
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT RE-ELECTION OF NON-EXECUTIVE DIRECTOR AND NOTICE OF SPECIAL GENERAL MEETING

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 18 December 2020 at 10:00 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 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 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.

PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the SGM, including:

- compulsory body temperature checks and health declarations
- wearing of surgical face masks
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company encourages attendees to wear surgical face masks and reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM in person.

* For identification purposes only

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No refreshment will be served or arranged to be taken away, and there will be no corporate gift.
- (iv) Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of COVID-19, the Company reminds all shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the SGM instead of attending the SGM in person, by completing and returning the form of proxy attached to this circular.

If any shareholder chooses not to attend the SGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong or to our email at ir_sinofert@sinochem.com.

If any shareholder has any question relating to the SGM, please contact Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong as follows:

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Bye-law(s)”	the bye-law(s) of the Company, as amended, modified or otherwise supplemented from time to time
“ChemChina”	中國化工集團有限公司 (China National Chemical Corporation Limited), a limited liability company incorporated in the PRC, and the ultimate controlling shareholder 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
“Existing Agreements”	the fertilizer sale framework agreement dated 12 November 2019 entered into between Sinochem Fertilizer and Sinochem Agriculture, the agrichemical framework agreement dated 8 July 2020 entered into between Sinochem Fertilizer and Syngenta Group, and the fertilizer framework agreement dated 22 July 2020 entered into between Sinochem Fertilizer and ChemChina
“Framework Agreement”	the framework agreement dated 29 October 2020 entered into between Sinochem Fertilizer and ChemChina in relation to the purchase and sale of agricultural products
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the 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 Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	shareholders other than ChemChina and its associates
“Latest Practicable Date”	26 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 18 December 2020 at 10:00 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 an indirect wholly-owned subsidiary of ChemChina
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Syngenta Group”	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of ChemChina, and the indirect controlling shareholder of the Company
“%”	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*)

FENG Mingwei

Harry YANG

Non-executive Director:

J. Erik FYRWALD (*Chairman*)

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 2020

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE FRAMEWORK AGREEMENT
AND
RE-ELECTION OF NON-EXECUTIVE DIRECTOR**

INTRODUCTION

On behalf of the Board, I invite you to attend the SGM to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 18 December 2020 at 10:00 a.m.. At the SGM, ordinary resolutions will be proposed to approve (i) the continuing connected transactions under the Framework Agreement, and (ii) the re-election of non-executive Director.

* For identification purposes only

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 29 October 2020 in relation to the Framework Agreement. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of the 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 14 to 15 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 16 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 general information set out in the Appendix to this circular.

Background of the Continuing Connected Transactions

Reference is made to (i) the announcement of the Company dated 12 November 2019 and the circular of the Company dated 3 December 2019 in relation to the fertilizer sale framework agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture; (ii) the announcement of the Company dated 8 July 2020 in relation to the agrichemical framework agreement entered into between Sinochem Fertilizer and Syngenta Group; and (iii) the announcement of the Company dated 22 July 2020 in relation to the fertilizer framework agreement entered into between Sinochem Fertilizer and ChemChina. All of the above Existing Agreements will expire on 31 December 2020.

Each of Sinochem Agriculture and Syngenta Group is a subsidiary of ChemChina. In order to streamline the continuing connected transactions between Sinochem Fertilizer and subsidiaries of ChemChina in relation to the purchase and sale of agricultural products, Sinochem Fertilizer and ChemChina entered into the Framework Agreement on 29 October 2020, pursuant to which Sinochem Fertilizer will continue to purchase from and/or sell to subsidiaries of ChemChina certain agricultural products (including all types of products under the Existing Agreements) during the period from 1 January 2021 to 31 December 2021 (both days inclusive).

LETTER FROM THE BOARD

Principal Terms of the Framework Agreement

Date

29 October 2020

Parties

- (a) Sinochem Fertilizer
- (b) ChemChina

Nature of transactions

Pursuant to the Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds.

Pricing

Pursuant to the Framework Agreement, prices of agricultural products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of ChemChina submits its purchase plan for the relevant products.

In determining the fair market price of agricultural products, the Group mainly makes reference to the prices provided by key suppliers and the ex-factory prices of large factories at the places of origin of the relevant products. The Group maintains regular contacts with producers, distributors and traders of agricultural products, keeping abreast of the latest prices of agricultural products.

