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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**SINOFERT HOLDINGS LIMITED**

**中化化肥控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 297)**

**CONTINUING CONNECTED TRANSACTIONS  
UNDER FERTILIZER SALES CO-OPERATION  
FRAMEWORK AGREEMENT**

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



**SOMERLEY CAPITAL LIMITED**

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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 Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:00 p.m. is set out on pages 28 to 29 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

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*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 Sales Co-operation Framework Agreement”	the fertilizer sales co-operation framework agreement dated 30 October 2017 entered into among Sinochem Macao, Sinochem Fertilizer and Sinochem Group
“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 Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps

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## DEFINITIONS

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“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Fertilizer Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	shareholders other than Sinochem Group and its associates
“Latest Practicable Date”	13 November 2017, 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
“Macao”	Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:00 p.m. or any adjournment thereof, the notice of which is set out on pages 28 to 29 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“shareholder(s)”	registered holder(s) of Shares

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## DEFINITIONS

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“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”	中國中化集團公司 (Sinochem Group), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Sinochem Macao”	中化化肥澳門離岸商業服務有限公司 (Sinochem Fertilizer Macao Commercial Offshore Limited), a company incorporated in Macao on 16 November 2004 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

QIN Hengde (*Chief Executive Officer*)

Harry YANG

*Non-executive Directors:*

ZHANG Wei (*Chairman*)

YANG Lin

Stephen Francis DOWDLE

XIANG Dandan

*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

20 November 2017

*To: the shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 30 October 2017 in relation to the Fertilizer Sales Co-operation Framework Agreement. The transactions contemplated under the Fertilizer Sales Co-operation 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.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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

### **CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 9 December 2016 in relation to the existing fertilizer sales co-operation framework agreement entered into between Sinochem Macao and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, and Sinochem Group. Such agreement will expire on 31 December 2017.

On 30 October 2017, Sinochem Macao and Sinochem Fertilizer entered into the Fertilizer Sales Co-operation Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will continue to import fertilizer products sourced by Sinochem Macao and sell them to Sinochem Fertilizer during the period from 1 January 2018 to 31 December 2018 (both days inclusive).

#### **Principal Terms of the Fertilizer Sales Co-operation Framework Agreement**

##### *Date*

30 October 2017

##### *Parties*

- (a) Sinochem Macao
- (b) Sinochem Fertilizer
- (c) Sinochem Group

##### *Nature of transactions*

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer products in the PRC, will import the products sourced by Sinochem Macao and sell such products to Sinochem Fertilizer. Sinochem Group will also import a small amount of fertilizer products directly from overseas from time to time. Sinochem Group has undertaken that, except for any fertilizer products imported by it on behalf of its other customers, it will sell all the fertilizer products it imports to Sinochem Fertilizer exclusively. On the other hand, Sinochem Fertilizer is free to purchase fertilizer products from any authorized importers.

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## LETTER FROM THE BOARD

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### *Pricing*

Under the Fertilizer Sales Co-operation Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the parties are as follows:

- (i) the price to be paid by Sinochem Group to Sinochem Macao for fertilizer products sold by Sinochem Macao to Sinochem Group will be determined in accordance with the prevailing international market price;
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced from overseas by Sinochem Macao will be determined in accordance with the purchasing price paid by Sinochem Group plus reasonable costs incurred by Sinochem Group in relation to the import of fertilizer products, such as product inspection costs, customs and excise handling charges representing approximately 0.2% of the import price, import duty representing approximately 1% of the import price and reasonable administrative costs; and
- (iii) the price to be paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced by Sinochem Group directly from overseas suppliers will be determined in accordance with the prevailing domestic wholesale price at port.

In determining the prevailing international market price and the domestic wholesale price at port, the parties generally make reference to weekly reports published by certain independent commodity information providers such as Argus Media and Baichuan (百川資訊). Such reports, usually updated on a weekly basis and available to the Company by subscription, provide up to date information on market trend and prevailing market prices.

In addition, the Group maintains regular contacts with domestic and overseas fertilizer producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. Before placing a purchase order with Sinochem Group, the Group usually obtains reference prices from three or more independent suppliers who are leading suppliers of potash and compound fertilizer in the world and maintain long-term cooperation with the Group for over 20 years. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. Such prices will be reported to the manager of the fertilizer department, and then submitted to the vice president in charge of the fertilizer business for approval.

