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

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

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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MOU AND THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS REVISED BY THE SUPPLEMENTAL AGREEMENT)

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 22 of this 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 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 46 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 2 March 2018 at 2:00 p.m. is set out on pages 51 to 53 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

* For identification purposes only

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DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Canpotex”	Canpotex Limited, a company incorporated in Canada, which is held as to 50% by Nutrien
“CBRC”	China Banking Regulatory Commission
“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
“continuing 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
“Deposit Services”	the deposit services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement)
“Director(s)”	the director(s) of the Company
“Financial Services Framework Agreement”	the financial services framework agreement dated 9 December 2016 entered into between the Company and Sinochem Finance
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company formed to consider the New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement)
“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 New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement)
“Independent Shareholders”	shareholders who are not required to abstain from voting at the SGM, refer to shareholders other than Nutrien and its associates for the purpose of approving the New MOU and the transactions contemplated thereunder, and shareholders other than Sinochem Group and its associates for the purpose of approving the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement)
“Latest Practicable Date”	5 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan services (excluding entrustment loans) provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement)
“Macao”	Macao Special Administrative Region of the PRC

DEFINITIONS

“maximum daily outstanding balance”	the daily outstanding balance of the total deposits (including interest received) placed by the Group with Sinochem Finance, calculated at the close of settlement system of Sinochem Finance on a daily basis
“member unit(s)”	in respect of a company, includes its parent company, its subsidiaries where it controls more than 50% of the equity interests; the companies where its parent company and its subsidiaries individually or jointly control more than 20% of the equity interests, or the companies to which it is the largest shareholder; and the public institutions or social groups affiliated to its parent company or subsidiaries
“MOU”	the memorandum of understanding dated 12 January 2015 entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex)
“New MOU”	the non-binding memorandum of understanding dated 28 December 2017 entered into between Sinochem Macao and Canpotex
“Nutrien”	Nutrien Ltd., a corporation incorporated in Canada, whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange, and a substantial shareholder of the Company
“Other Financial Services”	apart from the Deposit Services and the Loan Services, other financial services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement), including entrustment loan services, commercial bills of exchange services, buyer financing services, settlement services, guarantee services, internet banking services, and other financial services as approved by the CBRC
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 2 March 2018 at 2:00 p.m. or any adjournment thereof, the notice of which is set out on pages 51 to 53 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“shareholder(s)”	registered holder(s) of Shares
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC, a subsidiary of Sinochem Group and the indirect controlling shareholder of the Company
“Sinochem Corporation Group”	Sinochem Corporation and its member units (excluding the Group)
“Sinochem Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Sinochem Corporation
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co. Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Sinochem Macao”	中化化肥澳門離岸商業服務有限公司 (Sinochem Fertilizer Macao Commercial Offshore Limited), a company incorporated in Macao on 16 November 2004 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement to the Financial Services Framework Agreement dated 17 January 2018 entered into between the Company and Sinochem Finance
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

LETTER FROM THE BOARD



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Executive Directors:

QIN Hengde (*Chief Executive Officer*)

Harry YANG

Non-executive Directors:

ZHANG Wei (*Chairman*)

YANG Lin

Independent Non-executive Directors:

KO Ming Tung, Edward

LU Xin

TSE Hau Yin, Aloysius

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business:

Unit 4705, 47th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

12 February 2018

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW MOU AND THE FINANCIAL SERVICES
FRAMEWORK AGREEMENT
(AS REVISED BY THE SUPPLEMENTAL AGREEMENT)**

INTRODUCTION

Reference is made to the announcement of the Company dated 28 December 2017 in relation to the New MOU, and the announcement of the Company dated 17 January 2018 in relation to the Supplemental Agreement to the Financial Services Framework Agreement. The transactions contemplated under the New MOU and the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) constitute

* For identification purposes only

LETTER FROM THE BOARD

continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the New MOU, the transactions contemplated thereunder and the proposed annual caps; (ii) further information on the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement); (iii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) the notice of the SGM; and (vi) other information as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MOU

Reference is made to the announcement of the Company dated 12 January 2015 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex International Pte. Limited (on behalf of Canpotex) for the supply of Canadian potash by Canpotex to Sinochem Macao. The MOU expired on 31 December 2017.

On 28 December 2017, Sinochem Macao and Canpotex entered into the New MOU, pursuant to which Sinochem Macao will continue to purchase Canadian potash from Canpotex. The New MOU will become effective after the approval from the Independent Shareholders is obtained at the SGM and will expire on 31 December 2020.

In the event that Sinochem Macao purchases any Canadian potash from Canpotex before obtaining the approval from the Independent Shareholders at the SGM, the Company will comply with the relevant requirements under the Listing Rules in a timely manner with respect to each particular purchase.

Principal terms of the New MOU

Date

28 December 2017

Parties

(a) Sinochem Macao

(b) Canpotex

LETTER FROM THE BOARD

Nature of transactions

Under the New MOU, Sinochem Macao has agreed to purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2020. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of Canadian potash per year comprised of the following grades: red standard grade potash, red granular grade potash, white fine standard grade potash and white standard grade potash.

During the term of the New MOU, Sinochem Macao will have the exclusive right to purchase red standard grade potash from Canpotex for sale in the PRC market.

Pursuant to the New MOU, the parties will enter into a contract each year for the purchase and delivery of red standard grade potash for such year, failing which, the annual volume of red standard grade potash to be purchased and delivered for such year will be separately discussed and determined through mutual negotiations between the parties. Such annual contract will set forth the quantity and grade of potash to be supplied during the year, the price and payment terms, the shipping terms and conditions, the loading port and destination, and the insurance arrangement, etc.

Pricing

Price for supply of potash during each year will be stipulated in the annual contract and adjusted on a six-month basis through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC.

If Sinochem Macao and Canpotex cannot reach final agreements on prices within 90 days from the last day of the previous six-month pricing period, both parties will be free to pursue business through alternative channels.

In determining such prices, the parties generally make reference to weekly reports published by certain independent commodity information providers such as Argus Media (<http://www.argusmedia.com>) and Baichuan (百川資訊 <http://www.baiinfo.com>). Such reports, usually updated on a weekly basis and available to the Group by subscription, provide up to date information on market trend and prevailing market prices. In addition, the Group maintains regular contacts with domestic and overseas potash producers, distributors and traders, keeping abreast of the latest international and domestic market prices.

Before determining the price to be stipulated in the annual contract with Canpotex, the Group usually makes reference to the prices under its long-term agreements with three or more independent suppliers who are leading suppliers of potash in the world and maintain long-term cooperation with the Group for over 20 years, and takes into account the demand of its downstream customers. The Group will check the latest prices published by Argus Media and Baichuan, and compare the prices, quantities, types and specifications of potash offered by Canpotex with those offered by independent suppliers, so as to ensure that the price offered by

LETTER FROM THE BOARD

Canpotex as stipulated in the annual contract (subject to any adjustment as may be made on a six-month basis) is consistent with the latest prices published by Argus Media and Baichuan, and is within the range of the prices offered by independent suppliers. Such information will be reported to the manager of the potash department, and then submitted to the vice president in charge of the potash business for approval.

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

Payment

Payments may be settled by way of letter of credit or such other means as may be decided upon by the parties. Detailed payment terms will be set forth in the annual contract to be entered into between the parties. It is expected that payments will usually be made by way of irrevocable letter of credit within 90 days from the date of bill of lading, which is in line with the Group's existing payment practice with independent suppliers.

Term and termination

The New MOU will become effective after the approval from the Independent Shareholders is obtained at the SGM and will expire on 31 December 2020. The New MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

Annual caps

The proposed annual caps for the three years ending 31 December 2020 in respect of the continuing connected transactions contemplated under the New MOU are US\$250,000,000, US\$260,000,000 and US\$270,000,000, respectively. Such annual caps are determined based on the estimated volume and prices of purchases pursuant to the New MOU, with reference to the transaction volume of potash purchased for the previous years.

The historical amounts of such continuing connected transactions for the three years ended 31 December 2017 were approximately US\$226,961,000, US\$62,605,000 and US\$47,675,000, respectively.

