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

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**SINOFERT HOLDINGS LIMITED****中化化肥控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 297)****CONTINUING CONNECTED TRANSACTIONS
UNDER FERTILIZER SALE FRAMEWORK AGREEMENT****Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders****SOMERLEY CAPITAL LIMITED**

This supplemental circular should be read in conjunction with the SGM Circular of the Company dated 26 November 2019.

A letter from the Board is set out on pages 4 to 10 of this supplemental circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 11 to 12 of this supplemental circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 23 of this supplemental circular.

The SGM of the Company will be held as originally scheduled at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2019 at 10:00 a.m.. The supplemental notice of the SGM is set out on pages 28 to 29 of this supplemental circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying Revised Form of Proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the Revised Form of Proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

* For identification purpose only

3 December 2019

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DEFINITIONS

In this supplemental 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
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fertilizer Sale Framework Agreement”	the fertilizer sale framework agreement dated 12 November 2019 entered into between Sinochem Fertilizer and Sinochem Agriculture
“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
“Independent Board Committee”	the independent board committee of the Company formed to consider the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps

DEFINITIONS

“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“Latest Practicable Date”	29 November 2019, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macao”	Macao Special Administrative Region of the PRC
“Original Form of Proxy”	the form of proxy issued by the Company on 26 November 2019 along with the SGM Circular and the SGM Notice
“PRC”	the People’s Republic of China, which for the purposes of this supplemental circular only, excludes Hong Kong, Macao and Taiwan
“Revised Form of Proxy”	the revised form of proxy issued by the Company together with this supplemental circular and the supplemental notice as set out on pages 28 to 29 of this supplemental circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2019 at 10:00 a.m. or any adjournment thereof
“SGM Circular”	the circular of the Company dated 26 November 2019 in relation to the matters to be considered and approved at the SGM
“SGM Notice”	the notice of the SGM dated 26 November 2019
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“shareholder(s)”	registered holder(s) of Shares

DEFINITIONS

“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Sinochem Group
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC, a subsidiary of Sinochem Group and the indirect controlling shareholder of the Company
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“%”	percent

LETTER FROM THE BOARD



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Executive Directors:

QIN Hengde (*Chief Executive Officer*)
Harry YANG

Non-executive Director:

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

3 December 2019

To: the shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER FERTILIZER SALE FRAMEWORK AGREEMENT

INTRODUCTION

Reference is made to the SGM Circular and the SGM Notice of the Company dated 26 November 2019, which set out the time and venue of the SGM and contain the resolutions to be considered and approved at the SGM.

The SGM will be held as originally scheduled at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2019 at 10:00 a.m., and in addition to the resolutions contained in the SGM Notice, the supplemental resolution contained in the supplemental notice as set out on pages 28 to 29 of this supplemental circular will also be considered and approved at the same meeting.

* For identification purpose only

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 12 November 2019 in relation to the Fertilizer Sale Framework Agreement. The transactions contemplated under the Fertilizer Sale Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this supplemental circular is to provide you with (i) further information on the details of the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the supplemental notice of the SGM; and (v) other information as required under the Listing Rules.

Background

Reference is made to the announcements of the Company dated 24 December 2018 and 11 February 2019 in relation to the existing fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Such agreement will expire on 31 December 2019.

On 12 November 2019, Sinochem Fertilizer and Sinochem Agriculture entered into the Fertilizer Sale Framework Agreement, pursuant to which Sinochem Fertilizer will, during the period from 1 January 2020 to 31 December 2020 (both days inclusive), continue to sell its fertilizer products to Sinochem Agriculture who will then sell such products to its customers, so as to expand the market share of Sinochem Fertilizer by taking advantage of Sinochem Agriculture's extensive customer base in the agricultural sector.

Principal Terms of the Fertilizer Sale Framework Agreement

Date

12 November 2019

Parties

- (a) Sinochem Fertilizer
- (b) Sinochem Agriculture

Nature of transactions

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will continue to sell its fertilizer products to Sinochem Agriculture who will then sell such products to its customers, so as to expand the market share of Sinochem Fertilizer by taking advantage of Sinochem Agriculture's extensive customer base in the agricultural sector.

