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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)

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALE FRAMEWORK AGREEMENT

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



A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from Opus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 27 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 13 March 2019 at 10:30 a.m. is set out on pages 32 to 33 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
“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 24 December 2018 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 revised annual cap

DEFINITIONS

“Independent Financial Adviser” or “Opus Capital”	Opus 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 revised annual cap
“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“Latest Practicable Date”	19 February 2019, 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
“Original Annual Cap”	the original annual cap for the continuing connected transactions under the Fertilizer Sale Framework Agreement for the year ending 31 December 2019 as disclosed in the announcement of the Company dated 24 December 2018
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 13 March 2019 at 10:30 a.m. or any adjournment thereof, the notice of which is set out on pages 32 to 33 of this circular
“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

26 February 2019

To: the shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE FERTILIZER SALE FRAMEWORK AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 February 2019 in relation to its proposed revision of annual cap for the year ending 31 December 2019 for the transactions under the Fertilizer Sale Framework Agreement. Such transactions constitute continuing connected transactions of the Company, and are subject to the

* For identification purposes only

LETTER FROM THE BOARD

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 details of the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap; (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 notice of the SGM; and (v) other information as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 December 2018 in relation to the Fertilizer Sale Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will, during the period from 1 January 2019 to 31 December 2019 (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.

The Company estimates that the transaction amount under the Fertilizer Sale Framework Agreement for the year ending 31 December 2019 will exceed the Original Annual Cap. As such, the Company intends to revise the annual cap for the year ending 31 December 2019 for the transactions under the Fertilizer Sale Framework Agreement.

Principal Terms of the Fertilizer Sale Framework Agreement

Date

24 December 2018

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 Baichuan (百川資訊). 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 producers, distributors and traders of fertilizer products, keeping abreast of the latest prices of fertilizer products. 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. 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, and will be in line with the market practices.

Term

The term of the Fertilizer Sale Framework Agreement is from 1 January 2019 to 31 December 2019 (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.

LETTER FROM THE BOARD

Revision of Annual Cap

Revised annual cap and historical figures

The Company estimates that the transaction amount under the Fertilizer Sale Framework Agreement for the year ending 31 December 2019 will exceed the Original Annual Cap. As such, the Company intends to revise the annual cap for the year ending 31 December 2019 for the transactions under the Fertilizer Sale Framework Agreement from RMB250,000,000 to RMB820,000,000. Such revised annual cap is determined based on Sinochem Agriculture's demand and Sinochem Fertilizer's sale plans, as well as the projected prices and quantities of the sale of fertilizer products.

The historical amounts of the sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture for the two years ended 31 December 2018 and the one month ended 31 January 2019 were approximately RMB18,159,000, RMB87,814,000 and RMB4,898,000, respectively. The significant increase in the historical amount for 2018 as compared to that for 2017 is mainly due to: (i) a shorter transaction period in 2017 as the agreement for such continuing connected transactions was concluded in March 2017, which resulted in the transaction period in 2017 being less than one full year; (ii) the increase in market price of fertilizer products in 2018; and (iii) the rapid business growth of Sinochem Agriculture, which resulted in the increase in its demand for fertilizer products.

As at the Latest Practicable Date, the transaction amount of the continuing connected transactions under the Fertilizer Sale Framework Agreement has not exceeded the Original Annual Cap.

Reasons for the revision of annual cap

The scope of agricultural services provided by Sinochem Agriculture to its customers includes field crops (which mainly include grain crops, sugar beet, potato and alfalfa, etc.) and economic crops (which mainly include vegetable, fruit and cotton). According to the information provided by Sinochem Agriculture to Sinochem Fertilizer, all fertilizer products purchased by Sinochem Agriculture from Sinochem Fertilizer had been used in field crops before 2019, and Sinochem Agriculture plans to use the fertilizer products purchased from Sinochem Fertilizer in economic crops as well from 2019 and to set up a number of technical service centers for economic crops in 2019 to expand its service territory for economic crops. Meanwhile, Sinochem Agriculture has also informed Sinochem Fertilizer that it plans to expand its service territory for field crops from approximately 780,000 mu in 2018 to approximately 2,820,000 mu in 2019. The expansion of service territory of Sinochem Agriculture will result in an increase in its demand for fertilizer products.