The historical amounts for the two years ended 31 December 2017 are substantially lower than the annual caps for the three years ending 31 December 2020, which is mainly due to (i) the limited imports of potash in the first half of 2016 and 2017 as the consensus with Canpotex regarding import price and volumes for each of 2016 and 2017 was only reached in the third quarter of the relevant year, and (ii) the significant decrease in international market price of potash in 2016 and 2017 as compared to that in 2015. The international market price of potash

LETTER FROM THE BOARD

began to exhibit a slight increasing trend from the fourth quarter of 2017. In determining the annual cap for the year ending 31 December 2018, the Company has in general made reference to the historical amount for the year ended 31 December 2015, the projected price of potash in 2018 based on the international market price of potash in November 2017 of US\$230 per tonne (being the latest price prior to the publication of the announcement in relation to the New MOU), the maximum annual purchase volume of 1,000,000 tonnes under the New MOU, and factored in the expected increasing trend of the price of potash which is consistent with the most recent prices available from independent commodity information providers. In determining the annual caps for the two years ending 31 December 2020, the Company has applied a slight percentage increase to the projected price of 2018. On the above basis, the Board is of the view that the annual caps for the three years ending 31 December 2020 are fair and reasonable.

Reasons for and benefits of the continuing connected transactions

By entering into the New MOU, the Group will further enrich its operational resources and ensure a stable supply of the relatively rare mineral fertilizer of potash. The production of potash in the PRC falls short of domestic demand. Each year the PRC needs to import considerable quantities of potash to meet the increasing demand of potash for domestic agricultural production. The import of potash products from Canpotex under the New MOU will help enrich the operational resources of the Group.

Dr. Stephen Francis Dowdle*, being a management member of Potash Corporation of Saskatchewan Inc., and Ms. Xiang Dandan*, being an employee of Canpotex, have abstained from voting on the relevant Board resolution passed to approve the New MOU and the transactions contemplated thereunder.

Implications of the Listing Rules

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien, through its wholly-owned subsidiaries, holds approximately 22.26% equity interest in the Company, and is therefore a substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the New MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions under the New MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* Dr. Stephen Francis Dowdle and Ms. Xiang Dandan were Directors at the time when the Board approved the New MOU and the transactions contemplated thereunder. They resigned as Directors with effect from 31 December 2017. Potash Corporation of Saskatchewan Inc. was a shareholder of Canpotex holding 33.33% of its equity interest at the time when the Board approved the New MOU and the transactions contemplated thereunder.

LETTER FROM THE BOARD

General information

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

Canpotex is principally engaged in offshore marketing of potash products for its owners. Canpotex is owned as to 50% by Nutrien.

CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS REVISED BY THE SUPPLEMENTAL AGREEMENT)

Reference is made to the announcement of the Company dated 9 December 2016 in relation to, among others, the Financial Services Framework Agreement entered into between the Company and Sinochem Finance. Pursuant to the Financial Services Framework Agreement, the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2017 to 31 December 2019 (both days inclusive).

On 17 January 2018, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement for each of the two years ending 31 December 2019, and to amend certain terms of the Financial Services Framework Agreement for the benefit of the Group, which mainly include:

- (i) the interest rate for the Deposit Services shall not be lower than the interest rates for deposits as offered by independent commercial banks in the PRC;
- (ii) the Group will no longer be required to pay any service fees to Sinochem Finance in respect of the settlement services; and
- (iii) Sinochem Finance will make additional undertakings, including (a) at all times the sum of the outstanding amount of the loans it provides to member units of Sinochem Group (excluding the Group) shall not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and the deposits received from parties other than the Group; (b) Sinochem Finance will deliver to the Company a monthly report on the status of the Group's deposits, loans and other transactions between the Group and Sinochem Finance on the third day of each month; and (c) Sinochem Finance will provide the Company with a copy of each regulatory report submitted by it to the CBRC.

LETTER FROM THE BOARD

Principal terms of the Financial Services Framework Agreement (as revised by the Supplemental Agreement)

Parties

- (a) The Company
- (b) Sinochem Finance

Provision of financial services by Sinochem Finance to the Group

The Group will, from time to time, utilize the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (i) Deposit Services, including but not limited to demand deposits, call deposits and term deposits. It is expected that the deposits to be placed by the Group with Sinochem Finance will mainly be the demand or call deposits whereby the Group may withdraw its deposits at any time by serving a notice to Sinochem Finance. If the Group decides to place term deposits with Sinochem Finance in the future, the Group will consider its cash balance and liquidity requirement and determine the tenure of its term deposits, and it is expected that the maximum tenure of the term deposits will not exceed two years;
- (ii) provision of the Loan Services (excluding entrustment loans) to members of the Group on normal commercial terms, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (iii) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency through which funds of one member of the Group may be channeled for use by another member of the Group. Such funds deposited by members of the Group will be applied for the purposes of providing entrustment loans to members of the Group only;
- (iv) commercial bills of exchange services which include the provision to members of the Group on normal commercial terms of services relating to the issuance, acceptance, custody, collection (when due) and discount of commercial bills of exchange, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (v) buyer financing services which include the provision to the clients of members of the Group on normal commercial terms of financing services, including but not limited to the extension of loans, the issuance of commercial bills of exchange and the granting of credit for the purposes of purchasing goods or services from members of the Group only;

LETTER FROM THE BOARD

- (vi) settlement services which include settlement of transactions between members of the Group, and of transactions between members of the Group and member units of Sinochem Corporation Group or other third parties, the utilization by Sinochem Finance of the electronic payment and settlement systems it has set up with a number of banks to settle payments from distribution clients of members of the Group to members of the Group, the utilization by Sinochem Finance of the settlement systems it has set up with banks to audit the settlement business of members of the Group, and the provision by Sinochem Finance of cash management services, such as internal capital pool, for the Group and its member units;
- (vii) provision of guarantees at the request of members of the Group for financing, lease financing, bidding activities or the fulfillment of contracts to member units of Sinochem Corporation Group or other third parties, where no counter-guarantee by members of the Group is required;
- (viii) internet banking services; and
- (ix) any other financial services as approved by the CBRC.

The Group utilizes the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all.

Interests, fees and charges

Interests, fees and charges payable to and from Sinochem Finance under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are determined on the following basis:

- (i) Deposit Services: under the Financial Services Framework Agreement, interest rates are determined in accordance with and shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time. It is further stipulated in the Supplemental Agreement that interest rates shall not be lower than the interest rates for deposits as offered by independent commercial banks in the PRC;
- (ii) Loan Services: interest rates are determined in accordance with and shall not be higher than the interest rates for loans of the same tenure and under the same terms obtainable from independent commercial banks, and shall be in compliance with the requirements set out by the PBOC;
- (iii) entrustment loan services: the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks;
- (iv) commercial bills of exchange services: the service fee and discount interest payable by the Group shall not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks;

LETTER FROM THE BOARD

- (v) buyer financing services: no service fee is payable by the Group;
- (vi) settlement services: pursuant to the Supplemental Agreement, the Group shall no longer be required to pay any service fees to Sinochem Finance in respect of the settlement services; and
- (vii) provision of guarantees, internet banking services and other financial services as approved by the CBRC: the service fees charged for these services shall not be higher than the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

Term

All the existing terms of the Financial Services Framework Agreement are currently effective and will expire on 31 December 2019. The revised maximum daily outstanding balance of the Deposit Services under the Supplemental Agreement shall become effective after the approval from the Independent Shareholders is obtained at the SGM. Other revisions under the Supplemental Agreement, which do not require the approval from the Independent Shareholders, became effective on 17 January 2018 and will end on 31 December 2019. Sinochem Finance and members of the Group shall enter into separate agreements which set out the specific scope of services and the terms and conditions of providing such services according to the principles laid down by the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

Right of set-off

In the event that any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off under the Financial Services Framework Agreement (as revised by the Supplemental Agreement). During the three years ended 31 December 2017, the historical maximum balance of the outstanding amounts due to Sinochem Finance by the Group amounted to approximately RMB2,091,000,000, including the maximum balance of the loans granted by Sinochem Finance of approximately RMB1,200,000,000 and the maximum balance of the notes payable to Sinochem Finance of approximately RMB891,000,000. However, if at any time the balance of the outstanding amounts due to Sinochem Finance by the Group is lower than the balance of the deposits placed by the Group with Sinochem Finance, the Group may not be able to fully recover the amount it deposits with Sinochem Finance by exercising its right of set-off.

Undertakings

Sinochem Finance has undertaken to the Company that whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement (as revised by the Supplemental Agreement), Sinochem

LETTER FROM THE BOARD

Finance shall compensate the Group for the full amount of the loss suffered. Sinochem Corporation has entered into an undertaking in favour of the Company, pursuant to which Sinochem Corporation will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the CBRC in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with the banking institutions approved by the CBRC.

In addition, under the Supplement Agreement, Sinochem Finance has also undertaken that at all times the sum of the outstanding amount of the loans it provides to member units of Sinochem Group (excluding the Group) shall not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and the deposits received from parties other than the Group.