LETTER FROM THE BOARD

Pricing

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will sell fertilizer products to Sinochem Agriculture at the fair market price of such fertilizer products at the time of the transaction.

In determining the fair market price of fertilizer products sold by Sinochem Fertilizer to Sinochem Agriculture, the Group generally makes reference to weekly reports published by certain independent commodity information providers such as Baiinfo (百川盈孚) (<http://baiinfo.com>). Baiinfo, established in 2007, is one of the largest information suppliers of bulk raw materials market in the PRC, which provides market consulting services focusing on spot price of raw materials and finished goods, market analysis and forecast, as well as market research. The reports published by Baiinfo, 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 of various types of fertilizer products in various regions of the PRC. In addition, the Group maintains regular contacts with producers, distributors and traders of fertilizer products, keeping abreast of the latest prices of fertilizer products, during its ordinary and usual course of business. The Group also takes into account the purchase price from its upstream suppliers, and the terms (including the prices) of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture will be no less favourable to the Group than those entered into by the Group with independent third parties.

When determining the pricing of the transactions under the Fertilizer Sale Framework Agreement, the Group would in general consider at least three independent third parties transactions carried out within a month, or in some cases when product price is volatile, the Group would consider at least three independent third parties transactions carried out within a week, prior to the day when the Group proposes to enter into a specific agreement with Sinochem Agriculture. The sale prices will be reported to the manager of the fertilizer department of Sinochem Fertilizer or its branch offices for approval.

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

Payment

Sinochem Fertilizer will enter into specific agreements with Sinochem Agriculture pursuant to the Fertilizer Sale Framework Agreement in relation to the type, specification, quantity, price and payment schedule of fertilizer products. The payment terms will be set out in the specific agreements to be entered into between the parties. Payments are usually settled within 60 days from the date of shipment, which is in line with the market practices and the payment terms in similar transactions of the Group with independent third parties.

LETTER FROM THE BOARD

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Fertilizer Sale Framework Agreement will have a term from 1 January 2020 to 31 December 2020 (both days inclusive), which can be extended with mutual consent of the parties.

Where a party to the Fertilizer Sale Framework Agreement has breached any terms of the Fertilizer Sale Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party requesting remedy of the breach, the other party may terminate the Fertilizer Sale Framework Agreement. In addition, during the term of the Fertilizer Sale Framework Agreement, either party is entitled to terminate the Fertilizer Sale Framework Agreement by giving one month's notice to the other party.

Annual Caps

The Company estimates that the annual cap for the year ending 31 December 2020 in respect of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture will be RMB712,000,000. Such annual cap has been determined based on Sinochem Fertilizer's sale plans, Sinochem Agriculture's demand, as well as the projected prices and quantities of the sale of fertilizer products.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2018 and the nine months ended 30 September 2019 were approximately RMB18,159,000, RMB87,814,000 and RMB324,670,000, respectively.

In determining the annual caps, the Company has taken into account the significant increase in the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture in recent years, in particular, the sale amount for the first nine months of 2019 represents approximately 3.7 times of the full-year sales in 2018. Such increase was mainly attributable to the increased volume of fertilizer products sold by Sinochem Fertilizer to Sinochem Agriculture, as driven by the continuous expansion of Sinochem Agriculture's customer base and service network. Based on Sinochem Agriculture's development plan for the next three to five years, Sinochem Agriculture plans to establish more technical service centers, which will further expand the coverage of its service territory. Having considered the increasing trend of the transaction amount and the development plan of Sinochem Agriculture, the Company is of the view that the annual cap for the year ending 31 December 2020 is fair and reasonable.

Reasons and Benefits for the Continuing Connected Transactions

Customers of Sinochem Agriculture are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialization that are engaged in the production of staple foods and economic crops, the business model of which is different from that of Sinochem Fertilizer whose customers are distributors. Sinochem Agriculture has commenced businesses in areas such as the northeast, northwest, southwest and Huanghuai of China, and the regions in which its customers locate can serve as an effective replenishment to the established markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its

LETTER FROM THE BOARD

provision of agricultural services to its customers. As such, Sinochem Fertilizer intends to sell and promote its own fertilizer products by taking advantage of Sinochem Agriculture's extensive customer base and service network in order to further expand its sale channels and enhance its market reputation. Therefore, Sinochem Fertilizer entered into the Fertilizer Sale Framework Agreement with Sinochem Agriculture.