LETTER FROM THE BOARD

At the time when the Original Annual Cap was determined, Sinochem Agriculture had not completed the formulation of its business plan and budget for 2019. Hence, the procurement demand of Sinochem Agriculture for fertilizer products as reported by it to Sinochem Fertilizer at that time did not fully reflect the above factors. As Sinochem Agriculture can effectively promote the products of Sinochem Fertilizer during its provision of agricultural services to its customers, the expansion of its service territory and the increase in its procurement demand will facilitate Sinochem Fertilizer to further expand its market share. As such, the Company intends to revise the annual cap for the year ending 31 December 2019 for the transactions under the Fertilizer Sale Framework Agreement based on the adjusted procurement demand of Sinochem Agriculture.

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 are located can serve as an effective replenishment to the established markets of Sinochem Fertilizer. Sinochem Agriculture can promote the products of Sinochem Fertilizer in an effective manner during its 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 revised annual cap for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement is 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 Board resolution passed to approve the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap.

LETTER FROM THE BOARD

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 revised annual cap 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.

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.

LETTER FROM THE BOARD

SGM

A resolution approving the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap 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 resolution to be proposed at the SGM to approve the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap.

A notice convening the SGM to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 13 March 2019 at 10:30 a.m. is set out on pages 32 to 33 of this circular.

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) 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 revised annual cap for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement is fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising 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 revised annual cap. Opus Capital 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 12 to 13 of this circular, which contains its advice to

LETTER FROM THE BOARD

the Independent Shareholders, and the letter from Opus Capital set out on pages 14 to 27 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)

26 February 2019

To: the Independent Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE FERTILIZER SALE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 26 February 2019 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised 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. In this connection, Opus Capital 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 revised annual cap).

We wish to draw your attention to the letter from the Board set out on pages 4 to 11 of the Circular, and the letter from Opus Capital to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 27 of the Circular which contains its opinion in respect of the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised annual cap).

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Opus Capital and its recommendation in relation thereto, we consider that the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised 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. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the SGM.

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

LETTER FROM OPUS CAPITAL

Set out below is the text of a letter received from Opus Capital, 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 revised annual cap for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong
26 February 2019

To: the Independent Board Committee and the Independent Shareholders of Sinofer Holdings Limited

Dear Sir or Madam,

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 26 February 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 24 December 2018, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture entered into the Fertilizer Sale Framework Agreement, pursuant to which Sinochem Fertilizer will, during the period from 1 January 2019 to 31 December 2019 (both days inclusive), continue to sell its fertiliser 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.

As set out in the Letter from the Board, the Company estimates that the transaction amount under the Fertilizer Sale Framework Agreement for the year ending 31 December (“FY”) 2019 will exceed the Original Annual Cap. As such, the Company intends to revise the annual cap for FY2019 in respect of the transactions under the Fertilizer Sale Framework Agreement from RMB250 million (i.e. the Original Annual Cap) to RMB820 million.

LETTER FROM OPUS CAPITAL

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 as at the Latest Practicable Date, and is therefore a connected person of the Company. Accordingly, Sinochem Agriculture, which is wholly-owned by 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 revised annual cap for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the Listing Rules.

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

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 resolution to be proposed at the SGM to approve the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tse Hau Yin, Aloysius, Mr. Ko Ming Tung, Edward and Mr. Lu Xin, has been established by the Company for the purpose of advising the Independent Shareholders in respect of the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether: (i) the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised annual cap) are entered into by the Group in its ordinary and usual course of business; (ii) the terms of the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised annual cap) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole; and (iii) the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, Sinochem Fertilizer, Sinochem Agriculture or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no

LETTER FROM OPUS CAPITAL

arrangements exist whereby we had received or will receive any fees or benefits from the Company, Sinochem Fertilizer, Sinochem Agriculture or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things, (i) the Fertilizer Sale Framework Agreement; (ii) the Company's latest annual report for FY2017 and interim report for the 6 months ended 30 June 2018 (the **"2018 Interim Report"**); (iii) the announcements of the Company dated 24 December 2018 and 11 February 2019 in relation to the Fertilizer Sale Framework Agreement, the transactions contemplated thereunder and the revised annual cap; (iv) certain internal records and procedures of the Group; and (v) other information set out in the Circular. We have also discussed with the Company with respect to the terms of and reasons for the revised annual cap.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the **"Management"**). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implication on the Group as a result of the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder.