Others

In the event that the Deposit Services (including the revised maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are not approved by the Independent Shareholders, the Company will ensure that the Deposit Services will not exceed the existing maximum daily outstanding balance. Other services contemplated under the Financial Services Framework Agreement (as revised by the Supplemental Agreement), including the provision of the Loan Services and Other Financial Services by Sinochem Finance to the Group, will continue.

Revision of annual caps

Deposit Services

The Company intends to revise the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2019 from RMB320,000,000 to RMB1,000,000,000 due to the following reasons:

- (i) The Group maintains sufficient bank balances and cash. During the peak season for the sale of fertilizer products in the past three years, its maximum bank balances and cash reached approximately RMB2,200,000,000;
- (ii) Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. However, given that the original cap is relatively low, the Group cannot deposit most of its funds with Sinochem Finance to utilize the settlement services free of charge, especially during the peak season for the sale of fertilizer products when the funds of the Group are sufficient;

LETTER FROM THE BOARD

- (iii) The Group is actively pushing forward the new strategy for agricultural development and will therefore require more financing support and financial services in the future. The Loan Services and Other Financial Services provided by Sinochem Finance are more flexible than those offered by commercial banks, with more favourable rates being offered. The increase in the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance will be beneficial for the Group to develop its new strategy by taking advantage of the resources provided by Sinochem Finance, which will enable the Group to enjoy more quality financial services;
- (iv) For the purpose of utilizing the flexible and favourable services provided by Sinochem Finance and at the same time limiting the maximum risk exposure arising from the Deposit Services provided by Sinochem Finance, the Group will deposit its funds in different financial institutions (including Sinochem Finance) to spread risk, and monitor the status of its deposits with Sinochem Finance to ensure that the balance of its deposits with Sinochem Finance at the close of settlement system of Sinochem Finance on each day will not exceed 15% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements. In determining the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2019, the Company has made reference to its latest published consolidated net assets of approximately RMB8,214,117,000 as at 30 June 2017, the 15% of which amounted to approximately RMB1,232,118,000. The maximum daily outstanding balance is close to and slightly lower than such 15% threshold, which is considered to be prudent from a risk management perspective; and
- (v) The Group will utilize the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, including the Deposit Services. The maximum daily outstanding balance only represents the highest daily amount of deposits that the Group may place with Sinochem Finance and there are no obligations for the Group to deposit such amounts with Sinochem Finance. The revision of the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will enable the Group to have a greater flexibility in selecting deposit service providers and allocating its resources.

Despite the fact that the maximum bank balances and cash of the Group reached approximately RMB2,200,000,000 during the peak season for the sale of fertilizer products in the past three years, after taking into account the reasons as detailed above (in particular, the Group is under no obligation to deposit its funds with Sinochem Finance, and has maintained bank accounts with financial institutions other than Sinochem Finance to spread risk), the Board considers that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2019 is sufficient.

LETTER FROM THE BOARD

For the three years ended 31 December 2017, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance were approximately RMB271,369,000, RMB155,057,000 and RMB300,069,000, respectively. Despite the fact that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2019 is substantially higher than the historical figures, after taking into account the reasons as detailed above (including (i) the maximum bank balances and cash of the Group during the peak season for the sale of fertilizer products in the past three years, (ii) the Group's intention to deposit more funds with Sinochem Finance for the purpose of utilizing Sinochem Finance's free of charge settlement services, (iii) the more favourable and flexible financial services provided by Sinochem Finance as compared to independent commercial banks, (iv) the consolidated net assets of the Company as set out in its latest published consolidated financial statements, and (v) the nature of the maximum daily outstanding balance, which represents the highest daily amount of deposits that the Group may place with Sinochem Finance, rather than the obligation for the Group to deposit such amounts with Sinochem Finance), the Board considers that the increase in the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2019 is fair and reasonable.

As at the Latest Practicable Date, the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement has not exceeded the original cap as disclosed in the announcement of the Company dated 9 December 2016.

Other Financial Services

The annual cap in respect of the Other Financial Services for each of the two years ending 31 December 2019 will remain unchanged at RMB10,000,000. Such cap represents the estimated transaction amount of the Other Financial Services in aggregate and has been estimated on the basis of several factors, including (i) the capital management strategy of the Group; (ii) the business development and financial needs of the Group; and (iii) the historical transaction amounts of such services.

For the three years ended 31 December 2017, the historical transaction amounts of such services in aggregate were approximately RMB2,114,000, RMB2,943,000 and RMB4,859,000, respectively.

Internal Control Procedures and Corporate Governance Measures

In order to protect the interests of the shareholders, the Group will continue to adopt the following internal control procedures and corporate governance measures in relation to its utilization of financial services provided by Sinochem Finance:

- The interest rates on large deposits offered by independent commercial banks are usually set at a certain percentage higher than the benchmark interest rate published by the PBOC, whereas the interest rates on small deposits are usually set at the benchmark interest rate published by the PBOC. The Group will obtain three or more comparable interest rates on large deposits at least once a year from independent commercial banks with which the Group maintains bank accounts, and compare the interest rates to ensure that the interest rates offered by Sinochem Finance will not be lower than the interest rates offered by the independent commercial banks.

LETTER FROM THE BOARD

- Before the Group enters into any loan or credit facilities agreements with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least three comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of such offers, together with the offer from Sinochem Finance, will forthwith be submitted to the chief financial officer of the Company for review. The chief financial officer of the Company will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer.
- All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted in accordance with the terms approved by the chief financial officer of the Company or the Board, as appropriate.
- A report on any changes in the credit ratings of Sinochem Finance during the term of the Financial Services Framework Agreement (as revised by the Supplemental Agreement) will be provided by Sinochem Finance to the Company.
- The financial statements of Sinochem Finance for each month will be provided to the Company in the following month.
- Under the Supplemental Agreement, Sinochem Finance has undertaken that it will deliver to the Company a monthly report on the status of the Group's deposits, loans and other transactions between the Group and Sinochem Finance on the third day of each month.
- Under the Supplemental Agreement, Sinochem Finance has also undertaken that it will provide the Company with a copy of each regulatory report submitted by it to the CBRC.
- The Company will monitor the status of the deposits on a daily basis through the internet banking services provided by Sinochem Finance.
- The Company will monitor the status of its deposits with Sinochem Finance to ensure that the balance of its deposits with Sinochem Finance at the close of settlement system of Sinochem Finance on each day will not exceed 15% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements.
- The internal control department of the Company will conduct an annual review of the above internal control measures and report the review results to the independent non-executive Directors.

The Board considers that the above internal control procedures and corporate governance measures currently adopted by the Company concerning the continuing connected transactions with Sinochem Finance are appropriate and sufficient, and that the procedures and measures give sufficient assurance that the continuing connected transactions will be appropriately monitored by the Company.

LETTER FROM THE BOARD

Reasons for and benefits of the continuing connected transactions

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBRC and it provides its services in compliance with the relevant rules and operational requirements promulgated by the abovementioned authorities, including capital risk guidelines and requisite capital adequacy ratio requirements;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or, to the knowledge of the Company, breached any rules or operational requirements of such regulatory authorities during the past three years. In particular, the CBRC monitors Sinochem Finance's compliance with relevant regulatory authorities and conducts on-site visits from time to time. To the knowledge of the Company, other than the opinions on corrective measures issued by the CBRC during its on-site visits, the CBRC has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation; and
- (iii) according to the relevant laws and regulations promulgated by the CBRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Corporation, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting additional capital into Sinochem Finance based on its funding needs, to restore its financial position.

The advantages of utilizing financial services provided by Sinochem Finance over utilizing similar services provided by independent commercial banks are as follows:

- (i) as the internal financing platform of Sinochem Group, credit line provided by Sinochem Finance will not be affected by external environmental changes, and can be the most reliable and stable finance resource for the Group; meanwhile, Sinochem Finance can provide mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group;
- (ii) the Company usually needs to make an appointment one week in advance or even longer to obtain loans from external banks while the loan drawdown procedure of Sinochem Finance is rather convenient and can be completed within 1-2 days, which can meet the capital demand of the Group's business in time;
- (iii) Sinochem Finance will provide more favourable deposit portfolio for the Group based on the condition of the Group, which can increase capital returns while retaining the working capital flexibility of the Group; and
- (iv) the settlement service provided by Sinochem Finance will result in no commission for settlement among member companies of the Group, therefore reducing the transaction costs.

LETTER FROM THE BOARD

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Financial Services Framework Agreement (as revised by the Supplemental Agreement), the Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost.

Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, have abstained from voting on the relevant Board resolution to approve the Financial Services Framework Agreement (as revised by the Supplemental Agreement) and the transactions contemplated thereunder.

Implications of the Listing Rules

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, which is owned as to 98% by Sinochem Group. Sinochem Group is the ultimate controlling shareholder of the Company, holding an effective interest of approximately 52.65% of the Company. Accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) constitute continuing connected transactions of the Company.

Deposit Services

Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are more than 5% but less than 25%, the Deposit Services also constitute a discloseable transaction under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements.

Loan Services

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance. As the Loan Services are fully exempt pursuant to Rule 14A.90 of the Listing Rules, no annual cap has been set for the Loan Services.

LETTER FROM THE BOARD

Other Financial Services

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

General information

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

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

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the PBOC. It is subject to the supervision of the CBRC. According to its business licence, it is authorized to provide to the Group all services set out in the Financial Services Framework Agreement and provide similar services to other member units of Sinochem Corporation Group (but not other parties).

SGM

Resolutions approving (i) the New MOU and the transactions contemplated thereunder, and (ii) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) shall be proposed at the SGM.

In view of Nutrien's interests in the New MOU, Nutrien and its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the SGM to approve the New MOU and the transactions contemplated thereunder. In view of Sinochem Group's interests in the Financial Services Framework Agreement (as revised by the Supplemental Agreement), Sinochem Group and its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the SGM to approve the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

A notice convening the SGM to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 2 March 2018 at 2:00 p.m. is set out on pages 51 to 53 of this circular.

LETTER FROM THE BOARD

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under each of the New MOU and the Financial Services Framework Agreement (as revised by the Supplemental Agreement) have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the New MOU and the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of the New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement). Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 25 to 46 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

Yours faithfully,

For and on behalf of the Board of

Sinofert Holdings Limited

Qin Hengde

Executive Director and Chief Executive Officer



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

12 February 2018

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW MOU AND THE FINANCIAL SERVICES
FRAMEWORK AGREEMENT
(AS REVISED BY THE SUPPLEMENTAL AGREEMENT)**

We refer to the circular of the Company dated 12 February 2018 (the “Circular”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) 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 New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

We wish to draw your attention to the letter from the Board set out on pages 6 to 22 of the Circular, and the letter from Somerley, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 46 of the Circular which contains its opinion in respect of the New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the New MOU and the transactions contemplated thereunder and the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the SGM.

Yours faithfully,
Independent Board Committee of
Sinofert Holdings Limited
Tse Hau Yin, Aloysius
Ko Ming Tung, Edward
Lu Xin

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED

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

12 February 2018

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MOU AND THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS REVISED BY THE SUPPLEMENTAL AGREEMENT)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the purchases of Canadian potash (the “**Potash Imports**”) by Sinochem Macao from Canpotex pursuant to the terms of the New MOU for the three years ending 31 December 2020, including the proposed annual caps (the “**Annual Caps**”), and (ii) the provision of Deposit Services, including the revised maximum daily outstanding balance (the “**Revised Daily Balance**”), by Sinochem Finance to the Group pursuant to the terms of the Financial Services Framework Agreement (as revised by the Supplemental Agreement) for the two years ending 31 December 2019 (collectively, the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought. Details of the Continuing Connected Transactions, the Annual Caps and the Revised Daily Balance are contained in the circular of the Company to the Shareholders dated 12 February 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien, through its wholly-owned subsidiaries, holds an approximately 22.3% equity interest in the Company, and is therefore a substantial shareholder of the Company. Canpotex, which is owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the New MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the Annual Caps are more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM SOMERLEY

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, which is owned as to approximately 98% by Sinochem Group. Sinochem Group is the ultimate controlling shareholder of the Company, holding an effective interest of approximately 52.7% of the Company. Accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the Revised Daily Balance of the Deposit Services are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance. Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement, and annual review but exempt from Independent Shareholders' approval requirements pursuant to the relevant exemption provisions under Chapter 14A of the Listing Rules.

In view of Nutrien's interests in the New MOU, Nutrien and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Potash Imports (including the Annual Caps). In view of Sinochem Group's interests in the Financial Services Framework Agreement (as revised by the Supplemental Agreement), Sinochem Group and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Deposit Services (including the Revised Daily Balance).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius, has been established to advise the Independent Shareholders whether the terms of the Continuing Connected Transactions (including the Annual Caps and the Revised Daily Balance) 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 these regards.

During the past two years, Somerley has acted as independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions of the Group (details of which were set out in the circulars of the Company dated 4 February 2016, 23 January 2017, 20 November 2017) and a very substantial disposal and connected transaction of the Group (details of which were set out in the circular of the Company dated 1 December 2017) (the "**Disposal Circular**"). The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under

LETTER FROM SOMERLEY

the past engagements, Somerley received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Canpotex, Sinochem Group, Sinochem Corporation, Sinochem Finance and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Canpotex, Sinochem Group, Sinochem Corporation, Sinochem Finance 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 Continuing Connected Transactions (including the Annual Caps and the Revised Daily Balance), we have taken the following principal factors and reasons into consideration:

(A) The New MOU

1. Information on Sinochem Macao and Canpotex

Sinochem Macao is incorporated in Macao. As an indirect wholly-owned subsidiary of the Company, Sinochem Macao is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas suppliers.

Canpotex is a Canadian corporation which is 50% owned by Nutrien. It is principally engaged in offshore marketing of potash products for its owners. Nutrien is also a Canadian corporation, a global provider of fertilisers, with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange.

2. Background to and reasons for the Potash Imports

Sinochem Macao has been purchasing Canadian potash from Canpotex since 2005. We are advised by the management of the Group that the PRC needs to import considerable quantities of potash each year for domestic agricultural production, principally because the production of potash in the PRC falls short of domestic demand. The previous supply of Canadian potash to the Group was governed by the MOU dated 12 January 2015, for a term of three years, which was approved by the then independent shareholders at a shareholders' meeting held on 17 March 2015.

LETTER FROM SOMERLEY

Since the MOU has expired on 31 December 2017, the Group considers that the New MOU is required. On 28 November 2017, the Group announced that Sinochem Macao and Canpotex entered into an addendum in accordance with the MOU, pursuant to which Sinochem Macao agreed to purchase from Canpotex approximately 70,000 tonnes of red standard grade muriate of potash at a consideration of approximately US\$16.1 million. Since Sinochem Macao had at the time not yet concluded the negotiations relating to the renewal of the MOU, the above addendum ensured a stable supply of potash from Canpotex before the renewal of the MOU. Subsequently, on 28 December 2017, the New MOU was entered into between Sinochem Macao and Canpotex to specify the quantities of Canadian potash to be supplied by Canpotex to Sinochem Macao for the three years ending 31 December 2020.

3. Principal terms of the Potash Imports

Pursuant to the New MOU, Sinochem Macao has agreed to purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2020. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of Canadian potash per year comprised of the following grades: red standard grade potash, red granular grade potash, white fine standard grade potash and white standard grade potash. During the term of the New MOU, Sinochem Macao will have the exclusive right to purchase red standard grade potash from Canpotex for sale in the PRC market.

Pursuant to the New MOU, the parties will enter into a contract each year for the purchase and delivery of red standard grade potash for such year, failing which, the annual volume of red standard grade potash to be purchased and delivered for such year will be discussed and determined through mutual negotiations between the parties. As set out in the letter from the Board, such annual contract will set out, among others, the quantity and grade of potash to be supplied, the price and payment terms, the shipping terms and conditions, the loading port and destination and the insurance arrangement.

Price for the Canadian potash to be supplied will be stipulated in the annual contract and adjusted on a six-month basis through mutual negotiations between the parties with reference to the prevailing international market potash prices and competitive sea import prices to the PRC, which can be obtained from various sources published by certain independent commodity information providers, such as Argus Media and Baichuan. If Sinochem Macao and Canpotex cannot reach final agreement on prices within 90 days from the last day of the previous six-month pricing period, both parties will be free to pursue business through alternative channels. As set out in the letter from the Board, before determining the price to be stipulated in the annual contract, the Group will make reference to the potash prices under its long-term agreements with three or more independent suppliers and the latest prices published by Argus Media and Baichuan, and also compare the prices, quantities, types and specifications of potash offered by Canpotex with those from independent suppliers. This is to ensure that the price offered by Canpotex as stipulated in the annual contract (subject to any adjustment as may be made on a six-month basis) is similar to the latest prices published by Argus Media and Baichuan, and is within the range of the prices offered by independent suppliers. Such information will be reported to the manager of the potash department and approved by the vice president in charge of the potash business.