As the procurement and approval process involves reference to industry reports as well as up to date market prices as mentioned above, the Company considers that 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.



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## LETTER FROM THE BOARD

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### *Payment*

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the type, specification, quantities, packaging and price of the fertilizer products, and Sinochem Fertilizer shall make the full payment to Sinochem Group by bank draft or other means for its purchase of the fertilizer products. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Sinochem Macao in relation to the import of the fertilizer products.

The parties shall enter into specific agreements setting out detailed terms of the transactions including the payment terms. The payment terms, subject to further negotiation between the parties, will be in line with the market practices.

### *Termination and expiration*

The Fertilizer Sales Co-operation Framework Agreement will expire on 31 December 2018. The term of the Fertilizer Sales Co-operation Framework Agreement can be extended with the consent of Sinochem Macao, Sinochem Fertilizer and Sinochem Group.

Where a party to the Fertilizer Sales Co-operation Framework Agreement has breached any terms of the Fertilizer Sales Co-operation Framework Agreement and such breach is not remedied within 60 days of the date of written notice from the other party(ies) requesting remedy of the breach, the other party(ies) may terminate the Fertilizer Sales Co-operation Framework Agreement. In addition, during the term of the Fertilizer Sales Co-operation Framework Agreement, Sinochem Macao and Sinochem Fertilizer are entitled to terminate the Fertilizer Sales Co-operation Framework Agreement by giving one month's notice to the other parties.

### **Annual Caps**

#### *Annual cap for continuing connected transactions between Sinochem Macao and Sinochem Group*

The Company estimates that the annual cap for the year ending 31 December 2018 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be US\$929,000,000. Such cap is estimated based on the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing international market price) during the term of the Fertilizer Sales Co-operation Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2016 and the ten months ended 31 October 2017 were approximately US\$1,116,834,000, US\$417,521,000 and US\$387,657,000, respectively.

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## LETTER FROM THE BOARD

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### *Annual cap for continuing connected transactions between Sinochem Fertilizer and Sinochem Group*

The Company estimates that the annual cap for the year ending 31 December 2018 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be RMB6,596,000,000. Such cap is estimated based on:

- (i) the projected quantities of sales of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products (which is determined on a cost basis) during the term of the Fertilizer Sales Co-operation Framework Agreement; and
- (ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group directly from overseas suppliers to Sinochem Fertilizer and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing domestic wholesale price at port) during the term of the Fertilizer Sales Co-operation Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2016 and the ten months ended 31 October 2017 were approximately RMB7,343,894,000, RMB3,129,073,000 and RMB2,741,063,000, respectively.

The historical amounts for the year ended 31 December 2016 and the ten months ended 31 October 2017 are substantially lower than the annual caps for the year ending 31 December 2018, which is mainly due to (i) the limited imports of potash in the first half of 2016 and 2017 as the consensus with major international potash suppliers regarding import price and volumes for each of 2016 and 2017 was only reached in July of the relevant year, and (ii) the oversupply of fertilizer products in 2016 and 2017 and the significant decrease in international market price of potash in 2016 and 2017 as compared to that in 2015. In determining the annual caps for the year ending 31 December 2018, the Company has in general made reference to the historical amounts for the year ended 31 December 2015, and factored in the expected increase in demand for potash and the expected increasing trend of the price of potash in 2018. In particular, the Company, as a member of the negotiating team of the PRC, endeavors to speed up the process of potash import negotiation with international major suppliers in 2018 and target to resume the relevant purchase quantities to the level of 2015. On the above basis, the Board is of the view that the increase in the annual caps for the year ending 31 December 2018 is fair and reasonable.

### **Reasons and Benefits for the Continuing Connected Transactions**

Under the PRC law, the Group is not allowed to import fertilizer products into the PRC (except for small amount trade in border areas (邊境小額貿易) as approved under the PRC law) and the right to import fertilizer products is only granted to Sinochem Group and several other importers. As the Group needs to import fertilizer products through authorized importers, such as Sinochem Group, the Fertilizer Sales Co-operation Framework Agreement was therefore entered into between the parties.