LETTER FROM OPUS CAPITAL

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the transactions contemplated under the Fertilizer Sale Framework Agreement, including the revised annual cap, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Information on the Group and Sinochem Group

The Company is principally engaged in the production, import and export, distribution and retail of fertiliser raw materials and finished products, provision of technological research and development and services relating to the fertiliser business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate in the PRC. For FY2017 and for the six months ended 30 June 2018, the Group recorded a revenue of approximately RMB17.6 billion and RMB13.0 billion respectively. As at the Latest Practicable Date, the Company's market capitalisation stood at approximately HK\$7.1 billion.

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

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

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 mechanisation, technology tracking, as well as services in relation to the sale of agricultural products, food banks and agricultural informatisation, 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 utilisation of agricultural waste as resources.

2. Background to and reasons for the revision of annual cap

Pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will continue to sell its fertiliser 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.

As disclosed in the website of the Sinochem Group (www.sinochem.com), Sinochem Agriculture has established a modern agricultural platform ("MAP") to apply modern technologies throughout the agriculture production process. Sinochem Agriculture also builds offline "MAP Technical Centres" (MAP技術服務中心) and "MAP Demonstration Farms" (MAP示範農場) across the PRC to serve farmers. As advised by the Management, at the end of 2018, Sinochem Agriculture has built 91 MAP Technical Centres and 206 MAP Demonstration Farms across the PRC serving approximately 1.8 million mu of arable land. The website also revealed that Sinochem Agriculture would build 500 MAP Technical Centres and 1,500 MAP Demonstration Farms covering over 30 million mu of arable land in the next 3 to 5 years, serving more than 3 million farmers in the PRC.

The scope of agricultural services provided by Sinochem Agriculture to its customers includes field crops (which mainly include grain crops, sugar beet, potato and alfalfa, etc.) and economic crops (which mainly include vegetable, fruit and cotton). According to the information provided by Sinochem Agriculture to Sinochem Fertilizer, all fertiliser products purchased by Sinochem Agriculture from Sinochem Fertilizer had been used for field crops before 2019, and Sinochem Agriculture plans to use the fertiliser products purchased from Sinochem Fertilizer for economic crops as well from 2019 and to set up more technical service centres in 2019 for expansion of service territory for economic crops. Sinochem Agriculture has also informed Sinochem Fertilizer that it plans to expand its service territory for field crops from approximately 780,000 mu in 2018 to approximately 2,820,000 mu in 2019. The expansion of service territory by Sinochem Agriculture will result in an increase in its demand for fertiliser products.

At the time when the Original Annual Cap was determined, Sinochem Agriculture had not completed the formulation of its business plan and budget for FY2019. Hence, the procurement demand of Sinochem Agriculture for fertiliser products as reported by it to Sinochem Fertilizer at that time did not fully reflect the above factors. As Sinochem Agriculture can effectively promote the products of Sinochem Fertilizer during its provision of agricultural services to its customers, the expansion of its service territory and the increase in its procurement demand will facilitate Sinochem Fertilizer to further expand its market share. Accordingly, the Company intends to revise the annual cap for FY2019 for the transactions under the Fertilizer Sale Framework Agreement based on the adjusted procurement demand of Sinochem Agriculture.

In view of the above, we are of the view that the Management's proposed revision of annual cap has a clear and sound rationale.