LETTER FROM SOMERLEY

Payments for the Canadian potash may be settled by way of letter of credit or such other means as may be decided upon by the parties of the New MOU. As set out in the letter from the Board, detailed payment terms will be set forth in the annual contract to be entered into between the parties. It is expected that payments will usually be made by way of irrevocable letter of credit within 90 days from the date of bill of lading, which is in line with the Group's existing payment practice with independent suppliers.

The New MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

Comparison on terms of the New MOU with independent third parties

We have discussed with the management of the Group and reviewed sample contracts for the purchases of Canadian potash by Sinochem Macao from Canpotex and compared them with contracts for similar purchases from independent suppliers, which were selected on a random basis covering the period from 1 January 2015 to 31 December 2017. We note that the terms for transactions contemplated under the New MOU, in particular the pricing terms and credit terms, are similar to the transaction terms between Sinochem Macao and independent third parties, as reviewed by us, and consider the sample contracts selected to be fair and representative.

4. International market price of potash



Source: Monthly average commodities price data from the World Bank

As shown above, international market price of potash has dropped substantially since Q1 2015, reaching a low of approximately US\$210 per tonne towards the end of 2016. The significant decrease in potash price in 2016 was mainly due to weak demand, high stocks, and ample supply, according to the Commodity Markets Outlook report published by the World Bank in October 2016 (as retrieved from its website at <http://www.worldbank.org/en/research/commodity-markets#2> on the Latest Practicable Date). During the first three quarters of 2017 potash price remained relatively flat, and it subsequently exhibited a slight increasing trend towards the end of 2017 and up to January 2018.

LETTER FROM SOMERLEY

5. Annual Caps of the Potash Imports

(i) Review of historical figures

Set out below are the historical transaction amounts for the three years ended 31 December 2017:

	For the year ended 31 December		
	2015	2016	2017
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	('000)	('000)	('000)
Historical purchases from Canpotex	US\$226,961	US\$62,605	US\$47,675
Relevant annual caps	US\$435,500	US\$500,250	US\$550,250
Utilisation rates	52.1%	12.5%	8.7%

There was a substantial decrease in historical transactions in 2016 compared to 2015. We note that purchase of potash from Canpotex decreased by approximately 72.4% from approximately US\$227.0 million in 2015 to approximately US\$62.6 million in 2016. We understand from the management of the Group that this was mainly due to (i) lower imports in the first half of the year as a consensus with Canpotex regarding import price and volumes was reached only in August 2016, delaying the first shipment from Canpotex in that year to October 2016, compared to 2015 during which a consensus with Canpotex was reached in March, and (ii) the fall in the price of potash over the same period, as mentioned above.

In 2017, purchase of potash from Canpotex amounted to approximately US\$47.7 million. We note that utilisation of the relevant annual cap was low, being approximately 8.7%. According to our discussion with the management of the Company, this was mainly due to (i) lower imports in the first three quarters of the year as a result of extended negotiations and finalisation of the potash contract with Canpotex, which was concluded only in July 2017, delaying the first shipment from Canpotex during that year to September 2017, (ii) a decreased supply by Canpotex during the fourth quarter of 2017, and (iii) a decline in staple food prices, particularly the lower minimum purchase price of rice by the PRC government in 2017, the reduction of farmers' income and area of arable land, for example, relating to corn, and a continued oversupply situation in the fertilizer industry in the PRC, leading to Sinochem Fertiliser purchasing a lower quantity of potash from Canpotex when compared to 2016. We have reviewed statistics from the National Bureau of Statistics of the PRC (as retrieved from its website at <http://data.stats.gov.cn/easyquery.htm?cn=B01> on the Latest Practicable Date) and note that the producer price index for agricultural products has decreased to 96.8 points in the third quarter of 2017, from 101.5 points in the fourth quarter of 2016, and that the fertilizer inventory levels at the end of the third quarter of 2017 have increased by approximately 27.6% as compared to that in the beginning of 2017, which in general indicated an oversupply situation in the PRC.

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In addition, we note from the Group's 2017's interim report that the Group continued to accelerate the inventory turnover and to lower physical inventory by strengthening the coordination between fertilizer procurement and distribution channels. Inventory balance of the Group decreased substantially recently, from approximately RMB6,312.3 million as at 31 December 2015 to approximately RMB4,475.0 million as at 31 December 2016, and further decreased to approximately RMB3,712.0 million as at 30 June 2017. We understand from the management of the Group that it was the Group's arrangement to lower inventory size and reduce the purchase requirements in the past two years. This, together with the decreasing international market prices of potash since 2015, resulted in lower utilisation of the relevant annual caps.

(ii) Assessment of the Annual Caps

Set out below are the Annual Caps for the three years ending 31 December 2020:

	For the years ending 31 December		
	2018	2019	2020
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Annual Caps of Canadian potash purchases from Canpotex	250,000	260,000	270,000

In assessing the reasonableness of the Annual Caps for the three years ending 31 December 2020, we have discussed with the management of the Group the basis and assumptions underlying the projections of the Annual Caps. The Annual Caps are determined based on the agreed terms with Canpotex and the Group's estimated purchase prices of Canadian potash to be separately agreed with Canpotex.

Future purchase quantities

Sinochem Macao has agreed under the New MOU to purchase an annual volume of 500,000 tonnes of red standard grade potash with an option to purchase further volumes up to 500,000 tonnes of Canadian potash per year. Accordingly, in deriving the proposed annual caps for each of the three years ending 31 December 2020, the Directors estimated the purchase quantities of Canadian potash to be 1,000,000 tonnes. We note that the Group was granted exclusivity to purchase red standard grade potash from Canpotex for sale in the PRC market in coming three years, subject to the terms of the New MOU.

We note that the management of the Group considers the actual sales quantities of fertilizer products in the years 2016 and 2017 to be not representative of expected future volumes, given the relevant agreements with Canpotex confirming the potash purchase price and quantity for the respective calendar years were only reached in mid-2016 and mid-2017 respectively, resulting in purchase orders to Canpotex during that calendar year being made only after such agreement dates. As such, in estimating the purchase quantities of potash from Canpotex for the three years ending 31 December 2020, the management of the Group has in

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general made reference to the actual purchase quantities of potash from Canpotex in 2015, where the relevant agreement with Canpotex was entered into relatively earlier in the year during the first quarter of 2015, and factored in the expected recovery of potash market, on the basis of the Group's general forecast for the demand for potash. Further, we understand from the management of the Group that along with enhancing the Group's marketing and operating abilities for its products, the Group intends to speed up the process of potash import negotiation with Canpotex in the coming year and targets to resume the relevant purchase quantities at 2015 levels.

We note from the Group's 2017 interim report that the Group carried out a series of reforms in the context of service-oriented marketing and strengthened strategic partnerships with core domestic and overseas suppliers. The Group's sales volume of potash increased by approximately 28.0% during the first half of 2017, as compared to the same period in 2016. The global potash demand is expected to grow moderately between 2017 and 2021 according to a report published by the International Fertilizer Association (as retrieved from its website at https://www.fertilizer.org/images/Library_Downloads/2017_IFA_Annual_Conference_Marrakech_PIT_AG_Fertilizer_Outlook.pdf on the Latest Practicable Date). On the basis of the above, we concur with the view of the Group's management on expected future volumes to be sourced by Sinochem Macao from Canpotex, as set out above. In addition, as set out in the Disposal Circular in relation to the Group's disposal its interest in Qinghai Salt Lake Industry Co., Ltd (**"Qinghai Salt Lake"**), we note that part of the proceeds from the above disposal to the amount of approximately RMB1.8 billion to RMB2.8 billion are earmarked be used for developing and expanding the Group's current businesses by way of capital expenditure and/or investments and potential acquisitions in connection with the Group's compound fertilizer business, which may generally indicate potential in the future business growth of the Group.

Future potash prices

In estimating the potash price in 2018, the management of the Group has made reference to the international market price of potash of approximately US\$230 per tonne in November 2017. Based on our independent work performed, the Group's forecast price is not materially different from the most recent prices available from independent commodity information providers, as of January 2018, which we have reviewed. In estimating the potash price in 2019 and 2020, the management of the Group has applied a slight percentage increase to the projected price of 2018 as discussed above. Based on our independent work performed, the percentage increase in 2019 and 2020 is not materially different from the World Bank Commodities Price Forecast dated 26 October 2017 (as retrieved from its website at <http://pubdocs.worldbank.org/en/678421508960789762/CMO-October-2017-Forecasts.pdf> on the Latest Practicable Date) as published by the World Bank, on which basis we consider the estimated potash prices to be appropriate.

