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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 AND SULPHUR IMPORT FRAMEWORK AGREEMENT AND RE-ELECTION OF DIRECTORS

**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 4 to 15 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 16 to 17 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 18 to 33 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 16 February 2017 at 10:00 a.m. is set out on pages 41 to 43 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 before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

* *For identification purposes only*

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DEFINITIONS

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

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| “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 |
| “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 |
| “Dohigh Trading” | 敦尚貿易有限公司 (Dohigh Trading Limited), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Fertilizer Sales Co-operation Framework Agreement” | the fertilizer sales co-operation framework agreement dated 9 December 2016 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 |

DEFINITIONS

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| “Independent Board Committee” | the independent board committee of the Company formed to consider the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps |
| “Independent Financial Adviser” or “Somerley” | Somerley Capital Limited, a licensed corporation to carry on 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 and the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps |
| “Independent Shareholders” | shareholders other than Sinochem Group and its associates |
| “Latest Practicable Date” | 18 January 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 16 February 2017 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages 41 to 43 of this circular |

DEFINITIONS

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|--------------------------------------|--|
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the capital of the Company |
| “shareholder(s)” | registered holder(s) of Shares |
| “Sinochem Corporation” | 中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC and a subsidiary of Sinochem Group |
| “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 HK” | 中化香港(集團)有限公司 (Sinochem Hong Kong (Group) Company Limited), a company incorporated in Hong Kong with limited liability, which is wholly owned by Sinochem Corporation and is the immediate 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 |
| “Sulphur Import Framework Agreement” | the sulphur, fertilizer and other fertilizer raw materials import framework agreement dated 9 December 2016 entered into among Sinochem Fertilizer, Dohigh Trading and Sinochem Group |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | percent |

LETTER FROM THE BOARD



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Executive Directors:

QIN Hengde (*Chief Executive Officer*)

Harry YANG

Non-executive Directors:

ZHANG Wei (*Chairman*)

YANG Lin

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:

Units 4601-4610, 46th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

23 January 2017

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER FERTILIZER SALES CO-OPERATION
FRAMEWORK AGREEMENT AND
SULPHUR IMPORT FRAMEWORK AGREEMENT
AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

On behalf of the Board, I invite you to attend the SGM to be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 16 February 2017 at 10:00 a.m.. Ordinary resolutions will be proposed at the SGM to approve continuing connected transactions and re-election of Directors.

* For identification purposes only

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 9 December 2016 in relation to the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement. The transactions contemplated under the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 16 to 17 of this circular, which contains its advice to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 18 to 33 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 Appendix I to this circular.

(A) Continuing Connected Transactions under the Fertilizer Sales Co-operation Framework Agreement

Reference is made to the announcement of the Company dated 4 December 2015 in relation to the 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 on 4 December 2015. Such agreement expired on 31 December 2016.

On 9 December 2016, 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 2017 to 31 December 2017 (both days inclusive).

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT

Date

9 December 2016

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 all of 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.

Pricing

Under the Fertilizer Sales Co-operation Framework Agreement, unless otherwise determined by the PRC government, 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 domestic wholesale price at port.

LETTER FROM THE BOARD

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 (<http://www.arguschina.cn>) and Baichuan (百川資訊) (<http://www.baiinfo.com>). 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 suppliers. 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 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 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 2017. 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

LETTER FROM THE BOARD

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 2017 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be US\$1,010,000,000. 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 2015 and the eleven months ended 30 November 2016 were approximately US\$997,839,000, US\$1,116,834,000 and US\$392,192,000, respectively.

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 2017 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement will be RMB7,560,000,000. 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 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 2015 and the eleven months ended 30 November 2016 were approximately RMB7,010,827,000, RMB7,343,894,000 and RMB2,927,728,000, respectively.

LETTER FROM THE BOARD

In determining the annual caps for the year ending 31 December 2017 in respect of the continuing connected transactions under the Fertilizer Sales Co-operation Framework Agreement, the Company has taken into account the expected recovery of fertilizer market, in particular potash market, and the expected increase in demand for fertilizer products in 2017 based on its forecast of the development of the industry and communications with domestic and overseas fertilizer producers, distributors and traders, which is also supported by a report published by an international fertilizer association. However, as the Company estimated that the international market price of 2017 would be lower than such prices of 2016 as estimated by the Company at the time of setting the annual caps for the year of 2016, the Company set lower annual caps for the year of 2017 as compared to the year of 2016.