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3. Reasons and benefits for the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement

Customers of Sinochem Agriculture are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialisation 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 are located can serve as an effective replenishment to the established markets of Sinochem Fertilizer. Sinochem Agriculture can promote the products of Sinochem Fertilizer in an effective manner during its provision of agricultural services to its customers. Therefore, Sinochem Fertilizer intends to sell and promote its own fertiliser products by taking advantage of Sinochem Agriculture's extensive customer base and service network in order to further expand its sales channels and enhance its market reputation. This has led to Sinochem Fertilizer entered into the Fertilizer Sale Framework Agreement with Sinochem Agriculture.

Given the scale of business coverage and customer mix of Sinochem Agriculture, we agree that the entering of the Fertilizer Sale Framework Agreement would enable Sinochem Fertilizer to expand its sales channels and enhance its market reputation.

4. Principal terms of the Fertilizer Sale Framework Agreement

Parties:	(i) Sinochem Fertilizer; and (ii) Sinochem Agriculture
Date:	24 December 2018
Term:	1 January 2019 to 31 December 2019 (both dates inclusive)
Nature of transactions:	Sinochem Fertilizer will sell its fertiliser products to Sinochem Agriculture.

4.1 Pricing

As stated in the Letter from the Board, pursuant to the Fertilizer Sale Framework Agreement, Sinochem Fertilizer will sell fertiliser products to Sinochem Agriculture at the fair market price of such fertiliser products at the time of the transaction.

In determining the fair market price of fertiliser 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 Baichuan (百川資訊). As shown in its official webpage (www.baiinfo.com), Baichuan (百川資訊) is one of the biggest raw material information databases in China, covering, among others, Chinese iron ore, coal, aluminium, petroleum coke, sulfur, rare earth, fertiliser and coal chemical. It provides latest news, prices, expert market commentary and statistics of the raw materials.

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 producers, distributors and traders of fertiliser products, keeping abreast of the latest prices of fertiliser products. The Group also takes into account the purchase price from its upstream suppliers, and the terms (including the prices) of the sale of fertiliser 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. The sale prices will be reported to the manager of the fertiliser department of Sinochem Fertilizer or its branch offices for approval.

As advised by the Management, 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.

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.

4.2 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 fertiliser products. The payment terms will be set out in the specific agreements to be entered into between the parties, and will be in line with market practices.

4.3 *Term*

The term of the Fertilizer Sale Framework Agreement is from 1 January 2019 to 31 December 2019 (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.

4.4 *Comparison of terms with independent third parties*

We have discussed with the Management and reviewed sample sales contracts under the former fertilizer sale framework agreement entered into between Sinochem Fertilizer and Sinochem Agriculture on 11 December 2017 covering period from 1 January 2018 to 31 December 2018 (the “**Former Agreement**”), which the Fertilizer Sale Framework Agreement has carried forward the terms thereof. We have compared these sample contracts under the Former Agreement with: (i) contracts for similar products sold to independent fertiliser customers of Sinochem Fertilizer covering the period from 1 January 2018 to 31 December 2018; and (ii) the respective market prices sourced from Baichuan (百川資訊). We note that the terms of the transactions contemplated under the Former Agreement as evidenced in our sample contracts, in particular the pricing terms and credit terms, are broadly similar to the transaction terms between the Group and the independent third parties. The sale prices as shown in the sample contracts under the Former Agreement were also in line with the respective market prices sourced from Baichuan under our research.

5. *Analysis on the revised annual cap*

5.1 *Review of historical figures*

Set out below are the historical sale amounts of fertiliser products by Sinochem Fertilizer to Sinochem Agriculture and the relevant annual caps for FY2017 and FY2018. There was no historical transaction of a similar nature between the parties before FY2017.

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Table 1: Summary of the historical annual caps and actual sales amounts of fertiliser products

	FY2017 <i>(RMB'000)</i> <i>Audited</i>	FY2018 <i>(RMB'000)</i> <i>Unaudited</i>
Historical annual caps	60,000	150,000
Actual sales amounts of fertiliser products	18,159	87,814
Utilisation rate	30.3%	58.5%