General view

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Annual Caps in a way that can enrich the operational resources of the Group. As shown in previous utilisations of the annual caps relating to transactions with Canpotex,

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imports by Sinochem Macao were effected by fluctuations in market prices of potash and the progress of negotiation with Canpotex. Such uncertainties present a challenge for management of the Group when estimating future transaction values. For example, management of the Group was not able to forecast that a consensus with Canpotex was only reached mid-year in both 2016 and 2017, leading to a significant drop in potash imports in the first half of each year, which in turn meant a low utilisation of relevant annual caps under the MOU. Provided that the Potash Imports are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below) as required under the Listing Rules, the Group would have desirable flexibility in conducting its business if the Annual Caps, in this case the purchases from Canpotex for the Group's distribution in the PRC market, are tailored to future business activities. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Annual Caps.

(B) The Financial Services Framework Agreement (as revised by the Supplemental Agreement)

1. Information on Sinochem Group and Sinochem Finance

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

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the PBOC. It is regulated by the PBOC and the CBRC, and is principally engaged in the provision of settlement, financing, financial management and financial consulting services to Sinochem Group and its associates.

As at 31 December 2016, Sinochem Finance had a registered and fully-paid capital of RMB3,000.0 million. In 2016, it generated net interest income of approximately RMB354.0 million, investment income of approximately RMB304.9 million, and net profit of approximately RMB451.0 million. Its total assets and total equity amounted to approximately RMB23,576.7 million and RMB4,336.2 million respectively as at 31 December 2016.

2. Background to and reasons for entering into the Supplemental Agreement

Since 2009, Sinochem Finance has been providing various financial services (including the Deposit Services, provision of the Loan Services and settlement services) to the Group pursuant to the financial services framework agreements entered into between Sinochem Finance and the Company. On 9 December 2016, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group will continue to utilise the financial services from Sinochem Finance as it deems necessary during the period from 1 January 2017 to 31 December 2019. The transactions contemplated under the Financial Services Framework Agreement at that time are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

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On 17 January 2018, the Company and Sinochem Finance entered into the Supplemental Agreement, amending certain terms of the Financial Services Framework Agreement, including the Revised Daily Balance of the Deposit Services, for each of the two years ending 31 December 2018 and 2019. The amendments include (i) the interest rate for the Deposit Services shall not be lower than the interest rates for deposits as offered by independent commercial banks in the PRC, (ii) the Group will no longer be required to pay any service fees to Sinochem Finance in respect of settlement services, and (iii) additional undertakings provided by Sinochem Finance in the favour of the Group.

As advised by the management of the Group, for the capital management strategy, the Group would either place deposits with independent commercial banks or Sinochem Finance, and invested in short-term financial products. As set out in the letter from the Board, the Directors consider that Sinochem Finance provides a favourable deposit portfolio for the Group based on the condition of the Group. In addition, the Directors believe that Sinochem Finance provides more timely services to the Group, in terms of loan drawdown procedure, which can meet the capital demand of the Group's business.

The Group will utilise the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all. This means that Sinochem Finance provides an additional source of financial services for the Group to choose from, which serves to enhance flexibility for the Group's capital management. In particular, the Loan Services from Sinochem Finance provides an alternative route for obtaining financing.

The Group has a number of internal control measures in place to protect the interests of the Shareholders regarding deposits with Sinochem Finance, as further analysed in the section below headed "6. Internal control procedures and corporate governance measures of the Group". As a licensed financial institution, Sinochem Finance is required to comply with relevant mandatory requirements (such as a minimal capital adequacy ratio). In addition, Sinochem Corporation has entered into an undertaking in favour of the Company relating to Sinochem Finance's obligations and performance under the Financial Services Framework Agreement (as revised by the Supplemental Agreement). The above provides assurance that the risk of the Group's deposits placed with Sinochem Finance are properly addressed.

3. Principal terms of the Financial Services Framework Agreement (as revised by the Supplemental Agreement)

Pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement), the Group will utilise the financial services from Sinochem Finance as it deems necessary, on a non-exclusive basis, including (a) provision of the Deposit Services; (b) provision of the Loan Services where no mortgage, pledge or other security over the assets will be required; (c) arrangement of entrustment loans for the Group as the Group's financial agency; (d) settlement services; (e) provision of guarantees for financing, lease financing, bidding activities or the fulfilment of contracts to the Group where no counter-guarantee will be required; and (f) any other financial services as approved by the CBRC. The Group may

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discontinue its use of all or any such services provided by Sinochem Finance without incurring any extra cost if any independent commercial banks or other financial institutions offer such service which are more favourable to the Group.

Set out below are the major terms of the financial services to be provided by Sinochem Finance:

Provision of Deposit Services

Interest rates on the provision of such Deposit Services shall not be lower than (i) the benchmark interest rates of the same tenure and type as promulgated by the PBOC from time to time or (ii) the interest rates as offered by independent commercial banks in the PRC. As advised by the management of the Group, it is expected that the maximum tenure of the term deposits will not more than two years. The Deposit Services offered by Sinochem Finance will be no less favourable than the deposit services offered by other financial institutions in the PRC, such that the Group has the sole discretion to agree the amount of funds to be deposited with Sinochem Finance, when to deposit, when to withdraw, and the amount of funds to be withdrawn, depending on the Group's own working capital position and requirements at the time.

Provision of Loan Services

The interest rates on the provision of such Loan Services shall not be higher than the interest rates for loans of the same tenure and under the same terms available from independent commercial banks, and shall be in compliance with the requirements set out by the PBOC. No security over the assets or interests of the Group will be required in respect of the financial assistance from Sinochem Finance to the Group.

Provision of other financial services

For the arrangement of entrustment loans, the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms available from independent commercial banks.

Pursuant to the Supplemental Agreement, service fee will no longer be charged for settlement services.

As for the other financial services, the fees to be charged shall not be higher than the rates offered by any independent commercial banks, or the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

Term

All the existing terms of the Financial Services Framework Agreement are currently effective and will expire on 31 December 2019. The Revised Daily Balance of the Deposit Services under the Supplemental Agreement shall become effective after the approval from the

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Independent Shareholders is obtained at the SGM, which is expected to be held on 2 March 2018. Revision to the terms of other financial services under the Supplemental Agreement, which does not require approval from the Independent Shareholders, became effective on 17 January 2018 and will end on 31 December 2019.

Right of set-off

Pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement), any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset amounts against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

Undertakings

Pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement), Sinochem Finance will apply all the monies deposited by the Group to such activities as approved by the CBRC and in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with the banking institutions approved by the CBRC.

Sinochem Finance has also undertaken that the sum of the outstanding amount of the loans which it provides to members of Sinochem Group (excluding the Group) shall at all times not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and deposits received from parties other than the Group.

In addition, whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement (as revised by the Supplemental Agreement), Sinochem Finance shall compensate the Group for the full amount of the loss suffered.

Guarantee from Sinochem Corporation

According to the relevant laws and regulations promulgated by the CBRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance 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. On 5 February 2018, Sinochem Corporation entered into an undertaking (the “**Undertaking**”) in favour of the Company, pursuant to which it will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised by the Supplemental Agreement).

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Others

In the event that the Deposit Services (including the Revised Daily Balance) under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are not approved by the Independent Shareholders, the Company will ensure that the Deposit Services will not exceed the existing maximum daily outstanding balance. Other services contemplated under the Financial Services Framework Agreement (as revised by the Supplemental Agreement), including the provision of the Loan Services and other financial services by Sinochem Finance to the Group, would continue.

Conclusion

The amendments to the terms of the Financial Services Framework Agreement under the Supplemental Agreement are mainly for the benefits of the Group. For example, the amendment regarding the interest rate for the Deposit Services is to ensure the relevant deposit rate shall not be lower than the interest rates for deposits as offered by independent commercial banks in the PRC. In addition, the Group will no longer be required to pay any service fees in respect of settlement services from Sinochem Finance.

A number of safeguards, such as the right of set-off (which is only available to the Group but not to Sinochem Finance), the restriction that the Group's deposits balance with Sinochem Finance will not exceed a certain percentage threshold of the consolidated net assets of the Company as set out in its latest published consolidated financial statements (the “**Deposit Restriction**”), and the guarantee from Sinochem Corporation, are in place to protect the deposits to be made with Sinochem Finance. In particular, the Deposit Restriction, together with the right of set-off, forms a mechanism to limit the proportion of the Group's total bank balances and cash to be deposited with Sinochem Finance at all times and in the event of a default by Sinochem Finance in respect of the Group's deposits. The Group will be entitled to offset such deposit balance against the loan from Sinochem Finance, in order to reduce the Group's maximum risk exposure arising from the Deposit Services. Please also refer to the sections below headed “6. Internal control procedures and corporate governance measures of the Group” and “7. Regulatory environment of Sinochem Finance” for our analyses of further safeguards imposed by the Group and the regulatory body of Sinochem Finance.