(B) Continuing Connected Transactions Under the Sulphur Import Framework Agreement

Reference is made to the announcement of the Company dated 4 December 2015 in relation to the sulphur and other fertilizer raw materials import framework agreement entered into between Dohigh Trading and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, and Sinochem Group on 4 December 2015. Such agreement expired on 31 December 2016.

On 9 December 2016, Dohigh Trading and Sinochem Fertilizer entered into the Sulphur Import Framework Agreement with Sinochem Group, pursuant to which Sinochem Group will continue to import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading and sell them to Sinochem Fertilizer during the period from 1 January 2017 to 31 December 2017 (both days inclusive).

PRINCIPAL TERMS OF THE SULPHUR IMPORT FRAMEWORK AGREEMENT

Date

9 December 2016

Parties

- (a) Dohigh Trading
- (b) Sinochem Fertilizer
- (c) Sinochem Group

Nature of transactions

Pursuant to the Sulphur Import Framework Agreement, Sinochem Group shall import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading only, and sell them all to Sinochem Fertilizer except for any sulphur, fertilizer and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers.

LETTER FROM THE BOARD

Pricing

Under the Sulphur Import Framework Agreement, unless otherwise determined by the PRC government, the pricing principles for the sale and purchase of sulphur, fertilizer and other fertilizer raw materials between the parties are as follows:

- (i) the price to be paid by Sinochem Group to Dohigh Trading for sulphur, fertilizer and other fertilizer raw materials sold by Dohigh Trading to Sinochem Group shall be determined in accordance with the prevailing international market price; and
- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for sulphur, fertilizer and other fertilizer raw materials sold by Sinochem Group to Sinochem Fertilizer shall be determined in accordance with the 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 (<http://www.arguschina.cn>) and Baichuan (百川資訊) (<http://www.baiinfo.com>). 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 producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. 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 relevant department, and then submitted to the vice president in charge of the business for approval.

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

Payment

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

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.

LETTER FROM THE BOARD

Termination and expiration

The Sulphur Import Framework Agreement will expire on 31 December 2017. The term of the Sulphur Import Framework Agreement can be extended with the consent of Dohigh Trading, Sinochem Fertilizer and Sinochem Group.

Where a party to the Sulphur Import Framework Agreement has breached any terms of the Sulphur Import 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 Sulphur Import Framework Agreement. In addition, during the term of the Sulphur Import Framework Agreement, Dohigh Trading and Sinochem Fertilizer are entitled to terminate the Sulphur Import Framework Agreement by giving one month's notice to the other parties.

ANNUAL CAPS

Annual cap for continuing connected transactions between Dohigh Trading and Sinochem Group

The Company estimates that the annual cap for the year ending 31 December 2017 in respect of the purchase of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group from Dohigh Trading will be US\$115,000,000. Such cap has been estimated based on the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading and the projected average price per tonne of products during the term of the Sulphur Import Framework Agreement (which is determined in accordance with the prevailing international market price).

The historical amounts of such continuing connected transactions for the two years ended 31 December 2015 and the eleven months ended 30 November 2016 were approximately US\$131,522,000, US\$96,577,000 and US\$67,038,000, respectively.

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 2017 in respect of the sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer will be RMB880,000,000. Such cap has been estimated based on the projected quantities of sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer and the projected average price per tonne of products during the term of the Sulphur Import Framework Agreement (which is determined in accordance with the domestic wholesale price at port).

The historical amounts of such continuing connected transactions for the two years ended 31 December 2015 and the eleven months ended 30 November 2016 were approximately RMB751,282,000, RMB568,703,000 and RMB506,741,000, respectively.

LETTER FROM THE BOARD

Taking into account the recent price level of sulphur, the Company estimated that the international market price and domestic wholesale price at port of 2017 would be lower than such prices of 2016 as estimated by the Company at the time of setting the annual caps for the year of 2016, as such, the Company set lower annual caps for the year of 2017 as compared to the year of 2016.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

(A) Fertilizer Sales Co-operation Framework Agreement

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.