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

Mr. Yang Lin, being a Director of the Company and a management member of Sinochem Group, has abstained from voting on the relevant Board resolution passed to approve the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder.

Implications of the Listing Rules

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

General Information

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

Sinochem Fertilizer is engaged in the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related business and products.

Sinochem 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.

LETTER FROM THE BOARD

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

SGM

An ordinary resolution approving the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps shall be proposed at the SGM.

In view of Sinochem Group's interests in the Fertilizer Sale Framework Agreement, Sinochem Group and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

The Revised Form of Proxy for the SGM is enclosed herewith. Whether or not shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed Revised Form of Proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the SGM or any adjournment thereof (the "**Closing Time**"). Completion and return of the Revised Form of Proxy as instructed will not preclude shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

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

- (i) if the Revised Form of Proxy is lodged before the Closing Time, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed;
- (ii) if no Revised Form of Proxy is lodged before the Closing Time, the Original Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed. The proxy so appointed pursuant to the Original Form of Proxy will be entitled to vote in accordance with the instructions previously given by the

LETTER FROM THE BOARD

shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the SGM, including the proposed supplemental resolution as set out in the supplemental notice.

Apart from the proposed supplemental resolution set out in the supplemental notice of the SGM, all other matters of the SGM remain unchanged. For details of other resolutions to be considered and approved at the SGM, eligibility for attending the SGM, registration procedures and other relevant matters, please refer to the SGM Circular and the SGM Notice of the Company dated 26 November 2019.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the supplemental 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 Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this supplemental circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 13 to 23 of this supplemental circular, which contains its advice to the Independent Board Committee and the Independent Shareholders. Your attention is also drawn to the general information set out in the Appendix to this supplemental circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER FERTILIZER SALE FRAMEWORK AGREEMENT

We refer to the supplemental circular of the Company dated 3 December 2019 (the “**Supplemental Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Supplemental Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 10 of the Supplemental Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 23 of the Supplemental Circular which contains its opinion in respect of the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the supplemental notice of the SGM.

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

3 December 2019

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

3 December 2019

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture pursuant to the terms of the Fertilizer Sale Framework Agreement for the year 2020 (the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought, including the proposed annual cap (the “**Annual Cap**”). Details of the Continuing Connected Transactions and the Annual Cap are contained in the supplemental circular of the Company to the Shareholders dated 3 December 2019 (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.

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

LETTER FROM SOMERLEY

In view of Sinochem Group's interests in the Fertilizer Sale Framework Agreement, Sinochem Group and its associates are required to abstain from voting on the relevant resolution to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Cap).

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

During the past two years, Somerley has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain connected transactions of the Group, details of which were set out in the circulars of the Company dated 12 February 2018 and 20 November 2018. In addition, Somerley currently acts as the independent financial adviser to the Company in relation to (i) the import of fertilizer products, sulphur, fertilizer and other fertilizer raw materials by the Group from Sinochem Group, as detailed in the circular of the Company dated 26 November 2019, and (ii) the provision of deposit services by Sinochem Group Finance Co., Ltd. to the Group, as detailed in the announcement of the Company dated 18 November 2019. The above engagements were/are limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Somerley received or will receive normal professional fees from the Company. Notwithstanding the above engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Sinochem Agriculture, Sinochem Group and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Sinochem Agriculture, Sinochem Group or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Continuing Connected Transactions (including the Annual Cap), we have taken the following principal factors and reasons into consideration:

1. Information on the parties

The Group

The Group is principally engaged in the production, procurement and sales of fertilizers and related products in the PRC. Its main business comprises research and development, production, procurement, distribution and agricultural services in relation to fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses. As at the Latest Practicable Date, the Company had a market capitalisation of approximately HK\$5.5 billion.