4. Information on Sinochem Finance

(i) Scope of business

According to its business licence, Sinochem Finance is authorised to provide all services as set out in the Financial Services Framework Agreement and provide similar services to members of Sinochem Group, but not other parties. We are advised by the management of the Group that Sinochem Finance is not allowed to engage in non-financial services business, including industrial investment or trading. Sinochem Finance is not rated by any credit rating agency.

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Sinochem Finance has a capital adequacy ratio of approximately 12.1% as at 31 December 2017, which is higher than the requirement promulgated by the CBRC of 10% for finance companies.

(ii) Management of Sinochem Finance

As at the Latest Practicable Date, the board of directors of Sinochem Finance has a total of three members. Management of the Group confirmed to us that all the members of the board and the senior management have extensive experience in the financial markets and would be able to understand and monitor the operation and development of Sinochem Finance.

(iii) Financial information

Set out below is a summary of the financial information of Sinochem Finance, as extracted from its audited financial statements for the three years ended 31 December 2016, prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	For the year ended 31 December		
	2016	2015	2014
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net interest income	227.0	279.2	318.3
Investment income	304.9	356.2	210.9
Reversal of impairment losses/(impairment loss)	34.4	(51.7)	(41.2)
Profit after taxation	451.0	454.1	356.7

The net interest income of Sinochem Finance exhibited a decreasing trend in the past three years. As advised by the management of the Group, such decrease was primarily due to the decrease in loan interest rates offered by Sinochem Finance, which in turn decrease its interest income. The profit after taxation of Sinochem Finance increased from approximately RMB356.7 million in 2014 to approximately RMB454.1 million in 2015, and remained stable in 2016 at approximately RMB451.0 million, after taking into account the treatment of impairment losses.

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	As at 31 December		
	2016	2015	2014
	RMB million	RMB million	RMB million
	(audited)	(audited)	(audited)
Assets			
Loans to companies within Sinochem Group	11,798.5	13,723.6	9,759.2
Cash balances with other financial institutions	7,852.1	3,469.7	6,566.3
Other assets	3,926.1	3,526.2	2,965.7
	<u>23,576.7</u>	<u>20,719.5</u>	<u>19,291.2</u>
Liabilities			
Deposits from companies within Sinochem Group	19,184.3	13,302.3	12,897.0
Inter-bank borrowings	–	3,000.0	2,500.0
Other liabilities	56.2	62.6	35.0
	<u>19,240.5</u>	<u>16,364.9</u>	<u>15,432.0</u>
Equity			
Share capital	3,000.0	3,000.0	3,000.0
Reserves	1,336.2	1,354.6	859.2
	<u>4,336.2</u>	<u>4,354.6</u>	<u>3,859.2</u>
Capital adequacy ratio (Note)	15.4%	14.9%	20.9%

Note: The capital adequacy ratio measures a financial institution's exposure to risks such as credit, market and operational risk, and is defined here as a financial institution's capital base divided by its risk-weighted assets.

As shown above, the deposit base of Sinochem Finance has been increasing. On the other hand, loans extended to companies within Sinochem Group increased significantly in 2015 but decreased moderately in 2016, which is offset by an increase in cash balances with other financial institutions. The capital adequacy ratio of Sinochem Finance decreased from approximately 21% as at 31 December 2014 to approximately 15% as at the end of 2015 and 2016, principally due to the increase in risk-weighted assets. The capital adequacy ratios as at 31 December 2014, 2015 and 2016 were higher than the minimum requirement of 10% imposed by the CBRC.

(iv) Internal controls

We have reviewed the operation manual of Sinochem Finance and note it adopts certain corporate governance and internal control measures to manage its risk profile, including business and financial risk, and to ensure the business operations of Sinochem Finance are in compliance with the relevant laws and regulations promulgated by the CBRC, including 《企業集團財務公司管理辦法》, 《商業銀行合規風險管理指引》 and 《商業銀行內部控制指引》. Sinochem Finance has a clear delineation of the roles and responsibilities of major operational departments, segregation of powers and duties, internal review and assessment mechanism, proper training and establishment of a risk assessment policy. We are advised by the management of the Group that Sinochem Finance has not defaulted on any of its credit obligations or, to the knowledge of the Company, breached any rules or operational requirements of such regulatory authorities during the past three years. We have also obtained the audited financial statements of Sinochem Finance for the years ended 31 December 2015 and 2016, and the reports on the business operation of Sinochem Finance for 2015, 2016 and 2017 (the “**Previous CBRC Filings**”), submitted to the CBRC on an annual basis, and did not note any default on credit obligations disclosed in such documents.

5. Information on Sinochem Corporation

Sinochem Corporation is held as to approximately 98% by Sinochem Group, one of the largest state-owned enterprises in the PRC with principal businesses in agriculture, energy, chemicals, finance and real estate in the PRC. Sinochem Group is a “Fortune Global 500” company.

Based on the 2016 annual report of Sinochem Corporation, it had registered capital of RMB39.8 billion, consolidated net assets attributable to owners of the parent of approximately RMB43.9 billion and a cash balance of approximately RMB34.4 billion, as at 31 December 2016. Profit attributable to owners of Sinochem Corporation amounted to approximately RMB2.4 billion in 2016. According to the credit rating report issued by China ChengXin International Credit Rating Company Limited (“**CCXI**”) dated 29 June 2017, the credit rating of Sinochem Corporation was AAA, the highest rating under CCXI’s credit rating scale. CCXI is a qualified rating agency accepted by PBOC, the CBRC, China Insurance Regulatory Commission and National Development and Reform Commission, according to the website of CCXI, and we are advised by the management of the Group that CCXI’s rating scale follows the relevant credit rating guidance issued by 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. Based on the above and assuming no material change to Sinochem Corporation’s financial performance and position, we consider that Sinochem Corporation, as the parent company required to procure Sinochem Finance’s obligations pursuant to the Undertaking, has substantial net asset base and liquidity to satisfy the above requirement.

6. Internal control procedures and corporate governance measures of the Group

In order to protect the interest of the Shareholders, the Group will adopt certain internal control procedures and corporate governance measures to regulate the utilisation of Sinochem Finance's financial services. For example, before the Group enters into any loan or credit facility agreement with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least three comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of such offers, together with the offer from Sinochem Finance, will forthwith be submitted to the chief financial officer of the Company for review, who in turn will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer. All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted in accordance with the terms approved by the chief financial officer or the Board, as appropriate. In respect of the Deposit Services, we understand from the Group that while the interest rates on small deposits are usually set at the benchmark interest rate published by the PBOC, the Group will obtain at least three comparable interest rates on large deposits at least once a year from independent commercial banks which the Group maintains bank accounts, and ensure that the interest rates offered by Sinochem Finance will not be lower than the interest rates offered by independent commercial banks in the PRC.

Sinochem Finance shall provide the Company with (i) a report on any changes in the credit ratings of Sinochem Finance during the term of the Financial Services Framework Agreement (as revised by the Supplemental Agreement); (ii) a copy of every regulatory report submitted to the CBRC, (iii) monthly financial statements of Sinochem Finance in the following month and (iv) a monthly report on the status of the Group's deposits, loans and other transactions between the Group and Sinochem Finance pursuant to the Financial Services Framework Agreement (as revised by the Supplemental Agreement). The Company will monitor the status of the deposits on a daily basis through the internet banking services provided by Sinochem Finance. The internal control department of the Company will conduct an annual review of the relevant internal control measures and report the review results to the independent non-executive Directors. As one of the internal control measures, the Group will ensure that the Group's deposit balance with Sinochem Finance at the close of the settlement system of Sinochem Finance on each day will not exceed 15% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements.

We concur with the Directors that the above internal control procedures and corporate governance measures currently and to be adopted by the Group during the term of the Financial Services Framework Agreement (as revised by the Supplemental Agreement) are appropriate and sufficient, and that the procedures and measures give assurance to the Independent Shareholders that the continuing connected transactions under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) will be appropriately monitored by the Company.

