at 30 June 2018, the Group had capital commitments of approximately RMB1,728.7 million (mainly for the acquisition of property, plant and equipment) and operating lease commitments of approximately RMB46.8 million.

In this respect, we have reviewed, and discussed with the management of the Group, the projected cash flows of the Group for the year ending 31 December 2019. Based on our discussion with management of the Group, (i) the Entrusted Loan and the Fund will be financed by the Group from its surplus cash resources, (ii) the Group expects to re-finance the outstanding debts at lower interest rates than those under the Loan Transactions, and (iii) the Group's capital and operating commitments will be financed by the Group's internal and external resources. The auditors of the Company have provided a comfort letter on such working capital projections by the Group.

Bearing in mind that the Group is allowed to recover the Entrusted Loan and the Fund within a short period of time, if funding is unexpectedly required for the Group's daily operations and debt repayments, and taking into account the Group's available unutilised banking facilities of approximately RMB20.1 billion as at 30 June 2018, we concur with the Directors' view as regards the sufficiency of the Group's working capital.

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6. Internal control procedures

The Group will implement a series of internal control measures to monitor and mitigate the investment risks while generating investment returns through the Loan Transactions. For example, Sinochem Fertilizer shall have no obligation to provide the Entrusted Loan and the Fund to Sinochem Agriculture and/or Sinochem Corporation under the Entrusted Loan Contract and the Agreement for the Use of Fund when a particular drawdown application is received. In order to ensure prudent use of the Entrusted Loan and the Fund by Sinochem Agriculture and/or Sinochem Corporation, set out below are the measures adopted by the Group, as summarised from the letter from the Board contained in the Circular:

- Sinochem Fertilizer shall have the right to decide whether to provide the Entrusted Loan and the Fund to Sinochem Agriculture and/or Sinochem Corporation based on the information provided by them at the time of their drawdown application for the Entrusted Loan and the Fund, pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund. In the event that Sinochem Fertilizer is not satisfied with such applications, for example, due to the potential risks involved after assessing the financial positions of the Group, Sinochem Agriculture and Sinochem Corporation, Sinochem Fertilizer has the absolute right to reject such applications and not to grant the Entrusted Loan or Fund;
- Before providing the Entrusted Loan and the Fund, the manager of the Treasury Division of the Company will review the details of the drawdown application and analyse the Group's bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should he have any concern about the business or financial position of Sinochem Agriculture and Sinochem Corporation. No common director between the Company and Sinochem Group/Sinochem Corporation/Sinochem Agriculture will be involved in the above approval process;
- Sinochem Agriculture and Sinochem Corporation shall use the Entrusted Loan and the Fund, and the Company shall monitor the relevant uses from time to time, strictly in accordance with the terms specified in the Entrusted Loan Contract and the Agreement for the Use of Fund; and
- Sinochem Agriculture shall provide business operation reports or financial reports to Sinochem Fertilizer on a monthly basis, so that the Group would be able to monitor the financial situation of Sinochem Agriculture and assess the credit risks of the relevant loans extended.

Taking into account the Joint and Several Guarantee to be provided by Sinochem Corporation in favour of Sinochem Fertilizer's borrowings to Sinochem Agriculture pursuant to the Entrusted Loan Contract and the Agreement for the Use of Fund, we concur with the Directors that the above internal control procedures would limit the risks associated with the Loan Transactions, and protect the interests of the Company and the shareholders as a whole.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Loan Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Entrusted Loan Contract and the Agreement for the Use of Fund are in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Loan Transactions.

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.

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinofert.com):

- the Annual Report 2015 dated 31 March 2016 (pages 84 to 167);
- the Annual Report 2016 dated 30 March 2017 (pages 98 to 179);
- the Annual Report 2017 dated 28 March 2018 (pages 96 to 179); and
- the Interim Report 2018 dated 30 August 2018 (pages 28 to 62).

INDEBTEDNESS

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this supplemental circular, the Group had total outstanding debts of approximately RMB3,661,075,000 as below. The unsecured and guaranteed bank borrowings were guaranteed by the Company.