For FY2018, the actual sales amounts of fertiliser products by Sinochem Fertilizer to Sinochem Agriculture increased to approximately RMB87.8 million from approximately RMB18.2 million in FY2017, representing a year-on-year growth of approximately RMB69.6 million or 382.4%. We have enquired and the Management explained that the significant growth was due to: (i) the shorter transaction period for FY2017 given that the agreement in respect of the continuing connected transactions was entered into on 10 March 2017; (ii) the increase in market prices of fertiliser products in FY2018, as evidenced by the increase in Fertilizer Price Index, published by The World Bank, of approximately 9% in 2018; and (iii) the rapid development of Sinochem Agriculture during FY2018 leading to higher demand for Sinochem Fertilizer's fertiliser products. As disclosed in a circular issued by the Company dated 5 December 2018, Sinochem Agriculture's revenue for the 10 months ended 31 October 2018 was approximately RMB522.2 million, which more than doubled its FY2017 revenue.

We note that the historical annual cap for FY2018 was 2.5 times that for FY2017. As advised by the Management, after considering Sinochem Agriculture's service territory expansion plan for FY2018 which the Management considered reasonable and achievable, the Management expected Sinochem Agriculture's demand for fertiliser products from Sinochem Fertilizer would increase considerably. As a result, the Company projected a higher historical annual cap for FY2018 relative to that of FY2017.

Given the rate of growth of the actual sales amount (i.e. 382.4%) for FY2018 was higher than that of the historical annual cap (i.e. 150%) for FY2018, the utilisation rate of historical annual cap improved from approximately 30.3% in FY2017 to approximately 58.5% in FY2018.

5.2 Assessment of the revised annual cap

The Company estimates that the transaction amount under the Fertilizer Sale Framework Agreement for FY2019 will exceed the Original Annual Cap of RMB250 million and therefore intends to revise the annual cap for the transactions under the Fertilizer Sale Framework Agreement to RMB820 million. As at the Latest Practicable Date, the transaction amount of the continuing connected transactions under the Fertilizer Sale Framework Agreement has not exceeded the Original Annual Cap.

As stated in the Letter from the Board, such revised annual cap is determined based on Sinochem Agriculture's demand and Sinochem Fertilizer's sale plans, as well as the projected prices and quantities of the sale of fertiliser products.

As advised by the Management, the projected unit prices of fertiliser products were determined with reference to the most recent market price levels of fertiliser products. Against this background, we obtained the latest market price information of fertiliser products, such as nitrogen fertiliser, phosphate fertiliser, potash fertiliser and compound fertiliser, from Baichuan (百川資訊) as of January 2019 (the "**Fertiliser Reference Prices**"), data of which is listed out below:

Table 2: Summary of the Fertiliser Reference Prices for January 2019

Type of fertiliser products	Market price range
Nitrogen fertiliser	RMB1,600 to RMB2,150
Phosphate fertiliser	RMB2,100 to RMB2,400
Potash fertiliser	RMB2,100 to RMB3,300
Compound fertiliser	RMB2,246 to RMB2,568

In assessing the reasonableness of the revised annual cap, we have discussed with the Management the bases and assumptions underlying the projections for the sale of fertiliser products by Sinochem Fertilizer to Sinochem Agriculture. The revised annual cap is the sum of the projected fertiliser products consumption by Sinochem Agriculture in monetary terms for field crops and economic crops. The estimation of field crops and economic crops each accounted for approximately RMB420 million and RMB400 million of the revised annual cap respectively. Set out below is our analysis of these two categories:

(a) Field crops – RMB420 million

The annual cap for field crops is estimated based on: (i) the projected size of service territory of Sinochem Agriculture for field crops for FY2019, being approximately 2,820,000 mu as disclosed in the Letter from the Board;

- (ii) the average fertiliser consumption volume per mu of service territory; and
- (iii) the projected average unit price per tonne of fertiliser products for FY2019.

To assess the average fertiliser consumption volume per mu for field crops, we have made reference to two publications of “Guidance on the Fertilisers Usage for Different Types of Crops (主要農作物科學施肥指導意見)”^{1&2} (the “**Guidance**”) published by the Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部) in 2018. The range of the maximum fertiliser consumption per mu suggested by the Guidance for different geographical regions in China currently served by Sinochem Agriculture (i.e. northeast, northwest, southwest, and Huanghuai of China) across different types of field crops (i.e. wheat, rice, corn and potato) is between 35 kilograms and 95 kilograms per mu. We note that the Group’s projection on average fertiliser consumption per mu was in the mid-range of such maximum fertiliser consumption per mu suggested by the Guidance.