The Group also makes reference to weekly reports published by certain independent commodity information providers (the “**Independent Commodity Information Providers**”), such as Baiinfo (百川盈孚) and OilChem China (隆眾資訊). 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 of fertilizer products. In addition, with respect to agrichemicals, the Group also refers to the China Pesticide Information Network, the website of the Institute for the Control of Agrochemicals, the Ministry of Agriculture of the PRC, for the regulatory updates and latest news of the agrichemical industry.

Purchase of agricultural products

With respect to the purchase of agricultural products, the Group will obtain reference prices from three or more suppliers. In particular, for nitrogen fertilizer whose price has high volatility, the relevant business department will seek reference prices from key suppliers in the business region on a daily basis; and for phosphate fertilizer, the relevant business

LETTER FROM THE BOARD

department will seek quotations from key suppliers and large factories on a weekly basis. The Group will also take into account the demand of its downstream customers when determining the prices of the transactions.

Before placing a purchase order with the relevant subsidiary of ChemChina for fertilizer products, the Group will compare (i) its historical prices for the purchase of relevant fertilizer products, (ii) the prices offered by independent third parties and subsidiaries of ChemChina, and (iii) the latest market prices published by the Independent Commodity Information Providers. The Group will only place purchase order with the relevant subsidiary of ChemChina when the terms are no less favourable to the Group than those offered by independent third parties for the provision of a comparable quantity of the relevant fertilizer products.

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, in order to ensure that the pricing terms are no less favourable to the Group, the Group will look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of ChemChina, and (i) compare such prices against the Group's historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group's historical gross profit margin from the same or similar type of product.

Sale of agricultural products

With respect to the sale of agricultural products, the prices will be determined with reference to the costs incurred by the Group (including the purchase prices from its upstream suppliers, transportation expenses, taxes and other administrative costs), plus a reasonable gross profit margin of the Group for the provision of the relevant products. The gross profit margin varies largely depending on the specific types of agricultural products and their scarcity, as well as the quantity of sale and the market condition at the time of the sale. The gross profit margin of the majority of the agricultural products ranges from 2% to 20%. In determining the gross profit margin, the Group will take into account the gross profit margin of a comparable quantity of the same or similar type of agricultural products sold by the Group to independent third parties. In order to ensure that the terms (including the prices) of the sales of agricultural products by Sinochem Fertilizer to the relevant subsidiary of ChemChina are no less favourable to the Group than those entered into by the Group with independent third parties, the Group will take into account the then purchase prices from its upstream suppliers and make comparison of selling prices of similar type of agricultural products to independent third parties. The Group will also make reference to the latest data and price trend published by the Independent Commodity Information Providers to ensure that the selling prices to subsidiaries of ChemChina are in line with the latest market prices of the relevant products.

LETTER FROM THE BOARD

Internal approval process

The purchase and sale prices will be reported to the manager of the basic fertilizer department and the distribution business department of Sinochem Fertilizer, and then submitted to the person in charge of purchase and sale of the relevant products of Sinochem Fertilizer for approval.

As the purchase and sale 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 shall enter into specific agreements with the relevant subsidiary of ChemChina pursuant to the Framework Agreement in relation to the type, quantity, price and delivery schedule of the agricultural products. Payments for agricultural products shall mainly be settled by way of payment on delivery or advance payment.

Term

The term of the Framework Agreement is from 1 January 2021 to 31 December 2021 (both days inclusive).

Annual Caps

The Company estimates that the annual cap for the year ending 31 December 2021 in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina will be RMB494,800,000, and the annual cap for the year ending 31 December 2021 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina will be RMB700,600,000. The parties have determined such annual caps based on Sinochem Fertilizer's purchase and sale plans, and the projected prices and quantities of purchase and sale of agricultural products.

For the two years ended 31 December 2019 and the nine months ended 30 September 2020, the historical amounts of the purchase of agricultural products by Sinochem Fertilizer from the relevant entities were approximately RMB39,200,000, RMB23,680,000 and RMB244,621,000, respectively. For the two years ended 31 December 2019 and the nine months ended 30 September 2020, the historical amounts of the sale of agricultural products by Sinochem Fertilizer to the relevant entities were approximately RMB120,484,000, RMB433,718,000 and RMB531,114,000, respectively.