The Group achieved a continuous growth in both revenue and sales volume for its fertilizer products in recent years. Total revenue of the Group grew by approximately 30.3%, from approximately RMB17.6 billion in 2017 to approximately RMB23.0 billion in 2018. For the first half of 2019, revenue further increased by approximately 8.6% when compared to the first half of 2018, to approximately RMB14.2 billion. In terms of the sales volume for its fertilizer products, the Group recorded approximately 10.2 million tons and 11.6 million tons in 2017 and 2018 respectively, and the growth continued in the first half of 2019, in which the Group achieved total sales volumes of approximately 7.0 million tons. The above growth was mainly the results of (i) the continuous improvement of fertilizer market conditions in the PRC as a result of the supply-side structural reform in the PRC's agricultural sector, and (ii) the strategic procurement and enhanced marketing efforts made by the Group, according to the Company's 2018 annual report and 2019 interim report.

Sinochem Fertilizer is incorporated in the PRC and is engaged in the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related business and products.

Sinochem Group

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

Sinochem Agriculture is incorporated in the PRC and is a wholly-owned subsidiary of Sinochem Group. Its core business includes, among others, the promotion of integrated planting solutions, design of agricultural input packages, as well as the services in relation to the sales of agricultural products. In addition, Sinochem Agriculture also carries out agricultural and production credit, agricultural and financial leasing, and agricultural insurance businesses. According to its website, Sinochem

LETTER FROM SOMERLEY

Agriculture has launched a modern agricultural platform (“MAP”) to provide a wide range of services to the market players in the agriculture industry chain. Through integration of online and offline systems and facilities under the MAP, Sinochem Agriculture is dedicated to becoming a leading modern agriculture comprehensive solution provider, assisting both small-scale and large-scale farmers in improving the agricultural production efficiency and management. It is the intention for Sinochem Agriculture to set up over 500 MAP technical service centres and 1500 MAP demonstration farms, covering over 30 million mu of cultivated land and servicing 1 million farm households in the next three to five years. As advised by the management of the Group, at the end of October 2019, Sinochem Agriculture has set up 168 MAP technical service centres and 292 MAP demonstration farms across the PRC, with its service network covering 25 provinces and administrative regions, around 15,000 farm households and over 3.5 million mu of cultivated land.

2. Background to and reasons for the Continuing Connected Transactions

As disclosed in the 2018 annual report and 2019 interim report of the Company, the Group has been implementing various measures to boost sales with new and existing customers in recent years. For instance, the Group has continued to develop new type of fertilizer products which are more efficient, energy-saving and environmentally friendly, through its research and development efforts. The Group has also explored ways to expand its distribution channels, including the use of technology-based marketing channels, with a view to facilitating the growth in fertilizer sales amount and volume.

We understand that Sinochem Fertilizer and Sinochem Agriculture have different business models and separate customer bases. According to the letter from the Board, Sinochem Fertilizer’s customers are mainly distributors, while Sinochem Agriculture’s customers are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialization that are engaged in the production of staple foods and economic crops. Sinochem Agriculture has a diverse portfolio of customers locating at regions such as the northeast, northwest, southwest and Huanghuai region of the PRC, where the Directors believe that they can serve as an effective complement to the established markets of Sinochem Fertilizer, and Sinochem Agriculture can promote Sinochem Fertilizer’s products during the provision of agricultural services to its customers. The provision of agriculture services, coupled with the expansion of service territory, will drive Sinochem Agriculture’s procurement demand for fertilizer products from Sinochem Fertilizer. As such, Sinochem Fertilizer intends to sell and promote its own fertilizer products by taking advantage of Sinochem Agriculture’s extensive customer base and service network in order to further expand its distribution channels and enhance its market reputation.

In view of the above strategic benefits brought about by the cooperation between Sinochem Fertilizer and Sinochem Agriculture, we concur with the management of the Group that it would be advantageous to continue such sales relationship with Sinochem Agriculture, which is expected to directly bring in significant revenue contribution to the Group.

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Currently, the sales of fertilizer products between two parties are governed by the existing fertilizer sale framework agreement dated 24 December 2018 (the “**Existing Fertilizer Sale Framework Agreement**”), which was approved by the then independent shareholders at a shareholders’ meeting held on 13 March 2019. The Existing Fertilizer Sale Framework Agreement has a term of one year and will expire on 31 December 2019. In view of the above, Sinochem Fertilizer and Sinochem Agriculture entered into the Fertilizer Sale Framework Agreement on 12 November 2019, to govern and continue the aforementioned fertilizer sales for the year ending 31 December 2020.