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## LETTER FROM THE BOARD

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Mr. Zhang Wei and Mr. Yang Lin, being Directors of the Company and management members of Sinochem Group, are regarded as having a material interest in the Fertilizer Sales Co-operation Framework Agreement, and have therefore abstained from voting on the relevant Board resolution passed to approve the Fertilizer Sales Co-operation Framework Agreement and the transactions contemplated thereunder.

### **Implications of the Listing Rules**

Each of Sinochem Macao and 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. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Fertilizer Sales Co-operation 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 Macao is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas.

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.

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## LETTER FROM THE BOARD

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### SGM

A resolution approving the Fertilizer Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps shall be proposed at the SGM.

In view of Sinochem Group's interests in the Fertilizer Sales Co-operation 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 Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

A notice convening the SGM to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:00 p.m. is set out on pages 28 to 29 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 Sales Co-operation Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the 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 Sales Co-operation 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.

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## LETTER FROM THE BOARD

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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 the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 14 to 24 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)**

*To: the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
UNDER FERTILIZER SALES CO-OPERATION  
FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 20 November 2017 (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 Sales Co-operation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Fertilizer Sales Co-operation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 11 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 24 of the Circular which contains its opinion in respect of the Fertilizer Sales Co-operation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Fertilizer Sales Co-operation 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**

20 November 2017

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## LETTER FROM SOMERLEY

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*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

20 November 2017

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS UNDER THE FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the import of fertilizer products for Sinochem Fertilizer by Sinochem Group through the arrangement with Sinochem Macao pursuant to the terms of the Fertilizer Sales Co-operation Framework Agreement for the year 2018 (the “**Continuing Connected Transactions**”), including the relevant annual caps (the “**Annual Caps**”), for which the Independent Shareholders’ approval is being sought. Details of the Continuing Connected Transactions and the Annual Caps are contained in the circular of the Company to the Shareholders dated 20 November 2017 (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, each of Sinochem Macao and Sinochem Fertilizer is an indirectly wholly-owned subsidiary of the Company. Since Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Given that the relevant 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 the Listing Rules.



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## LETTER FROM SOMERLEY

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In view of Sinochem Group's interests in the Fertilizer Sales Co-operation 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 Continuing Connected Transactions (including the Annual Caps).

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

During the past two years, Somerley has acted as independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions of the Group, details of which were set out in the circulars of the Company dated 4 February 2016 and 23 January 2017. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Somerley received normal professional fees from the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Sinochem Group and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions as detailed in the Circular.

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 and the Sinochem Group, nor have we carried out any independent verification of the information supplied.

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## LETTER FROM SOMERLEY

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### 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 Group and Sinochem Group

##### *The Group*

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. Its main business comprises research and development, production, procurement, distribution and agricultural services in relation to fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses. For the year ended 31 December 2016 and for the six months ended 30 June 2017, the Group recorded a turnover of approximately RMB15.0 billion and RMB10.5 billion respectively. As at the Latest Practicable Date, the Company had a market capitalisation of approximately HK\$8.9 billion.

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

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

##### *Sinochem Group*

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

#### 2. Background to and reasons for the Continuing Connected Transactions

##### *Fertilizer Sales Co-operation Framework Agreement*

Pursuant to PRC law, only approved importers are allowed to import fertilizer products into the PRC. The Group is not allowed to do so, except for small amounts in border areas, as approved under the PRC law. Over the years, only Sinochem Group, and a limited number of other importers, have been granted the right to import fertilizer products into the PRC, and the Group sees no indication that the above law is expected to change in near future.

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## LETTER FROM SOMERLEY

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The Group needs to import fertilizer products through authorised importers in its ordinary course of business. Since 2005, Sinochem Macao has been sourcing fertilizer products from overseas and selling them to Sinochem Group, after which Sinochem Group imports the products into the PRC and sells them (except for products imported by Sinochem Group as an agent for other customers) to Sinochem Fertilizer.

At present, the arrangements between the three parties are governed by the existing fertilizer sales co-operation framework agreement dated 9 December 2016, for a term of one year (the “**Existing Fertilizer Sales Co-operation Framework Agreement**”), which will expire on 31 December 2017. The Existing Fertilizer Sales Co-operation Framework Agreement was approved by the then independent shareholders at a shareholders’ meeting held on 16 February 2017.