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7. Regulatory environment of Sinochem Finance

The banking industry of the PRC is regulated by the CBRC. According to the relevant requirements under 《企業集團財務公司管理辦法》 promulgated by the CBRC, finance companies of enterprise groups are not allowed to engage in non-financial services business, including property investment or trading. Finance companies of enterprise groups are also required to meet certain ratio requirements under the measures promulgated by the CBRC. The major regulatory ratio requirements and the relevant ratios of Sinochem Finance as at 31 December 2015, 2016 and 2017 are set out in the table below:

	Requirements for PRC licensed banks	Requirements for PRC licensed finance companies	Sinochem Finance As at 31 December		
			2017	2016	2015
Capital adequacy ratio	8%	Not lower than 10%	12.1%	15.4%	14.9%
Inter-bank borrowing balances shall not exceed total capital	N/A	Not higher than 100%	0.0%	0.0%	70.1%
Outstanding guarantee amounts shall not exceed total capital	N/A	Not higher than 100%	44.5%	62.4%	55.9%
Long and short-term securities investment to total capital ratio	N/A	Not higher than 70%	62.4%	63.0%	56.4%
Current ratio	N/A	Not lower than 25%	78.6%	86.7%	74.9%
Self-owned fixed assets to total capital ratio	N/A	Not higher than 20%	0.2%	0.1%	0.0%

We are advised by the management of the Group that the regulation imposed on finance companies of enterprise groups such as Sinochem Finance are no less stringent than the regulations imposed on commercial banks. As advised by the management of the Group, the CBRC monitors Sinochem Finance's compliance with the applicable requirements of the relevant regulatory authorities and conducts on-site visits from time to time, and may issue opinions on corrective measures to Sinochem Finance. Based on our discussion with the management of the Group, other than the above opinions on corrective measures issued by the CBRC during its on-site visits, the CBRC has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation. We did not note any disciplinary actions, penalties or fines imposed from the Previous CBRC Filings we have obtained.

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8. The annual caps

(i) Review of historical figures

Set out below are the historical maximum daily deposit balances placed by the Group with Sinochem Finance during the three years ended 31 December 2017, and the respective original caps during the period:

	For the year ended 31 December		
	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)
Maximum daily deposit balance placed by the Group with Sinochem Finance	271.4	155.1	300.1
Original caps	360.0	356.0	320.0
Utilisation rates	75.4%	43.6%	93.8%

As set out in the table above, we note that the maximum daily deposit balance fluctuated from 2015 to 2017. The original caps had been substantially utilised in 2015 and 2017, but relatively low utilisation rate was noted for 2016. As advised by the management of the Group, the Group mainly relied on the bonds and the medium-term notes for its financing in 2016, resulting in a decrease in general business transactions with Sinochem Finance, including deposit, loan and other services provided by Sinochem Finance. In this respect, we note that the Group issued the first tranche of the medium-term notes in July 2016 with an aggregate principal amount of RMB1 billion, and further issued a total of RMB3 billion of short-term commercial paper in August 2016, out of which RMB2 billion remained outstanding as at 31 December 2016.

The maximum daily deposit balance was nearly fully utilised in 2017, with a utilisation rate of approximately 93.8%, as a result of the Group returning to Sinochem Finance for further financing, and therefore leading an increase in business transactions with Sinochem Finance. The above understanding matches with the fact that the Group's borrowings from Sinochem Finance significantly increased from RMB540.0 million as at 31 December 2016 to RMB2,355.0 million as at 30 June 2017, as noted from the Group's 2017 interim report.

(ii) Assessment of the annual caps

The Revised Daily Balance of the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) is proposed to be RMB1.0 billion for each of the two years ending 31 December 2018 and 2019. The Revised Daily Balance represents the maximum deposit balance that the Group can place with Sinochem Finance during the above two-year period.

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In assessing the reasonableness of the Revised Daily Balance, we have discussed with the management of the Group the reasons underlying the projections of the Revised Daily Balance. The Directors have taken into account, among other things, (i) the maximum bank balances and cash of the Group, being approximately RMB2.2 billion, during the peak season for the sale of fertilizer products in the past three years; (ii) the Group's intention to deposit more funds with Sinochem Finance for the purpose of utilising Sinochem Finance's free of charge settlement services, (iii) the more favourable and flexible financial services provided by Sinochem Finance under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) as compared to independent commercial banks, (iv) the consolidated net assets of the Company as set out in its latest published consolidated financial statements, and (v) the nature of the Deposit Services, which is on a voluntary and non-exclusive basis and not an obligation to the Group.

We note from the Group's recent annual and interim reports that the usual cash balance of the Group does not exceed RMB1.0 billion. As at 30 June 2017, the consolidated bank balances and cash of the Group amounted to approximately RMB490.9 million. On the other hand, following completion of the disposal of the Group's interest in Qinghai Salt Lake, the Group is expected to receive net proceeds of approximately RMB8.0 billion, which is a substantial amount comparing to the above usual cash balance of the Group. As stated in the Disposal Circular, approximately RMB4.0 billion will be used to repay the Group's outstanding loans, and the remaining proceeds of approximately RMB4.0 billion will be used to fund the Group's future strategic development and normal business operations as appropriate. Due to the significant increase in cash balance, management of the Group expects the needs of Deposit Service will increase. We have been provided with the expected future cash inflow and outflow of the Group for the two-year period ending 31 December 2019, indicating the future cash requirements for the strategic development projects and normal business operations. As advised by the management of the Group, the Revised Daily Balance under the Deposit Services and other financial services from Sinochem Finance help facilitate the capital management strategy and the business development and financial needs of the Group.

Due to the ongoing business relationship with Sinochem Group on a day-to-day basis, for example the import of fertilizer products by Sinochem Group for the Group (as further detailed in the Company's circular dated 20 November 2017 in connection with the fertilizer sales co-operation framework agreement), we concur with the management of the Group that the Deposit Services provide further convenience and flexibility for the Group in transacting and settling payments and receipts with Sinochem Group.

The Revised Daily Balance represent the maximum amount the Group would place deposits with Sinochem Finance, rather than the obligation of the Group to place its deposits with Sinochem Finance at that amount. As mentioned in the section headed "6. Internal control measures and corporate governance measures of the Group", the Group will ensure that the Group's deposit balance with Sinochem Finance at the close of the settlement system of Sinochem Finance on each day will not exceed 15% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements, for the purpose of limiting the risk exposure arising from the Deposit Services with reference to the Group's overall net assets.

LETTER FROM SOMERLEY

Having considered the above, including the reasons which the Directors have determined the Revised Daily Balance, we consider that the Revised Daily Balance for the two years ending 31 December 2019 is fair and reasonable.

(C) Reporting requirements and conditions of the Continuing Connected Transactions

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

- (a) the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have exceeded the Annual Caps or the Revised Daily Balance (where applicable);
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

LETTER FROM SOMERLEY

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps or the Revised Daily Balance (where applicable); and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the New MOU and the Financial Services Framework Agreement (as revised by the Supplemental Agreement) and the Annual Caps and the Revised Daily Balance (where applicable) not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the Continuing Connected Transactions (including the Annual Caps and the Revised Daily Balance) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps and the Revised Daily Balance).

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

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

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

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

3. 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 Co. Ltd. Sinochem Corporation	President and director President and director
Yang Lin	Sinochem Group Co. Ltd. Sinochem Corporation	General accountant Chief financial officer

4. DIRECTORS' SERVICE CONTRACTS

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

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

5. COMPETING INTERESTS

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

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

Save as disclosed by the Company in its profit warning announcement dated 19 January 2018 in relation to the operating performance of the Group for the year ended 31 December 2017, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERTS

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

Name	Qualification
Somerley	a 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 circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

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

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the New MOU, (ii) the Financial Services Framework Agreement and the Supplemental Agreement, and (iii) the service contracts mentioned in paragraph 4 above is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM.

NOTICE OF SPECIAL GENERAL MEETING



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofer Holdings Limited (the “**Company**”) will be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 2 March 2018 at 2:00 p.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the New MOU (as defined and described in the circular to the shareholders of the Company dated 12 February 2018 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the New MOU be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the New MOU 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 New MOU 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

NOTICE OF SPECIAL GENERAL MEETING

2. “THAT:

- (a) the Supplemental Agreement to the Financial Services Framework Agreement (as defined and described in the Circular, a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and the Deposit Services (as defined and described in the Circular) contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised by the Supplemental Agreement) be and is hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Deposit Services and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to the Deposit Services 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 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

12 February 2018

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- 1 The record date for determining the entitlement of members of the Company to attend and vote at the special general meeting will be on 26 February 2018. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 26 February 2018.
- 2 Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 3 To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof.
- 4 Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- 5 Voting of the ordinary resolutions set out in this notice will be by way of poll.

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