LETTER FROM THE BOARD

As Sinochem Fertilizer intends to expand its procurement channel for agricultural products, with its plan to step up effort in developing its fertilizer business and to increase the purchase of related products, the amount of the purchase of agrichemical products by Sinochem Fertilizer from subsidiaries of ChemChina in 2021 is expected to increase substantially as compared to the above historical amounts. Sinochem Fertilizer also intends to expand its scale of sale to subsidiaries of ChemChina in 2021. In particular, as Sinochem Agriculture (a subsidiary of ChemChina) continued to expand its customer base and service network, the quantity of agricultural products sold by Sinochem Fertilizer to Sinochem Agriculture has increased year by year. With the further expansion of the coverage of its service territory and the establishment of more technical service centers, it is expected that the demand of Sinochem Agriculture for the purchase of agricultural products will further increase. Taking into account the purchase and sale plans of Sinochem Fertilizer as mentioned above, the Directors are of the view that the annual caps for the year ending 31 December 2021 are fair and reasonable despite the difference between the historical amounts and the annual caps.

Reasons for and Benefits of the Continuing Connected Transactions

Subsidiaries of ChemChina have a good reputation in the industry and can provide sufficient supply of agricultural products covering a wide range of categories with reasonable prices. The purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina can diversify the product mix of the Group and enhance its capability of supplying products. Meanwhile, subsidiaries of ChemChina have extensive customer base which can serve as an effective replenishment to the established markets of Sinochem Fertilizer, and the sale of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina can boost up the sale revenues of the Group.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the 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 Framework Agreement are fair and reasonable.

Mr. Qin Hengde and Mr. Feng Mingwei, being Directors of the Company and management members of China Region of Syngenta Group, have abstained from voting on the Board resolution to approve the transactions contemplated under the Framework Agreement¹.

¹ Mr. J. Erik Fyrwald, the chief executive officer of Syngenta Group, was not a member of the Board at the time when the Board approved the transactions contemplated under the Framework Agreement, and therefore did not attend, vote or abstain from voting at the relevant meeting of the Board. Mr. J. Erik Fyrwald became a non-executive Director of the Company on 2 November 2020.

LETTER FROM THE BOARD

Implications of the Listing Rules

ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

ChemChina is primarily engaged in the production and sale of chemical raw materials, chemical products, chemical minerals, fertilizers, agrichemicals (excluding hazardous chemicals), plastics, tyres, rubber products, membrane equipment and chemical equipment; the production and sale of mechanical products, electronic products, instruments and apparatus, construction materials, textiles, light industrial products, forest products and forest chemical products; and the research, development, design and construction of chemical equipment, chemical cleaning, anticorrosion, petrochemicals and water technology. The sole shareholder of ChemChina is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

RE-ELECTION OF NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 2 November 2020 in relation to the appointment of Mr. J. Erik Fyrwald ("**Mr. Fyrwald**") as a non-executive Director and the Chairman of the Board of the Company.

Pursuant to Bye-law 86(2), any Director appointed to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. As such, Mr. Fyrwald will offer himself for re-election at the SGM.

LETTER FROM THE BOARD

The biographical details of Mr. Fyrwald are as follows:

Mr. Fyrwald, aged 61, received a bachelor of science degree in chemical engineering from the University of Delaware in 1981, and completed the advanced management program at Harvard Business School in 1998. Mr. Fyrwald has been serving as chief executive officer of Syngenta Group since 2020, and was previously chief executive officer of Syngenta AG from 2016 until it was consolidated into Syngenta Group. Prior to joining Syngenta AG, he served as president and chief executive officer of Univar Solutions Inc. (a company listed on the New York Stock Exchange (the “NYSE”) under the ticker symbol: UNVR) from 2012 to 2016. He previously served as president of Ecolab Inc. (a company listed on the NYSE under the ticker symbol: ECL) from 2011 to 2012, and as chairman, president and chief executive officer of Nalco Company from 2008 to 2011. He held various positions in E.I. DuPont de Nemours and Company (a company listed on the NYSE under the ticker symbol: DD) from 1979 to 2008, including group vice president of its agriculture and nutrition division from 2003 to 2008. Mr. Fyrwald has been serving as an independent director of Eli Lilly and Company (a company listed on the NYSE under the ticker symbol: LLY) since 2005, an independent director of Bunge Limited (a company listed on the NYSE under the ticker symbol: BG) since 2018, and a director and chairman of ADAMA Ltd. (a company listed on the Shenzhen Stock Exchange under the stock code: 000553) since April 2020. Mr. Fyrwald also serves on the board of directors of a number of non-profit organizations, including Syngenta Foundation, United Nations World Food Program Farm to Market Alliance, Swiss-American Chamber of Commerce and CropLife International. Mr. Fyrwald has been involved in the agriculture inputs industry for 16 years and has extensive experience in corporate governance.