3. Principal terms of the Continuing Connected Transactions

The principal terms of the Fertilizer Sale Framework Agreement are summarised below. For further details, please refer to the section headed “Principal Terms of the Fertilizer Sale Framework Agreement” in the letter from the Board.

General

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will continue to sell its fertilizer products to Sinochem Agriculture, which will then sell such products to its customers. Further, Sinochem Fertilizer will enter into specific agreements with Sinochem Agriculture in relation to the type, specification, quantity, price and payment schedule of fertilizer products.

Pricing

Pursuant to the Fertilizer Sale Framework Agreement, the pricing principle for the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture will be at the fair market price of such products at the time of the relevant transaction. In determining the fair market price of fertilizer products, the Group would generally make reference to industry reports published by certain independent commodity information providers, such as Baiinfo (百川盈孚) (<http://www.baiinfo.com>), and these reports, which are usually updated on a weekly basis and made available to the Group on a subscription basis, provide up-to-date information on market trend and the prevailing market prices of fertilizer products. We have reviewed the website of Baiinfo, and note that it is a market intelligence service provider in respect of raw materials in China covering fertilizer and other mineral sectors, and provides a comprehensive package of latest news, prices, expert market commentary and statistics, as well as data base for commodities prices. We have also reviewed the recent weekly and monthly market reports from Baiinfo on major fertilizers, and note that general price trends, specific pricing information across different regions, ports or brands, market news and market commentaries have been included in such reports.

In addition, the Group maintains regular contacts with producers, distributors and traders of fertilizer products, and keeps abreast of the latest market prices of fertilizer products, during its ordinary and usual course of business. The Group also takes into account the purchase price from its upstream suppliers. Based on our discussions with the management of the Group, the Group would in general consider at least three transactions with independent third parties conducted within a month, or in cases when

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product price is volatile, the Group would consider at least three transactions with independent third parties conducted within a week, prior to the day when the Group proposes to enter into a specific agreement with Sinochem Agriculture, to ensure that the terms (including the sales prices) of the Continuing Connected Transactions will be no less favourable to the Group than those entered into by the Group with independent third parties. The sales prices will be reported to the manager of the fertilizer department of Sinochem Fertilizer or its branch offices for approval.

Given that the sales and approval process involves the Group's consideration of the industry reports and up-to-date market prices, which in our view represents the arm's length reference price for commodity products, in particular for nitrogen, phosphate, potash, compound fertilizer products covered under the Fertilizer Sale Framework Agreement, we concur with the Directors' view 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

The payment terms will be set out in the specific agreements to be entered into between the parties, and will be in line with the market practices. Payments are usually settled within 60 days upon signing of the specific agreements.

Term

The Fertilizer Sale Framework Agreement is for a term of one year, from 1 January 2020 to 31 December 2020 (both days inclusive). During the term of the Fertilizer Sale Framework Agreement, either party is entitled to terminate the Fertilizer Sale Framework Agreement by giving one month's notice to the other party.

Comparison of terms with independent third parties

We have reviewed and discussed with the management of the Group a list of transactions, summarising brief transaction details (such as transaction date, parties involved, product descriptions and transaction price and volume) during the period from 1 January 2019 to 30 September 2019, and 10 selected sample contracts for the fertilizer sales under the Existing Fertilizer Sale Framework Agreement, which are randomly selected from such list of transactions and on the basis that there is at least one sample relating to each of the major products under the Existing Fertilizer Sale Framework Agreement (including nitrogen, phosphate, potash, compound fertilizer products). Further, we have compared them with (i) 4 contracts for the sales of relevant fertilizer products selected from the lists of transactions with independent customers on a random basis, all of which were referenced by the Group in determining the fair market price of relevant fertilizer products at that time of the relevant transactions, and (ii) the then prevailing market price of fertilizer products, sourced from independent commodity information providers referenced by the Group, such as Baiinfo, the background of which is disclosed above. Given the major products under the Existing Fertilizer Sale Framework Agreement have been covered in the selected sample

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contracts, which were executed at different times throughout the first nine months of 2019, we consider the sample contracts to be fair and representative. We note that (i) the pricing of the Continuing Connected Transactions were in line with the prevailing market price of the relevant fertilizer products at around that time, and (ii) the Continuing Connected Transactions, in particular the pricing and credit terms, were on normal commercial terms when compared with those applicable to independent customers.