(B) Sulphur Import Framework Agreement

As a state-owned enterprise in the PRC, Sinochem Group enjoyed domestic preferential policies issued by the PRC government from time to time. The Sulphur Import Framework Agreement is entered into for the purchase of sulphur, fertilizer and other fertilizer raw materials through Sinochem Group as importer so as to make full use of domestic preferential policies, such as import-related preferential policies.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement are fair and reasonable.

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

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

Each of Sinochem Macao, Sinochem Fertilizer and Dohigh Trading 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 each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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.

The transaction amounts of the continuing connected transactions under each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement will be closely monitored to ensure that they fall within 5% of the applicable percentage ratios as defined in the Listing Rules, prior to obtaining approval from the Independent Shareholders at the SGM.

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 and distribution of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses. The Company aims to serve the agricultural industry in the PRC by introducing quality resources from overseas and to ensure food security in the PRC.

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.

Dohigh Trading is principally engaged in the trading of fertilizers and other agrichemical products.

Sinochem Group is a key state-controlled enterprise established in 1950. It indirectly holds a 98% equity interest in Sinochem HK, which in turn owns approximately 52.65% of the Company. Sinochem Group's core business is as follows: petroleum, fertilizer, trade, distribution and logistics of chemicals, crude oil, fuel oil and natural rubber futures; overseas oil and gas exploitation and production, refinery, chemical mining and washing, fertilizer and chemicals production; hotel and real estate development and operation.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 8 December 2016 in relation to the appointment of Mr. ZHANG Wei as a non-executive Director and the Chairman of the Board of the Company, and the appointment of Mr. QIN Hengde as an executive Director, the Chief Executive Officer and the Chairman of the Corporate Governance Committee 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. ZHANG Wei and Mr. QIN Hengde will offer themselves for re-election at the SGM.

Biographies of the Directors proposed for re-election at the SGM are set out in Appendix II to this circular.

SGM

Resolutions approving (i) the Fertilizer Sales Co-operation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, (ii) the Sulphur Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, (iii) the re-election of Mr. ZHANG Wei as a non-executive Director, and (iv) the re-election of Mr. QIN Hengde as an executive Director, shall be proposed at the SGM.

In view of Sinochem Group's interests in the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, Sinochem Group and its associates are required to abstain and shall abstain from voting on the resolutions to be proposed at the SGM to approve the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 16 February 2017 at 10:00 a.m. is set out on pages 41 to 43 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 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.

LETTER FROM THE BOARD

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



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

23 January 2017

To: the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 23 January 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 Sulphur Import 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 Sulphur Import 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 15 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 33 of the Circular which contains its opinion in respect of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import 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 resolutions set out in the notice of the SGM.

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

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED

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

23 January 2017

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER FERTILIZER SALES CO-OPERATION FRAMEWORK AGREEMENT AND SULPHUR IMPORT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the import of (i) 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 and (ii) sulphur, fertilizer and other fertilizer raw materials for Sinochem Fertilizer by Sinochem Group through the arrangement with Dohigh Trading pursuant to the terms of the Sulphur Import Framework Agreement for the year 2017 (the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought, including the relevant annual caps (the “**Annual Caps**”). Details of the Continuing Connected Transactions and the Annual Caps are contained in the circular of the Company to the Shareholders dated 23 January 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, Dohigh Trading 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 interest of approximately 52.65% of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company under the Listing Rules. As 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.

LETTER FROM SOMERLEY

In view of Sinochem Group's interests in each of the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement, Sinochem Group and its associates are required to abstain from voting on the resolutions 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 27 January 2015, 26 February 2015 and 4 February 2016. 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. Notwithstanding the past engagements, 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.

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 and distribution in relation to fertilizers, and it forms a vertically integrated business model combining upstream and downstream businesses. For the year ended 31 December 2015 and for the six months ended 30 June 2016, the Group recorded a turnover of approximately RMB26.1 billion and RMB8.9 billion respectively. As at the Latest Practicable Date, the Company had a market capitalisation of approximately HK\$8.2 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.

Dohigh Trading is incorporated in Hong Kong and principally engaged in the trading of fertilizers and other agrichemical products.

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 key state-controlled enterprise and a Global Fortune 500 Company. Its core businesses are as follows: petroleum, fertilizer, trade, distribution and logistics of chemicals, crude oil, fuel oil and natural rubber futures; overseas oil and gas exploitation and production, refining, chemical mining and washing; fertilizer and chemicals production; hotel and real estate development and operation.