Mr. Fyrwald was nominated as a non-executive director of the Company by Syngenta Group, the indirect controlling shareholder of the Company. Save as described above, Mr. Fyrwald has no relationship with any Directors, senior management or substantial or controlling shareholders of the Company, has not held any other position in the Company or any of its subsidiaries, and has not held any directorship in any Hong Kong or overseas listed public companies in the last three years. As at the Latest Practicable Date, Mr. Fyrwald did not have any interest in the securities of the Company within the meaning of Part XV of the SFO.

The Company has issued a formal letter of appointment to Mr. Fyrwald, setting out key terms and conditions of his appointment. It is proposed that the term of office of Mr. Fyrwald will be extended for three years with effect from the date of the SGM, upon his successful re-election as a non-executive Director of the Company. In addition, Mr. Fyrwald is subject to retirement by rotation and is eligible for re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Fyrwald will not enter into any director’s service contract with the Company, but is entitled to a director’s fee of HK\$443,000 per annum, which was determined with reference to his duties and responsibilities and will be reviewed every year by the Remuneration Committee. Mr. Fyrwald has agreed to waive his director’s fee.

LETTER FROM THE BOARD

Save as described above, the Board is not aware of any matter in relation to Mr. Fyrwald that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other matter in relation to his appointment that needs to be brought to the attention of the shareholders of the Company.

SGM

Ordinary resolutions approving (i) the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps and (ii) the re-election of Mr. J. Erik Fyrwald as a non-executive Director shall be proposed at the SGM.

In view of ChemChina's interests in the transactions under the Framework Agreement, ChemChina 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 Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

A notice convening the SGM to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 18 December 2020 at 10:00 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 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. Completion and return of the form of proxy as instructed will not prevent shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors consider that the proposed resolutions set out in the notice of the SGM are in the best interests of the Company and the shareholders as a whole. The Directors therefore recommend the shareholders to vote in favour of all the resolutions set out in the notice of the SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

3 December 2020

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

We refer to the circular of the Company dated 3 December 2020 (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 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 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 5 to 13 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 27 of the Circular which contains its opinion in respect of the Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley and its recommendation in relation thereto, we consider that the Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant 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 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 2020

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the purchases and sales of certain agricultural products between Sinochem Fertilizer and subsidiaries of ChemChina pursuant to the terms of the Framework Agreement for the year 2021 (the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought, including the proposed annual caps (the “**Annual Cap(s)**”). Details of the Continuing Connected Transactions and the Annual Caps are contained in the circular of the Company to the Shareholders dated 3 December 2020 (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. ChemChina is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.7% of the total issued shares of the Company, and is therefore a connected person of the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the Annual Caps are more than 5%, the Continuing Connected Transactions (including the Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In view of ChemChina’s interests in the Framework Agreement, ChemChina 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 Continuing Connected Transactions (including the Annual Caps).

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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 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 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 5 December 2018, 26 November 2019, 3 December 2019, 4 December 2019 and 2 September 2020. The above engagements were 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 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, ChemChina 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, ChemChina or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Continuing Connected Transactions (including the Annual Caps), 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

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to fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses. In 2019, the Group recorded revenue of approximately RMB22.9 billion, with a total fertilizer sales volume of approximately 11.5 million tons, and a profit attributable to its owners of approximately RMB0.6 billion. In the first half of 2020, the Group recorded revenue and profit attributable to its owners of approximately RMB12.5 billion and RMB0.4 billion respectively. In terms of the sales volume for its fertilizer products, the Group recorded approximately 7.2 million tons in the first half of 2020, representing an increase of approximately 2.4% year-on-year. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$5.6 billion as at the Latest Practicable Date.