As for the Group’s projected average price per tonne of fertiliser products for field crops, we note that it is close to the average of the Fertiliser Reference Prices and the Group has taken into account a general fluctuation in market prices expected during FY2019. Since the Fertilizer Price Index published by The World Bank increased by 9% for FY2018, we concur with the Management’s view to factor in market price fluctuation in determining the projected unit prices of different fertiliser products.

(b) Economic crops – RMB400 million

The annual cap for economic crops is estimated based on the projected fertiliser consumption volume and the projected unit price per tonne of each type of fertiliser products for FY2019.

The Management represented that the fertiliser consumption volume for economic crops were prepared after taking into account, among others, the expected sales plan of the existing MAP Technical Centres of Sinochem Agriculture and Sinochem Agriculture’s expansion plan on consumption for economic crops for FY2019. We have reviewed a schedule provided by the Management which listed out the quantity and projected prices of each type of fertiliser products, including potash fertiliser, nitrogen fertiliser, phosphate fertiliser, domestic and imported compound fertiliser, to be consumed for economic crops.

¹ http://www.moa.gov.cn/ztzl/nyhfjlzxd/201803/t20180330_6139380.htm

² http://www.moa.gov.cn/ztzl/nyhfjlzxd/201809/t20180926_6158987.htm

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We have then compared the Group's projected unit prices of each type of fertiliser products sourced domestically with the Fertiliser Reference Prices and did not note any material discrepancies. We further note that the Group has taken into account a general fluctuation in market prices expected during FY2019 for each type of fertiliser products in its projection. Likewise, based on the historical evidence of a 9% increase in the Fertilizer Price Index published by The World Bank for FY2018, we concur with the Management's view to factor in market price fluctuation in determining the projected unit prices of different fertiliser products. For imported compound fertiliser products, we compared its projected unit price as shown in the schedule mentioned above with the actual selling price of imported compound fertiliser products from three sample contracts entered into between Sinochem Fertilizer and independent customers dated between October and November 2018, and note such projected unit price is comparable to the historical actual selling prices of imported compound fertiliser products.

Taking into consideration the above, the observations and discussion with the Management for the revised annual cap for the Fertilizer Sale Framework Agreement, we are of the view that the bases used by the Company in determining the revised annual cap are fair and reasonable so far as the Independent Shareholders are concerned.

6. 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 contemplated under the Fertilizer Sale Framework Agreement are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement and confirm in the annual report that the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement 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 its shareholders as a whole;
- (b) the Company must engage its auditors to report on the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement 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

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continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement:

- (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 contemplated under the Fertilizer Sale Framework Agreement 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 contemplated under the Fertilizer Sale Framework Agreement; and
 - (iv) have exceeded the revised annual cap;
- (c) the Company must allow, and ensure that the counterparties to the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement allow, the Company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement 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.

In light of the reporting requirements attached to the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement, in particular, (i) the restriction of the value of the continuing connected transactions contemplated under the Fertilizer Sale Framework Agreement by way of the revised annual cap; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the terms and the revised annual cap not being exceeded, we are of the view that appropriate measures are 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 are of the view that the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised 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. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent

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Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Fertilizer Sale Framework Agreement and the transactions contemplated thereunder (including the revised annual cap).

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Executive Director

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 18 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

Name of Director	Capacity	Percentage of the issued share capital of the Company	
		Number of Shares held	
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

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

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

8. EXPERT

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

Name	Qualification
Opus Capital	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, Opus Capital:

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

- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the Fertilizer 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.

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 13 March 2019 at 10:30 a.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the Fertilizer Sale Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 26 February 2019 (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 revised annual cap of the transactions contemplated under the Fertilizer Sale Framework Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Fertilizer Sale Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

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

26 February 2019

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 7 March 2019. 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 7 March 2019.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolution set out in this notice will be by way of poll.

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