2. Background to and reasons for the Continuing Connected Transactions

(i) 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 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.

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.

During the year ended 31 December 2016, the arrangements between the three parties are governed by the fertilizer sales co-operation framework agreement dated 4 December 2015, for a term of one year (the “**Former Fertilizer Sales Co-operation Framework Agreement**”), which has expired on 31 December 2016. The Former Fertilizer Sales Co-operation Framework Agreement was approved by the then independent shareholders at a shareholders’ meeting held on 25 February 2016.

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 9 December 2016, to govern and continue the aforementioned import services for the year ending 31 December 2017.

(ii) Sulphur Import Framework Agreement

As a state-owned enterprise in the PRC, Sinochem Group enjoys domestic preferential policies issued by the PRC government from time to time, such as import-related preferential policies. In order for the Group to potentially benefit from reduced import costs as a result of the above, since 2009, Dohigh Trading has been sourcing overseas sulphur and other fertilizer raw materials 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.

LETTER FROM SOMERLEY

During the year ended 31 December 2016, the arrangements between the three parties are governed by the sulphur import framework agreement dated 4 December 2015, for a term of one year (the “**Former Sulphur Import Framework Agreement**”), which has expired on 31 December 2016. The Former Sulphur Import Framework Agreement was approved by the then independent shareholders at a shareholders’ meeting held on 25 February 2016.

In view of the long term business relationship between the Group and Sinochem Group, the Sulphur Import Framework Agreement has been entered into between Dohigh Trading, Sinochem Group and Sinochem Fertilizer on 9 December 2016 to govern and continue the aforementioned import services for the year ending 31 December 2017.

3. Principal terms of the Continuing Connected Transactions

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

(i) Fertilizer Sales Co-operation Framework Agreement

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, unless otherwise determined by the PRC government, 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 set in accordance with prevailing international market price;

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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**”); 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 prevailing domestic wholesale price at port.

We understand from the Company that as at the Latest Practicable Date, there is no government pre-determined price of fertilizer products.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the fertilizer products, and Sinochem Fertilizer shall make the 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.

(ii) Sulphur Import Framework Agreement

General

Pursuant to the Sulphur Import Framework Agreement, Sinochem Group will import sulphur, fertilizer and other fertilizer raw materials sourced by Dohigh Trading only, and sell them all to Sinochem Fertilizer, except for any sulphur, fertilizer and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers.

Pricing

Unless otherwise determined by the PRC government, the pricing principles of sulphur, fertilizer and other fertilizer raw materials under the Sulphur Import Framework Agreement are as follows:

- (i) the price to be paid by Sinochem Group to Dohigh Trading for its overseas purchases of sulphur, fertilizer and other fertilizer raw materials shall be determined in accordance with the prevailing international market price; and

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- (ii) the price to be paid by Sinochem Fertilizer to Sinochem Group for its domestic purchases of sulphur, fertilizer and other fertilizer raw materials shall be determined in accordance with the domestic wholesale price at port.

We understand from the Company that as at the Latest Practicable Date, there is no government pre-determined price of sulphur, fertilizer and other fertilizer raw materials.

Payment

Sinochem Fertilizer and Sinochem Group shall enter into specific agreements in relation to the sulphur, fertilizer and other fertilizer raw materials, and Sinochem Fertilizer shall make the full payment to Sinochem Group for its purchases. Upon receipt of the payment made by Sinochem Fertilizer, Sinochem Group shall enter into specific agreements with Dohigh Trading in relation to the importation of sulphur, fertilizer and other fertilizer raw materials. Payments are usually made by telegraphic transfer within 90 days upon signing of the specific agreements.

(iii) Comparison of terms with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions and sample contracts for the purchases and sales under the Fertilizer Sales Co-operation Framework Agreement and the Sulphur Import Framework Agreement between the Group and Sinochem Group, and compared them with (i) contracts for similar purchases selected from the lists of transactions from independent fertilizer importers 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 for the transactions contemplated under the Continuing Connected Transactions are 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, and consider the sample contracts selected to be fair and representative.