As disclosed in the announcement of the Company dated 17 June 2020, Sinochem Group Co., Ltd. (“**Sinochem Group**”), through its subsidiary, completed the transfer of 3,698,660,874 Shares (representing approximately 52.7% of the total issued share capital of the Company) to Syngenta Group, which is in turn a wholly-owned subsidiary of ChemChina (the “**Transfer**”). After the Transfer, ChemChina has become the ultimate controlling shareholder of the Company, and Sinochem Group has ceased to own any equity interest in the Company.

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

ChemChina

ChemChina is a PRC state-owned chemical enterprise owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the ultimate controlling shareholder of the Company. It is primarily engaged in the production and sales of, among others, various chemical products and equipment (including raw materials, minerals and agrichemicals (excluding hazardous chemicals)), fertilizers, chemical equipment, mechanical products and electronic products; and the research, development, design and construction of, among others, chemical equipment, petrochemicals and water technology.

2. Background to and reasons for the Continuing Connected Transactions

As disclosed in the 2019 annual report and 2020 interim report of the Company, the Group has been implementing strategies and adopting measures to grasp market opportunities. For instance, the Group has continued to develop new type of fertilizer products in order to differentiate its fertilizer products and demonstrate better market competitiveness. The Group has also explored ways to expand its distribution channels, such as putting efforts on digital marketing and upgrading strategic stores, in order to increase its channel coverage.

After completion of the Transfer, ChemChina has become the ultimate controlling shareholder of the Company. As set out in the letter from the Board, subsidiaries of ChemChina have a good reputation in the industry and can provide sufficient supply of

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agricultural products covering a wide range of categories. The purchases of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina can diversify the Group's product mix and enhance its capability of supplying products. Subsidiaries of ChemChina have an extensive customer base which can serve as an effective replenishment to the established markets of Sinochem Fertilizer, and the sales of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina can boost the revenue of the Group.

Currently, the purchases and sales of certain agricultural products between the parties are governed by (i) the fertilizer sale framework agreement dated 12 November 2019 entered into between Sinochem Fertilizer and Sinochem Agriculture, a subsidiary of ChemChina, (ii) the agrichemical framework agreement dated 8 July 2020 entered into between Sinochem Fertilizer and Syngenta Group, a subsidiary of ChemChina, and (iii) the fertilizer framework agreement dated 22 July 2020 entered into between Sinochem Fertilizer and ChemChina (collectively, the Existing Agreements). The fertilizer sale framework agreement was approved by the then independent shareholders of the Company at a shareholders' meeting held on 19 December 2019. Given that the applicable percentage ratios were less than 5%, the other two framework agreements were subject to the reporting, announcement, annual review requirements only.

All the Existing Agreements will expire on 31 December 2020. In view of the upcoming expiry, the Framework Agreement has been entered into between Sinochem Fertilizer and ChemChina on 29 October 2020 to govern, continue and streamline the purchase and sale relationship between Sinochem Fertilizer and subsidiaries of ChemChina for the year ending 31 December 2021.

3. Principal terms of the Continuing Connected Transactions

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

General

Pursuant to the Framework Agreement, Sinochem Fertilizer will purchase from and/or sell to subsidiaries of ChemChina certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds.

Pricing

Pursuant to the Framework Agreement, the pricing shall be determined with reference to the fair market prices of the relevant agricultural products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of ChemChina submits its purchase plan for the relevant products.

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In determining the fair market price, the Group mainly makes reference to the prices provided by key suppliers and the ex-factory prices of large factories at the places of origin of the relevant products. In addition, the Group maintains regular contacts with producers, distributors and traders of agricultural products, and keeps abreast of the latest market prices of agricultural products.

The Group also makes reference to industry reports published by certain independent commodity information providers (“**Independent Commodity Information Providers**”), such as Baiinfo (百川盈孚) and OilChem China (隆眾資訊). 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 prevailing market prices of fertilizer products. With respect to agrichemicals, the Group also refers to the China Pesticide Information Network, the website of the Institute for the Control of Agrochemicals, the Ministry of Agriculture of the PRC, for the regulatory updates and latest news of the agrichemical industry.

As set out in the letter from the Board, with respect to the purchase of agricultural products, the Group will obtain reference prices from three or more suppliers. In particular, for nitrogen fertilizer whose price is subject to high volatility, the relevant business department of the Company will seek reference prices from key suppliers in the business region on a daily basis, and for phosphate fertilizer, the relevant business department of the Company will seek quotations from key suppliers and large factories on a weekly basis.