In view of the long term business relationship between the Group and Sinochem Group, and Sinochem Group being one of the approved PRC fertilizer importers, the Fertilizer Sales Co-operation Framework Agreement has been entered into between Sinochem Macao, Sinochem Group and Sinochem Fertilizer on 30 October 2017, to govern and continue the aforementioned import services for the year ending 31 December 2018.

### **3. Principal terms of the Continuing Connected Transactions**

Set out below is the principal terms of the Fertilizer Sales Co-operation Framework Agreement. Further details are disclosed in the letter from the Board in the Circular.

#### *General*

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group (an approved importer of fertilizer products into the PRC), which will import such products and then sell them to Sinochem Fertilizer in the PRC. Sinochem Group will also import a small amount of fertilizer products directly from overseas from time to time. Sinochem Group has undertaken that except for fertilizer products imported by it on behalf of other customers, it will sell all the fertilizer products it imports to Sinochem Fertilizer exclusively. However, Sinochem Fertilizer is free to purchase fertilizer products from any authorised suppliers.

#### *Pricing*

Pursuant to the Fertilizer Sales Co-operation Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the three parties are as follows:

- (i) for products sourced by Sinochem Macao for Sinochem Fertilizer, the price to be paid by Sinochem Group to Sinochem Macao will be determined in accordance with the prevailing international market price;

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## LETTER FROM SOMERLEY

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- (ii) for fertilizer products sold to Sinochem Fertilizer by Sinochem Group sourced from overseas by Sinochem Macao, Sinochem Group will charge Sinochem Fertilizer on a cost basis, that is, based on the price of the imported fertilizer products purchased from Sinochem Macao plus reasonable cost incurred by Sinochem Group in relation to the import of the fertilizers, such as product inspection costs, customs and excise handling charges representing approximately 0.2% of the import price, import duty representing approximately 1% of the import price, and reasonable administrative costs (collectively the “**Import Charges**”), which is consistent with the pricing basis adopted pursuant to the Existing Fertilizer Sales Co-operation Framework Agreement; and
  
- (iii) for fertilizer products sold to Sinochem Fertilizer by Sinochem Group sourced directly from overseas, Sinochem Group will charge Sinochem Fertilizer in accordance with the prevailing domestic wholesale price at port.

### *Payment*

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the fertilizer products, and Sinochem Fertilizer shall make full payment to Sinochem Group for its purchase of the fertilizer products. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Sinochem Macao in relation to the import of the fertilizer products. Payments are usually made by telegraphic transfer within 90 days upon signing of the specific agreements.

### *Comparison of terms with independent third parties*

We have discussed with the management of the Group and reviewed lists of transactions and sample contracts for the purchases and sales under the Existing Fertilizer Sales Co-operation Framework Agreement between the Group and Sinochem Group, and compared them with (i) contracts reviewed by us for similar purchases selected from the lists of transactions from independent fertilizer importers, which were selected on a random basis from such lists covering the period from 1 January 2017 to 31 October 2017, in the relevant categories and (ii) the respective international market price and domestic wholesale price at port sourced from independent commodity information providers such as Argus Media and Baichuan (百川資訊). We note that the terms of the transactions contemplated under the Continuing Connected Transactions, in particular the pricing terms and credit terms, are broadly similar to the transaction terms between the Group and the independent third parties and/or the international market price or domestic wholesale price at port, as reviewed by us, and consider the sample contracts selected to be fair and representative.

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## LETTER FROM SOMERLEY

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### 4. The Annual Caps

Set out below are the historical transaction amounts and the relevant annual caps under the Continuing Connected Transactions for the two years ended 31 December 2016 and for the ten months ended 31 October 2017, and the Annual Caps for 2018:

(a) *Review of historical figures*

	<b>For the year ended</b>		<b>For the ten</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 October</b>
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	('000)	('000)	('000)
			<i>(Note)</i>
<u>Historical transactions between</u>			
<u>Sinochem Macao and</u>			
<u>Sinochem Group</u>	US\$1,116,834	US\$417,521	US\$387,657
Relevant annual caps	US\$1,265,000	US\$1,430,000	US\$1,010,000
Utilisation rates	88.3%	29.2%	38.4%
 <u>Historical transactions between</u>			
<u>Sinochem Fertilizer and</u>			
<u>Sinochem Group</u>	RMB7,343,894	RMB3,129,073	RMB2,741,063
Relevant annual caps	RMB7,796,000	RMB9,300,000	RMB7,560,000
Utilisation rates	94.2%	33.6%	36.3%

*Note:* Historical transactions covered the period from 1 January 2017 to 31 October 2017, whereas the relevant annual caps govern the relevant transactions for the full year of 2017.