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4. Annual caps of the Continuing Connected Transactions

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 2015 and for the eleven months ended 30 November 2016, and the Annual Caps for 2017:

(i) *Fertilizer Sales Co-operation Framework Agreement*

(a) *Review of historical figures*

| | For the financial year ended 31 December | | For the eleven months ended |
|--|---|----------------|--------------------------------|
| | 2014 | 2015 | 2016 |
| | <i>Audited</i> | <i>Audited</i> | <i>Unaudited</i> |
| | (‘000) | (‘000) | (‘000) |
| | | | (Note) |
| <u>Historical transactions between</u> | | | |
| <u>Sinochem Macao and</u> | | | |
| <u>Sinochem Group</u> | US\$997,839 | US\$1,116,834 | US\$392,192 |
| Relevant annual cap | US\$1,140,000 | US\$1,265,000 | US\$1,430,000 |
| Utilisation rate | 87.5% | 88.3% | 27.4% |
| <u>Historical transactions between</u> | | | |
| <u>Sinochem Fertilizer and</u> | | | |
| <u>Sinochem Group</u> | RMB7,010,827 | RMB7,343,894 | RMB2,927,728 |
| Relevant annual cap | RMB7,340,000 | RMB7,796,000 | RMB9,300,000 |
| Utilisation rate | 95.5% | 94.2% | 31.5% |

Note: Historical transactions covered the period from 1 January 2016 to 30 November 2016, whereas the relevant annual caps govern the relevant transactions for the full year of 2016.

We note that sales of imported fertilizer products by Sinochem Group to Sinochem Fertilizer increased by approximately 4.8% from approximately RMB7,010.8 million in 2014 to approximately RMB7,343.9 million in 2015, and the relevant purchases by Sinochem Group from Sinochem Macao increased by approximately 11.9% from approximately US\$997.8 million in 2014 to approximately US\$1,116.8 million in 2015, due to increase in both volume traded and unit price. As advised by the management of the Group, the difference in the above two growth rates was mainly due to a delivery time lag, leading to fewer sales of imported fertilizer products by Sinochem Group to Sinochem Fertilizer in 2015.

For the eleven months ended 30 November 2016, sales by Sinochem Group to Sinochem Fertilizer amounted to approximately RMB2,927.7 million, and purchases by Sinochem Group from Sinochem Macao amounted to approximately US\$392.2 million. We note that the relevant annual caps have not been fully utilised, being approximately 31.5% and 27.4% respectively. The relatively lower utilisation rates were due to (i) lower imports in the first half of the year as a consensus with major

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international potash suppliers regarding import price and volumes was reached only in July 2016, and (ii) a weak global macro-economic environment, a decline in staple food prices, such as corn and wheat, in the first half of 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 set out in the interim report of the Group for the six month period ended 30 June 2016 (“**2016 Interim Report**”). We note from the 2016 Interim Report that the Group’s aggregate sales volume of potash and compound fertilizers, being the two main components covered under the Fertilizer Sales Co-operation Framework Agreement, was approximately 2.03 million tons for the first half of 2016, representing a decrease of approximately 37.3% when compared to the corresponding sales volume of approximately 3.24 million tons during the same period in 2015. As advised by the management of the Group, and given the above circumstances, the Group relied on accumulated inventories and domestic suppliers for the purchases of fertilizer products during the first half of 2016.

(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\$1,010.0 million for the year ending 31 December 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 2017.

We note that the management of the Group considers the actual sales quantities of fertilizer products in the first eleven months of 2016 to be not meaningful and representative of expected future volumes, given certain agreements as regards to imports were only reached in July 2016, as set out above. As such, in estimating the sales quantities of fertilizer products from Sinochem Macao to Sinochem Group in 2017, 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, and factored in the expected recovery of the fertilizer market, in particular the potash market, and an expected improvement in demand in 2017, on the basis of the Group’s general forecasts for the demand for fertilizer products going forward. Further, we have corroborated the above view by reviewing a report published by the International Fertilizer Industry Association in relation to the global potash demand. On the basis of the above, we concur with the view of the Group’s management as set out above.

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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 2016. Based on our independent work performed, the forecasted price is within the range of the most recently available independent researcher's price data, as at December 2016.

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 RMB7,560.0 million for the year ending 31 December 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 2017 (which is determined on a cost basis) and the Import Charges; and
- (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 domestic wholesale price at port) for 2017.

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.