Before placing a purchase order of fertilizer products with the relevant subsidiary of ChemChina, the Group will compare (i) its historical prices for the purchases of relevant products, (ii) the prices offered by independent third parties and subsidiaries of ChemChina, and (iii) the latest market prices published by the Independent Commodity Information Providers. The Group will only place purchase order with the relevant subsidiary of ChemChina when the terms are no less favourable to the Group than those entered into by the Group with independent third parties with comparable quantity of the relevant fertilizer products, and such processes are in compliance with the relevant internal control procedures of the Group.

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, in order to ensure that the pricing terms are no less favourable to the Group, the Group will look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of ChemChina, and (i) compare such prices against the Group’s historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group’s historical gross profit margin from the same or similar type of products.

As set out in the letter from the Board, with respect to the sale of agricultural products, the prices will be determined with reference to the costs incurred by the Group (including the purchase prices from its upstream suppliers, transportation expenses, taxes and other administrative costs), plus a reasonable gross profit margin. The gross profit margin varies largely depending on, among others, the specific types

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of agricultural products, the quantity of sale and the then market condition. The gross profit margin of majority of the agricultural products ranges from approximately 2% to 20%. In determining the gross profit margin, the Group will also take into account the gross profit margin of the same or similar type of agricultural products with comparable quantity sold by the Group to independent third parties.

In order to ensure that the terms (including the prices) of the sales of agricultural products by Sinochem Fertilizer to the relevant subsidiary of ChemChina are no less favourable to the Group than those entered into by the Group with independent third parties, the Group will take into account the then purchase prices from its upstream suppliers and make comparison of selling prices of similar type of agricultural products to independent third parties. The Group will also make reference to the latest data and price trend published by the Independent Commodity Information Providers to ensure that the selling prices to subsidiaries of ChemChina are in line with the latest market prices of the relevant products.

The purchase and selling prices of agricultural products will be reported to the manager of the basic fertilizer department and the distribution business department of Sinochem Fertilizer, and then submitted to the person in charge of purchases and sales of the relevant agricultural products of Sinochem Fertilizer for approval.

Payment

Sinochem Fertilizer shall enter into specific agreements with the relevant subsidiary of ChemChina in relation to the type, quantity, price and delivery schedule of the agricultural products. Payments for agricultural products shall mainly be settled by way of payment on delivery or advance payment.

Term

Subject to the approval by the Independent Shareholders, the Framework Agreement has a term of one year, commencing from 1 January 2021 and ending on 31 December 2021 (both days inclusive).

Comparison of terms with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions, summarising transaction details (such as transaction date, parties involved, product descriptions, transaction price and transaction volume) during the period from 1 January 2020 to 30 September 2020, and randomly selected sample contracts for the sales and purchases of agricultural products under the Existing Agreements.

Purchases of agricultural products

In respect of fertilizer products (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), we compared the selected samples with (i) contracts for similar purchases selected from the lists of transactions from independent third parties that were selected on a random basis in the same period, and (ii) the then

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prevailing market price of fertilizer products to the extent possible sourced from the Independent Commodity Information Providers. We note that (i) the purchase prices relating to the fertilizer products from subsidiaries of ChemChina were broadly in line with the prevailing market price of the relevant fertilizer products at around that time, and (ii) such purchases, in particular the pricing and credit terms, were on normal commercial terms when compared with those applicable to independent customers.

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, we note that such purchases from subsidiaries of ChemChina and independent third parties may not be comparable, as the types of agrichemicals and seeds vary. As confirmed by the management of the Group, in order to ensure that the pricing terms are no less favourable to the Group, the Company would look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of ChemChina, and (i) compare such prices against the Group's historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group's historical gross profit margin from the same or similar types of products. As mentioned above, the purchase and selling prices of agricultural products will be reported to Sinochem Fertilizer's manager of the basic fertilizer department and the distribution business department, and will be approved by the person in charge of purchases and sales of the relevant agricultural products.