There was a substantial decrease in historical transactions in 2016 compared to 2015. We note that sales of imported fertilizer products by Sinochem Group to Sinochem Fertilizer decreased by approximately 57.4% from approximately RMB7,343.9 million in 2015 to approximately RMB3,129.1 million in 2016, and the relevant purchases by Sinochem Group from Sinochem Macao decreased by approximately 62.6% from approximately US\$1,116.8 million in 2015 to approximately US\$417.5 million in 2016. We understand from the management of the Group that the above significant drop was mainly due to (i) lower imports in the first half of the year as a consensus with major international potash suppliers regarding import price and volumes was reached only in July 2016, resulting in a limited number of import contracts being entered into during the first half of 2016, and (ii) a weak global macro-economic environment, a decline in staple food prices such as corn and wheat, in 2016, an oversupply of fertiliser products due to overcapacity in the PRC, and the fall in the prices of fertilizer products, such as potash and compound fertilizers, as detailed in the Company's 2016 interim report and annual report.

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## LETTER FROM SOMERLEY

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For the ten months ended 31 October 2017, sales by Sinochem Group to Sinochem Fertilizer amounted to approximately RMB2,741.1 million, and purchases by Sinochem Group from Sinochem Macao amounted to approximately US\$387.7 million. We note that the relevant annual caps have not been fully utilised, being approximately 36.3% and 38.4% respectively. The relatively low utilisation rates were mainly due to (i) lower imports in the first half of the year as a result of extended negotiations and finalisation of potash contracts with major international potash suppliers, which was concluded only in July 2017, and (ii) a decline in staple food prices, particularly the lower minimum purchase price of rice by the PRC government in 2017, the reduction of farmers' income and area of arable land, for example, relating to corn, and a continued oversupply situation in the fertilizer industry in the PRC. We note that the index of producer prices for agricultural products, as released by the National Bureau of Statistics of the PRC, decreased in the first three quarters of 2017 as compared to 2016, and the increasing fertilizer inventory levels during the first three quarters of 2017 indicated an oversupply situation in the PRC.

In addition, we note from the Group's 2017's interim report that the Group continued to accelerate the inventory turnover and to lower physical inventory by strengthening the coordination between fertilizer procurement and distribution channels. Inventory balance of the Group decreased substantially recently, from approximately RMB6,312.3 million as at 31 December 2015 to approximately RMB4,475.0 million as at 31 December 2016, and further decreased to approximately RMB3,712.0 million as at 30 June 2017. The reduction in inventory size in the past two years in turn reduced the purchase requirement during the same period, leading to the lower utilisation of the relevant annual caps.

*(b) Assessment of the Annual Caps*

*Transactions between Sinochem Macao and Sinochem Group*

The annual cap in respect of the transactions between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is US\$929.0 million for the year ending 31 December 2018. This is approximately 8.0% below the cap for 2017.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the purchase of the fertilizer products by Sinochem Group from Sinochem Macao. The annual cap is estimated based on (i) the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao; and (ii) the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing international market price) for 2018.

We note that the management of the Group considers the actual sales quantities of fertilizer products in the year 2016 and in the first ten months of 2017 to be not representative of expected future volumes, given certain agreements as regards to

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## LETTER FROM SOMERLEY

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imports were only reached in mid-2016 and mid-2017 respectively, as mentioned above. As such, in estimating the sales quantities of fertilizer products from Sinochem Macao to Sinochem Group in 2018, the management of the Group has in general made reference to the actual sales quantities of fertilizer products from Sinochem Macao to Sinochem Group in 2015, where the relevant agreements with major international potash suppliers were entered into during the first quarter of 2015, and factored in the expected recovery of fertilizer market, in particular potash market, on the basis of the Group's general forecasts for the demand for fertilizer products. Further, we understand from the management of the Group that along with enhancing the Group's marketing and operating abilities for its products, the Group intends to speed up the process of potash import negotiation with international major suppliers in the coming year and targets to resume the relevant purchase quantities at 2015 levels.