As advised by the management of the Company, lower annual caps under the Fertilizer Sales Co-operation Framework Agreement have been determined for the year of 2017 as compared to 2016, as the international market price of fertilizer products in 2017, as estimated by the Company, is lower than the levels in 2016 at the time of setting the relevant annual caps. In relation to potash, we have compared the Group's estimated price with the most recent market price range, as available publicly, and in relation to compound fertilizer we have compared the estimated

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price with the prices of the most recent historical transactions between the Group and third party suppliers, and did not note any significant variance. Having considered (i) the projected price of fertilizer products in 2017 and (ii) the Group's estimated purchase quantities of fertilizer products after taking account into an improvement in demand for fertilizer products, we consider it reasonable for the Directors to set annual caps of (i) US\$1,010.0 million for transactions between Sinochem Macao and Sinochem Group and (ii) RMB7,560.0 million for transactions between Sinochem Fertilizer and Sinochem Group for the year ending 31 December 2017.

(ii) *Sulphur Import Framework Agreement*

(a) *Review of historical figures*

| | For the financial year ended 31 December | | For the eleven months ended |
|--|---|----------------|--------------------------------|
| | 2014 | 2015 | 2016 |
| | <i>Audited</i> | <i>Audited</i> | <i>Unaudited</i> |
| | ('000) | ('000) | ('000) |
| | (Note 1) | | (Note 2) |
| <u>Historical transactions between</u> | | | |
| <u>Dohigh Trading and</u> | | | |
| <u>Sinochem Group</u> | US\$131,522 | US\$96,577 | US\$67,038 |
| Relevant annual cap | US\$110,000 | US\$120,000 | US\$160,000 |
| Utilisation rate | 119.6% | 80.5% | 41.9% |
| <u>Historical transactions between</u> | | | |
| <u>Sinochem Fertilizer and</u> | | | |
| <u>Sinochem Group</u> | RMB751,282 | RMB568,703 | RMB506,741 |
| Relevant annual cap | RMB675,000 | RMB900,000 | RMB1,200,000 |
| Utilisation rate | 111.3% | 63.2% | 42.2% |

Notes:

- (1) *The historical amounts for 2014 have exceeded the relevant annual caps, details of which have been set out in the announcement of the Company published on 12 December 2014.*
- (2) *Historical transactions covered the period from 1 January 2016 to 30 November 2016, whereas the relevant annual caps govern the relevant transactions for the full year of 2016.*

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We note that the domestic sales of sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer, and the overseas purchases by Sinochem Group from Dohigh Trading, decreased by approximately 24.3% and 26.6% respectively in 2015 compared to 2014. According to the management of the Company, the price of sulphur exhibited significant fluctuations in 2015, which led to a higher inventory holding risk and a general decrease in demand in the PRC.

For the eleven months ended 30 November 2016, sales by Sinochem Group to Sinochem Fertilizer amounted to approximately RMB506.7 million, and purchases by Sinochem Group from Dohigh Trading amounted to approximately US\$67.0 million. We note that the relevant annual caps have not been fully utilised, being approximately 42.2% and 41.9% respectively. Such low utilisation rates were due to the substantial drop in the price of sulphur in the first eleven months of 2016, compared to 2015, as evidenced by the decline of both domestic and international market prices, albeit this was offset by increases in volumes transacted.

(b) Assessment of the annual caps

Transactions between Dohigh Trading and Sinochem Group

The annual cap in respect of the transactions between Dohigh Trading and Sinochem Group under the Sulphur Import Framework Agreement is US\$115.0 million for the year ending 31 December 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 sulphur, fertilizer and other fertilizer raw materials by Sinochem Group from Dohigh Trading. The annual cap is estimated based on (i) the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading; and (ii) the projected average price per tonne of products (which is determined with reference to the prevailing international market price) for 2017.

In estimating the purchase quantities of sulphur and other fertilizer raw materials by Sinochem Fertilizer in 2017, the management of the Group has made reference to the actual sales quantities by the Group to its external customers in 2016 and also the Group's procurement strategy in respect of sulphur products set out for 2017. Based on our review of historical figures, we note an increasing trend in respect of sales quantities of sulphur products since 2015, as evidenced by volumes sold in the first eleven months of 2016 exceeding the volumes sold in the whole of 2015. The management of the Group expects an increase in demand will continue in 2017. According to a report by an international fertiliser association, the global consumption levels of sulphur are expected to increase in the coming years. The

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above stated expected increase in global sulphur demand supports the Group's assumption of an increase in volumes in 2017. Per our own review of the above research on sulphur products, the outlook on volume trends is consistent with the Group's understanding and expectation.