Sales of agricultural products

We compared the selected samples with (i) contracts for similar sales that are randomly selected from the lists of transactions from independent third parties in the same period, and (ii) the then prevailing market price of agricultural products, sourced from the Independent Commodity Information Providers. We note that (i) the selling prices relating to the agricultural products to subsidiaries of ChemChina were broadly in line with the prevailing market price of the relevant products at around that time, and (ii) such sales, in particular the pricing and credit terms, were on normal commercial terms when compared with those applicable to independent customers.

4. The Annual Caps

Review of historical figures

Historical purchases of agricultural products by Sinochem Fertilizer from the relevant entities for the two years ended 31 December 2019 and the nine months ended 30 September 2020 were approximately RMB39.2 million, RMB23.7 million and RMB244.6 million respectively. As advised by the management of the Group, the significant increase in purchase amount in 2020 was mainly due to the strengthened cooperation between ChemChina and the Group after the Transfer.

Historical sales of agricultural products by Sinochem Fertilizer to the relevant entities for the two years ended 31 December 2019 and the nine months ended 30 September 2020 were approximately RMB120.5 million, RMB433.7 million and RMB531.1 million respectively. As advised by the management of the Group, such

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increasing trend was mainly attributable to the increased volume of agricultural products sold by Sinochem Fertilizer to Sinochem Agriculture, which is mainly driven by the continuous expansion of Sinochem Agriculture's business and customer base.

As confirmed by the management of the Group, the entire equity interests in Sinochem Agriculture was transferred from Sinochem Group to ChemChina in 2020. For consistency sake, the historical transaction amounts of Sinochem Agriculture were included in the historical transaction amounts stated above.

Assessment of the Annual Caps

The Annual Caps in respect of the purchases of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina is RMB494.8 million, and the Annual Caps in respect of the sales of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina is RMB700.6 million. As set out in the letter from the Board, when determining the Annual Caps, the management of the Group has taken into account Sinochem Fertilizer's purchase and sale plans for the year 2021, in order to estimate the projected prices and quantities of purchases and sales of agricultural products. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the bases and assumptions underlying the projections for the purchase and sale plans of the agricultural products in 2021.

Purchases of agricultural products

In respect of the purchases of agricultural products, the Annual Cap is estimated based on (i) the projected quantities of purchase by Sinochem Fertilizer from subsidiaries of ChemChina, and (ii) the projected average price per tonne of agricultural products (which is determined in accordance with the prevailing market price), for 2021.

When determining the projected purchase quantities of agricultural products from subsidiaries of ChemChina in 2021, the management of the Group has taken into account (i) the Group's intention to increase the purchase quantities of agricultural products from subsidiaries of ChemChina, having considered its wide range of agricultural products available and stable supply, and (ii) historical purchase volume of agricultural products during the period after completion of the Transfer. This is in line with the strategies stated in the interim report of the Company to further develop its fertilizer business and expand its procurement channels for agricultural products.

As regards the projected purchase prices of fertilizer products, the management of the Group has generally made reference to the prevailing market prices for different type of fertilizer products in October 2020. In this respect, we have reviewed and compared such projected prices and the prevailing market prices for selected fertilizer products from the Independent Commodity Information Providers, and note that they are broadly comparable. With respect to

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the projected purchase prices of agrichemicals and seeds, the management of the Group has generally made reference to the average historical purchase price in the first ten months of 2020.

Sales of agricultural products

In respect of the sales of agricultural products, the Annual Cap is estimated based on (i) the projected quantities of sales by Sinochem Fertilizer to subsidiaries of ChemChina, and (ii) the projected average price per tonne of agricultural products (which is determined in accordance with the prevailing market price), for 2021.

When determining the projected sale quantities of agricultural products to ChemChina in the year 2021, the management of the Group has taken into account (i) the anticipated increase in demand of Sinochem Agriculture for agricultural products in the near future due to its continuous business expansion, as evidenced by the substantial growth in sale transactions of agricultural products by the Group to Sinochem Agriculture in recent years, and (ii) the expansion in distribution channels of the Group's agricultural products by leveraging the existing channels established by subsidiaries of ChemChina. Further, we understand from the management of the Group that the number of Sinochem Agriculture's modern agricultural platform technical service centres is expected to increase by more than 40% by the end of 2021, as compared with that of November 2020, and the coverage of service territory and/or customers, in terms of area, is expected to increase by over 25% in 2021. As such, the management of the Group believes that the sales of agricultural products to Sinochem Agriculture will continue to grow in line with the aforesaid expansion plan.