We note from the Group's 2017 interim report that the Group carried out a series of reforms in the context of service-oriented marketing and strengthened strategic partnerships with core domestic and overseas suppliers. The Group's sales volumes of potash and compound fertilizers, being the two main components covered under the Fertilizer Sales Co-operation Framework Agreement, increased by approximately 28.0% and 37.5% respectively during the first half of 2017, as compared to the same period in 2016. The global potash demand is expected to grow moderately between 2017 and 2021 according to a report published by the International Fertilizer Industry Association. On the basis of the above, we concur with the view of the Group's management, as set out above.

According to the management of the Group, the projected average price per tonne is based on the most recent international market price of fertilizer products in 2017. Based on our independent work performed, the forecast price is within the range of the most recent prices available from independent commodity information providers, as of October 2017.

### *Transactions between Sinochem Fertilizer and Sinochem Group*

The annual cap in respect of the transactions between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is RMB6,596.0 million for the year ending 31 December 2018. This is approximately 12.8% below the cap for 2017.

In assessing the reasonableness of the annual cap, we have discussed with the management of the Group the bases and assumptions underlying the projections for the sales of the fertilizer products by Sinochem Group to Sinochem Fertilizer. The annual cap is estimated based on:

- (i) the projected quantities of sales of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products for 2018 (which is determined on a cost basis) and the Import Charges; and

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## LETTER FROM SOMERLEY

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- (ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group directly from other overseas suppliers for Sinochem Fertilizer and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing domestic wholesale price at port) for 2018.

The quantity of fertilizer products expected to be purchased by Sinochem Fertilizer from Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement is principally based on the quantity of products expected to be sold by Sinochem Macao to Sinochem Group as discussed in the sub-section above. The expected average price of products for the purpose of the annual cap is in general based on the prices of products to be sold by Sinochem Macao to Sinochem Group as estimated on the bases discussed above, plus an additional cost per tonne which is estimated on the basis of administrative and other direct costs incurred for the import of fertilizer products.

Having considered (i) the projected price of fertilizer products in 2018 and (ii) the Group's estimated purchase quantities of fertilizer products after taking into account an improvement in demand for fertilizer products in the first half of 2017, we consider it reasonable for the Directors to set annual caps of (i) US\$929.0 million for transactions between Sinochem Macao and Sinochem Group and (ii) RMB6,596.0 million for transactions between Sinochem Fertilizer and Sinochem Group for the year ending 31 December 2018.

### *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 latest market conditions and accommodate the potential growth of the Group's business. In particular, it was shown in previous occasions that international and domestic prices of fertilizer products fluctuated significantly, which made it difficult for the management of the Group to estimate future transactions with Sinochem Group with a high degree of certainty. For example, consensus on imports of potash with major international potash suppliers was only reached in mid-year of 2016 and 2017, leading to a significant drop in fertilizer imports in the first half year, which in turn led to a low utilisation of relevant annual caps under the Fertilizer Sales Co-operation Framework Agreement. Provided that 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, the Group would have desirable flexibility in conducting its business if the Annual Caps are tailored to future business growth. 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.



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## LETTER FROM SOMERLEY

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

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## LETTER FROM SOMERLEY

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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 of the Fertilizer Sales Co-operation Framework Agreement 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.

### 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 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 SFC and a responsible officer of Somerley Capital Limited, 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 debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

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

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

**3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS**

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

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

#### 4. DIRECTORS' SERVICE CONTRACTS

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

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

#### 5. COMPETING INTERESTS

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

#### 6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

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

#### 7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**8. EXPERTS**

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

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

As at the Latest Practicable Date, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

**9. GENERAL**

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

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of each of (i) the Fertilizer Sales Co-operation 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.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofert Holdings Limited (the “**Company**”) will be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 20 December 2017 at 2:00 p.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 Sales Co-operation Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 20 November 2017 (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 Fertilizer Sales Co-operation Framework Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and

\* *For identification purposes only*

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## NOTICE OF SPECIAL GENERAL MEETING

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- (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 Sales Co-operation 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 Fertilizer Sales Co-operation 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

20 November 2017

*Notes:*

1. The register of members of the Company will be closed from 15 December 2017 to 20 December 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 14 December 2017.
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 directors of the Company are Mr. Zhang Wei (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.*