Unit: RMB'000

Bank borrowings

– Guaranteed	141,582
– Unsecured	63,000

	204,582

Bonds

3,456,493

Total outstanding debts

3,661,075

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, no member of the Group had outstanding at the close of business on 31 October 2018 any mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, or any obligations under hire purchase contracts or finance leases payable or any guarantees or other contingent liabilities.

WORKING CAPITAL

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

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's strategic development direction is to adapt to the modern agricultural development trend, with a core focus on integration of various agricultural inputs, technical planting services, agricultural services, financial services, agricultural sales and other integrated solutions. The Group strives to utilize information technology to enhance the efficiency and effectiveness of agricultural services, provide agricultural services directly to end users, enhance research and development, and continuously promote products upgrades, so as to gradually form a competitive product portfolio, thereby enhancing the Group's overall competitiveness.

Looking ahead, the Group will follow the trend of agricultural supply-side reform and the rapidly changing agricultural structure with a focus on transformation and upgrade, take root in modern agriculture, streamline business structure and renovate business model, so as to achieve stable and sustainable growth. In this connection, the Group will continue to push forward the distribution channel expansion strategy to increase its market share, and will at the same time consolidate its strategic cooperation with key suppliers in China and overseas to strengthen the centralized strategic procurement and the business collaboration among subsidiaries. The Group will also actively explore the construction of a modern agricultural platform for economic crop, and build up a market-oriented research and development system to strengthen scientific research innovation, including the building of a high standard research and development center in Linyi, Shandong Province. The Group will also enhance the overall management level of the production units to improve efficiency while lowering cost, speed up industrial layout adjustment, and constantly promote the awareness of risk control and safety management to ensure operating safety.

As disclosed in the section headed "Reasons for and Benefits of the Transactions" in the "Letter from the Board" in this supplemental circular, the Group intends to make certain risk-controllable financial investments with its surplus funds according to its cash management policies before it identifies proper projects for investment. The interest rate of each of the Entrusted Loan and the Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group will obtain a higher interest income through the transactions under the Entrusted Loan Contract and the Agreement for the Use of Fund to increase its rate of return on cash and cash equivalents, thereby improving its investment income. In addition, Sinochem Agriculture intends to use the Entrusted Loan and the Fund for its procurement and storage of autumn grain crops and its equity investment in the sectors of agricultural materials and agricultural services, which will expand the service territory and business scale of Sinochem Agriculture, and will in turn facilitate the Group to further extend sales channels through Sinochem Agriculture and increase its operating revenue and profitability.

1. RESPONSIBILITY STATEMENT

This supplemental 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 supplemental 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 supplemental 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. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group, within the two years preceding the Latest Practicable Date and are or may be material:

- (a) a share transfer agreement was entered into between Sinochem Fertilizer and Sinochem Group on 24 October 2017, pursuant to which Sinochem Fertilizer sold to Sinochem Group 571,578,484 shares of Qinghai Salt Lake Industry Co., Ltd. (青海鹽湖工業股份有限公司), representing 20.52% of its total issued share capital, for a total consideration of RMB8,063,198,568.40 (for further details, please refer to the Company's announcements dated 17 October 2017, 24 October 2017, 20 December 2017 and 23 May 2018, and the circular dated on 1 December 2017);
- (b) an entrusted loan contract was entered into by Sinochem Fertilizer with Yangmei Pingyuan Chemical Company Limited (陽煤平原化工有限公司, “**Yangmei Pingyuan**”) and Sinochem Finance on 24 July 2018, pursuant to which Sinochem Fertilizer agreed to provide an entrusted loan in the principal amount of RMB670,000,000 to Yangmei Pingyuan through Sinochem Finance (for further details, please refer to the Company's announcement dated 24 July 2018);
- (c) a debt for equity swap agreement was entered into between Sinochem Fertilizer and Sinochem Jilin Changshan Chemical Co., Ltd. (中化吉林長山化工有限公司, “**Sinochem Changshan**”) on 31 August 2018, pursuant to which Sinochem Fertilizer agreed to convert an amount of RMB1,820,000,000 in the outstanding shareholders' loans extended by it to Sinochem Changshan into an additional registered capital of Sinochem Changshan (for further details, please refer to the Company's announcements dated 31 August 2018 and 12 September 2018, and the circular dated 26 October 2018); and
- (d) the Entrusted Loan Contract and the Agreement for the Use of Fund.

4. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

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

5. 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).

6. COMPETING INTERESTS

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

7. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 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.

8. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. LITIGATION

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

10. EXPERT

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

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

As at the Latest Practicable Date, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this supplemental 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.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. CHEUNG Kar Mun, Cindy, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (c) The principal place of business and head office of the Company in Hong Kong is at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) In the event of inconsistency, the English text of this supplemental circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the bye-laws of the Company;
- (b) the Entrusted Loan Contract and the Agreement for the Use of Fund;
- (c) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this supplemental circular;

- (f) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 41 of this supplemental circular;
- (g) the written consent referred to in the section headed “Expert” in this appendix;
- (h) the annual reports and consolidated financial statements of the Company for each of the two years ended 31 December 2016 and 2017 and the interim report and consolidated financial statements of the Company for the six months ended 30 June 2018; and
- (i) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2017, being the date of the Company’s latest published audited consolidated financial statements, including the circulars dated 12 February 2018 and 20 November 2018 in relation to the renewal of continuing connected transactions and the circular dated 26 October 2018 in relation to a major transaction.

SUPPLEMENTAL 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)

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

Reference is made to the circular (the “**SGM Circular**”) and notice (the “**SGM Notice**”) of Sinofert Holdings Limited (the “**Company**”) dated 20 November 2018, which set out the time and venue of the special general meeting of the Company (the “**SGM**”) and contain the resolutions to be considered and approved at the SGM.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the SGM will be held as originally scheduled at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2018 at 10:00 a.m., and in addition to the resolutions contained in the SGM Notice, the following supplemental resolutions will also be considered and approved at the same meeting:

SUPPLEMENTAL ORDINARY RESOLUTIONS

4. “THAT:

- (a) the Entrusted Loan Contract (as defined and described in the supplemental circular to the shareholders of the Company dated 5 December 2018 (the “**Supplemental Circular**”), a copy of which has been produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of the transaction thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Entrusted Loan Contract 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 Entrusted Loan Contract which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

* For identification purposes only

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

5. “THAT:

- (a) the Agreement for the Use of Fund (as defined and described in the Supplemental Circular, a copy of which has been produced to the meeting marked “D” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of the transaction thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Agreement for the Use of Fund 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 Agreement for the Use of Fund which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

For and on behalf of the Board of

Sinofert Holdings Limited

Qin Hengde

Executive Director and Chief Executive Officer

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

5 December 2018

Notes:

- 1. To be valid, the revised form of proxy (the “**Revised 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 (the “**Closing Time**”).
- 2. Any shareholder who has not yet lodged the form of proxy issued by the Company on 20 November 2018 (the “**Original Form of Proxy**”) is requested to lodge the Revised Form of Proxy if he or she intends to appoint a proxy to attend the SGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged. Any shareholder who has already lodged the Original Form of Proxy should note that:
 - (i) if the Revised Form of Proxy is lodged before the Closing Time, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed;
 - (ii) if no Revised Form of Proxy is lodged before the Closing Time, the Original Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed. The proxy so appointed pursuant to the Original Form of Proxy will be entitled to vote in accordance with the instructions previously given by the shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the SGM, including the proposed supplemental resolutions set out above.

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

3. Apart from the proposed supplemental resolutions set out above, all other matters of the SGM remain unchanged. For details of other resolutions to be considered and approved at the SGM, eligibility for attending the SGM, registration procedures and other relevant matters, please refer to the SGM Circular and the SGM Notice of the Company dated 20 November 2018.

As at the date of this supplemental 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.