4. The Annual Cap

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

(a) Review of historical figures

	For the year ended 31 December		For the nine months ended 30 September
	2017	2018	2019
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>
Historical sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture	RMB18,159	RMB87,814	RMB324,670
Relevant annual caps	RMB60,000	RMB150,000	RMB820,000
Utilisation rates	30.3%	58.5%	52.8%
			<i>(Note)</i>

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

As shown in the above table, the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture increased significantly during the periods presented above. It grew by more than 3.8 times, from approximately RMB18.2 million in 2017 to approximately RMB87.8 million in 2018. The growth continued in the first nine months of 2019, with sale amount reaching approximately RMB324.7 million, representing approximately 3.7 times of the full-year sales in 2018. We are advised by the management of the Group, such increase was mainly attributable to the increased volume of fertilizer products sold by Sinochem Fertilizer to Sinochem Agriculture, as driven by the continuous expansion of Sinochem Agriculture's customer base and service network. This favorable factor continued in 2019, leading to the significant growth in the absolute transaction value, with more than half of the annual cap being utilized.

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(b) Assessment of the Annual Cap

The annual cap in respect of the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture in 2020 is RMB712.0 million, a decrease of approximately 13.2% compared to the annual cap for the year 2019. Based on our discussion with the management of the Group, the reduction in the Annual Cap for 2020, compared to that of 2019, represents a more accurate and achievable transaction amount, after considering the latest business expansion plan of Sinochem Agriculture.

As set out in the letter from the Board, in determining of the Annual Cap, the management of the Group has taken into account (i) the growing historical transaction amount relating to the sales of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture, as analysed in the sub-section above; and (ii) Sinochem Fertilizer's sales strategies and Sinochem Agriculture's procurement demand, in order to estimate the projected prices and quantities of the sales of fertilizer products for 2020.

In assessing the reasonableness of the Annual Cap, we have obtained the underlying projection for the sales of fertilizer products to Sinochem Agriculture in 2020, and have discussed with the management of the Group the bases and assumptions underlying such projection. We are informed that Sinochem Agriculture will continue to expand the service network according to its three to five-year plan, as discussed in the section headed "Information on the parties". It is expected that about 100 MAP technical service centres would be established in 2020 (compared to 168 MAP technical service centres as of October 2019), and the coverage of service territory and/or customers (relating to economic crops and field crops) would be increased by approximately 30% to 60%. The above growth estimation, together with the historical transaction volume for the first nine months in 2019, form a basis for the projected sales quantities of fertilizer products in 2020. On the above basis, the management of the Group believes that the sales of fertilizer products to Sinochem Agriculture will continue to grow in line with the aforesaid expansion plan.

As regards the projected domestic prices of fertilizer products, the management of the Group has generally made reference to the average of historical domestic prices for different type of fertilizer products in the first nine months of 2019. In this respect, we have reviewed and compared such projected domestic prices and the 2019 average domestic prices for selected fertilizer products, as available from independent commodity information providers, such as Baiinfo, and note that they are broadly comparable.

Having considered (i) the projected sales quantities of fertilizer products in 2020, mainly with reference to the 2019 historical transaction volume and the business expansion plan of Sinochem Agriculture, and (ii) the projected domestic prices of fertilizer products, taking account into the 2019 average domestic prices, we consider it reasonable for the Directors to set the Annual Cap of RMB712.0 million for transactions between Sinochem Fertilizer and Sinochem Agriculture for the year ending 31 December 2020.