As regards the projected selling prices of agricultural products, the management of the Group has generally made reference to the prevailing market prices for different type of agricultural products in October 2020. In this respect, we have reviewed and compared such projected prices and the prevailing market prices for selected agricultural products, as available from the Independent Commodity Information Providers, and note that they are broadly comparable.

Having considered (i) the projected purchase and sale quantities of agricultural products in 2021, mainly with reference to its intention to increase the purchase quantities of agricultural products from subsidiaries of ChemChina following completion of the Transfer and the expansion plan of Sinochem Agriculture respectively, and (ii) the projected purchase and selling prices of agricultural products were estimated with reference to the prevailing market prices and/or the historical average prices, we consider it reasonable for the Directors to set the Annual Caps of (i) RMB494.8 million for the purchases of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina and (ii) RMB700.6 million for the sales of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina, for the year ending 31 December 2021.

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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 Caps in a way that can take into account the prevailing market conditions and accommodate the potential growth of the Group's business. From the Group's perspective, it has limited historical transactions and volumes with subsidiaries of ChemChina that it can make reference to for the purpose of projecting the Annual Caps. Following completion of the Transfer in mid-2020, the cooperation with ChemChina has been strengthened and the Group has been adjusting its purchase and sale plans with subsidiaries of ChemChina, which help to diversify its product mix. However, we understand from the Group that the market demand for the new product mix is difficult to estimate at this stage. Moreover, the sale quantities of agricultural products to ChemChina are largely driven by the procurement demand of Sinochem Agriculture, which depends on its future performance and expansion. These factors made it difficult for the management of the Group to estimate the future transaction value with subsidiaries of ChemChina with high level of certainty. 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 Caps in a way that can accommodate the potential growth of the Group's revenue. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Annual Caps.

5. Reporting requirements and conditions of the Continuing Connected Transactions

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

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

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

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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 Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps).

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

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

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
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
J. Erik Fyrwald	Syngenta Group	Chief executive officer
Qin Hengde	Syngenta Group	President of China Region
Feng Mingwei	Syngenta Group	Senior management of China Region

4. DIRECTORS' SERVICE CONTRACTS

On 16 February 2020, Mr. Qin Hengde, an executive Director and the Chief Executive Officer of the Company, renewed his service contract with the Company for a term of three years. On 25 February 2020, Mr. Feng Mingwei, an executive Director of the Company, entered into a service contract with the Company for a term of three years. On 15 May 2020, 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, Mr. Feng Mingwei 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, Mr. Feng Mingwei or Mr. Harry Yang prior to its expiry, Mr. Qin Hengde, Mr. Feng Mingwei 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

Mr. Qin Hengde, an executive Director and the Chief Executive Officer of the Company, is the deputy chairman of the board of directors of Qinghai Salt Lake Industry Co., Ltd. (青海鹽湖工業股份有限公司) (“Qinghai Salt Lake”). Mr. Feng Mingwei, an executive Director of the Company, is also a director of Qinghai Salt Lake. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of salt lake resources.

The board of directors of Qinghai Salt Lake consists of 11 directors. Mr. Qin Hengde and Mr. Feng Mingwei are not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Both Mr. Qin Hengde and Mr. Feng Mingwei have extensive experience in the fertilizer industry, are aware of their duties and responsibilities as the Directors and senior management members of the Company, and are able to devote sufficient time to the business of the Group. The Company believes that Mr. Qin Hengde and Mr. Feng Mingwei are able to exercise their independent judgment in making decisions at the Board meetings and act in the interest of the Group.

Save as disclosed above, 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 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 2019 (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 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT

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

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

As at the Latest Practicable Date, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2019 (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 Framework Agreement, (ii) the Existing Agreements, and (iii) the service contracts mentioned in paragraph 4 above is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM.

NOTICE OF SPECIAL GENERAL MEETING



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofer Holdings Limited (the “**Company**”) will be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 18 December 2020 at 10:00 a.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 3 December 2020 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the 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 Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 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 identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

2. To re-elect Mr. J. Erik Fyrwald as a non-executive director of the Company.

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 2020

Notes:

1. The register of members of the Company will be closed from 15 December 2020 to 18 December 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 14 December 2020.
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 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.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (Chairman); and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.