In estimating the price level of sulphur in 2017, the management of the Group has made reference to recent price levels of sulphur and assumed an allowance for upward price fluctuations. We note from a report issued by an industry expert that both domestic and international price levels of sulphur exhibited an increasing trend and tended to stabilise in the fourth quarter of 2016, after reaching a one year low in mid 2016. We have compared the forecasted price with the most recently available sulphur price set out in a most recently available industry market report, and conclude that the price levels are comparable.

Transactions between Sinochem Fertilizer and Sinochem Group

The annual cap in respect of the transactions between Sinochem Fertilizer and Sinochem Group under the Sulphur Import Framework Agreement is RMB880.0 million for the year ending 31 December 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 sulphur, fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer. The annual cap is estimated based on (i) the projected quantities of sale of sulphur, fertilizer and other fertilizer raw materials by Sinochem Fertilizer from Sinochem Group; and (ii) the projected average price per tonne of products (which is determined in accordance with the domestic wholesale price at port) for 2017.

The quantity of sulphur, fertilizer and other fertilizer raw materials expected to be sold domestically by Sinochem Group to Sinochem Fertilizer under the Sulphur Import Framework Agreement is equal to the quantity of products expected to be sourced from overseas by Dohigh Trading to Sinochem Group, as discussed in the sub-section above. The average price of products to be sold by Sinochem Group to Sinochem Fertilizer for the purpose of the annual cap is based on the expected domestic wholesale price at port in 2017, which in turn is based on the international price of sulphur as set out above.

As advised by the management of the Company, lower annual caps under the Sulphur Import Framework Agreement have been determined for 2017 as compared to 2016, as the international market price and domestic wholesale price at port of sulphur products in 2017 as estimated by the Company is lower than the levels in 2016 at the time of setting the relevant annual caps. We have compared the Group's estimated price with the most current market price range as set out above, and did not note any significant variance. Having considered (i) the expected increase in

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demand of sulphur products in the PRC, and (ii) the estimation of the average price level of sulphur in 2017, which takes into account the potential increases of sulphur prices, we consider it reasonable for the Directors to set the annual caps of (i) US\$115.0 million for transactions between Dohigh Trading and Sinochem Group and (ii) RMB880.0 million for transactions between Sinochem Fertilizer and Sinochem Group for the year ending 31 December 2017.

(iii) 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 high certainty. For example, the consensus on imports of potash with major international potash suppliers was only reached in July 2016, leading to a significant drop in fertilizer import during the first half of 2016, 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 businesses 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.

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;

LETTER FROM SOMERLEY

- (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.

LETTER FROM SOMERLEY

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 resolutions 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 nine 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:

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

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

| Name of Director | Name of substantial shareholder of the Company | Position in the substantial shareholder of the Company |
|-------------------------|---|---|
| Zhang Wei | Sinochem Group | President and director |
| | Sinochem Corporation | General manager and director |
| Yang Lin | Sinochem Group | Chief financial officer |
| | Sinochem Corporation | Financial Director |

4. DIRECTORS' SERVICE CONTRACTS

Mr. Qin Hengde, executive Director and Chief Executive Officer of the Company, will enter into a service contract with the Company for a term of three years. On 15 May 2014, 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 of the service contract proposed to be entered into by Mr. Qin, and the terms stipulated in the service contract of Mr. 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 2015 (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) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

Save as previously disclosed by the Company, including its announcements/financial reports dated 29 April 2016, 12 July 2016, 25 August 2016, 30 August 2016 and 28 October 2016 in relation to the financial data of Sinochem Fertilizer and the operating performance of the Group in 2016, 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 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERTS

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

| Name | Qualification |
|----------|--|
| Somerley | a licensed corporation to carry on 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 2015 (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, (ii) the Sulphur Import Framework Agreement, and (iii) the service contracts mentioned in paragraph 4 above is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Units 4601-4610, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM.

APPENDIX II BIOGRAPHIES OF DIRECTORS PROPOSED FOR RE-ELECTION

Set out below are the biographies of Directors proposed for re-election at the SGM.