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General comments

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Annual Cap in a way that can take into account the latest market conditions and accommodate the potential growth of the Group's business. From the Group's perspective, Sinochem Agriculture is one of the strategic business partners and distribution channels for its sales of fertilizer products in the PRC. The higher the annual cap amount, the greater flexibility given to the Group to explore and increase sales with the customers of Sinochem Agriculture. As discussed in the section headed "Background to and reasons for the Continuing Connected Transactions", it is the intention of Sinochem Agriculture to further develop its MAP in the next three to five years, the scale of which is expected to be multiple times larger than the scale as at the end of October 2019. The future transaction volume and value of the Continuing Connected Transactions are largely driven by Sinochem Agriculture's procurement demand, which could only be known at the time when its agriculture services are provided to the customers in the future. These factors made it difficult for the management of the Group to estimate the future transaction value with Sinochem Agriculture with high level of certainty. This is especially so given the substantial growth in sales volume to Sinochem Agriculture during the past two years. Provided that the Group has established a set of pricing policies to ensure the Continuing Connected Transactions are on normal commercial terms, and the Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company (as discussed below) as required under the Listing Rules, we consider it in the interests of the Group and the Shareholders to determine the Annual Cap in a way that can accommodate the potential growth of the Group's revenue. In assessing the reasonableness of the Annual Cap, 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 Cap.

5. Reporting requirements and conditions of the Continuing Connected Transactions

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

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the Company's annual report whether 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;

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- (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 Cap;
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Cap; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and the Annual Cap 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.

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OPINION AND 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 Cap) 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 resolution to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Cap).

Yours faithfully,
for and on behalf of

SOMERLEY CAPITAL LIMITED

John Wong

Director

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

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Lu Xin	Beneficial owner	2,900,000	0.041%
Tse Hau Yin, Aloysius	Beneficial owner	3,404,000	0.048%

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Director is also an employee 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
Yang Lin	Sinochem Group 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

- (a) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this supplemental circular and which is significant in relation to the business of the Group; and

- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Company since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT

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

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

As at the Latest Practicable Date, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2018 (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 supplemental circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the Fertilizer Sale Framework Agreement, and (ii) 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.

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

Reference is made to the circular (the “**SGM Circular**”) and notice (the “**SGM Notice**”) of Sinofert Holdings Limited (the “**Company**”) dated 26 November 2019, which set out the time and venue of the special general meeting of the Company (the “**SGM**”) and contain the resolutions to be considered and approved at the SGM.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the SGM will be held as originally scheduled at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2019 at 10:00 a.m., and in addition to the resolutions contained in the SGM Notice, the following supplemental resolution will also be considered and approved at the same meeting:

SUPPLEMENTAL ORDINARY RESOLUTION

3. “THAT:

- (a) the Fertilizer Sale Framework Agreement (as defined and described in the supplemental circular to the shareholders of the Company dated 3 December 2019 (the “**Supplemental Circular**”), a copy of which has been produced to the meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the Fertilizer Sale Framework Agreement as described in the Supplemental Circular be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Fertilizer Sale Framework Agreement and all transactions and other matters contemplated thereunder or ancillary

* For identification purpose only

SUPPLEMENTAL NOTICE OF SPECIAL GENERAL MEETING

thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Fertilizer Sale Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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

3 December 2019

Notes:

- 1 To be valid, the revised form of proxy (the “**Revised Form of Proxy**”), together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof (the “**Closing Time**”).
- 2 Any shareholder who has not yet lodged the form of proxy issued by the Company on 26 November 2019 (the “**Original Form of Proxy**”) is requested to lodge the Revised Form of Proxy if he or she intends to appoint a proxy to attend the SGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged. Any shareholder who has already lodged the Original Form of Proxy should note that:
 - (i) if the Revised Form of Proxy is lodged before the Closing Time, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed;
 - (ii) if no Revised Form of Proxy is lodged before the Closing Time, the Original Form of Proxy will be treated as a valid form of proxy lodged by the shareholder, if duly completed. The proxy so appointed pursuant to the Original Form of Proxy will be entitled to vote in accordance with the instructions previously given by the shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the SGM, including the proposed supplemental resolution set out above.
- 3 Apart from the proposed supplemental resolution set out above, all other matters of the SGM remain unchanged. For details of other resolutions to be considered and approved at the SGM, eligibility for attending the SGM, registration procedures and other relevant matters, please refer to the SGM Circular and the SGM Notice of the Company dated 26 November 2019.

As at the date of this supplemental notice, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive director of the Company is 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.