Mr. ZHANG Wei – Non-executive Director and Chairman of the Board

Mr. Zhang, aged 48, graduated from the chemical engineering department of Tsinghua University with a master's degree in biochemical engineering in 1995, and obtained an EMBA from China Europe International Business School in 2005. Mr. Zhang worked in various subsidiaries of Sinochem Group, the ultimate controlling shareholder of the Company. From August 1999 to June 2005, he held various positions in Sinochem Fertilizer, including deputy general manager, and general manager of its phosphate fertilizer department, sales management department, market distribution department and direct sales department. From December 2005 to August 2007, Mr. Zhang served as the president of Total-Sinochem Oil Company Ltd. From August 2007 to April 2012, Mr. Zhang served as the executive vice president and president of China National Seed Group Co., Ltd. From April 2012 to May 2016, he served as the president of Sinochem Petroleum Exploration and Production Co., Ltd. Starting from September 2009, Mr. Zhang has been working with Sinochem Group and Sinochem Corporation, serving as the assistant to president and vice president for both companies. Mr. Zhang is currently the president and a director of Sinochem Group and the general manager and a director of Sinochem Corporation. He also serves as the chairman of the board of directors and the president of Sinochem American Holdings, Inc., the chairman of the board of directors of Sinochem Europe Holdings Plc, the president of Sinochem Oil Co., Ltd., and the president of Sinochem Industries Co., Ltd. Mr. Zhang is a senior economist, and has rich experience in chemical engineering and corporate operation and management.

Mr. Zhang was nominated as a non-executive Director of the Company by Sinochem Group. Save as described above, Mr. Zhang 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. Zhang 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. Zhang, setting out key terms and conditions of his appointment. It is proposed that the term of office of Mr. Zhang 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. Zhang 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. Zhang will not enter into any director's service contract with the Company but is entitled to a director's fee of HK\$385,000 per annum, which was determined with reference to his duties and responsibilities and will be reviewed every year by the Remuneration Committee. Mr. Zhang has agreed to waive his director's fee.

APPENDIX II BIOGRAPHIES OF DIRECTORS PROPOSED FOR RE-ELECTION

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

Mr. QIN Hengde – Executive Director, Chief Executive Officer and Chairman of the Corporate Governance Committee

Mr. Qin, aged 46, graduated from the economic management department of East China Institute of Technology with a bachelor's degree in accounting in 1991, from Huazhong University of Science and Technology with a master's degree in industrial engineering in 2002, and obtained an EMBA from China Europe International Business School in 2011. From November 1991 to March 2000, Mr. Qin worked in Hubei Hongqi Cable Factory, holding various positions, including assistant to the director of the finance department, director of the finance department, and deputy chief accountant. From March 2000 to September 2002, Mr. Qin served as the chief accountant of SDIC Yuanyi Industry Co., Ltd. From September 2002 to July 2004, he served as the deputy general manager of the investment management department of D'Long International Strategic Investment Co., Ltd. Mr. Qin joined Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500) in July 2004, serving as the general manager of the business development department, financial controller, vice president and executive vice president. He served as a director and the president of Sinochem International Corporation until January 2017, and a director and the non-executive chairman of Halcyon Agri Corporation Ltd. (a company listed on the Singapore Stock Exchange) until January 2017. Mr. Qin was a director of GMG Global Ltd. from September 2008 to November 2016, and the non-executive chairman of such company from January 2015 to November 2016. Mr. Qin is currently an executive director and the legal representative of China National Seed Group Co. Ltd. Mr. Qin is a senior accountant, and has rich experience in strategy and investment, merger and acquisition management, and finance management.

Save as described above, Mr. Qin 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. Qin did not have any interest in the securities of the Company within the meaning of Part XV of the SFO.

Mr. Qin will enter into a director's service contract with the Company for a term of three years, subject to early termination (i) by either party serving a written notice of not less than two months to the other or (ii) by the Company in case of bankruptcy, disease or other significant faults of the director as described in the service contract. In addition, Mr. Qin 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. With respect to his service from 1 January 2017, Mr. Qin will be entitled to a fixed fee to be determined by the Remuneration Committee of the Company taking into account his experience and responsibilities and prevailing market

APPENDIX II BIOGRAPHIES OF DIRECTORS PROPOSED FOR RE-ELECTION

standards. Mr. Qin may also receive year-end bonus, which will be determined by reference to the Company's performance for the relevant year and is subject to adjustment of not more than 20% as determined by the Remuneration Committee of the Company. If the Company terminates the service contract with Mr. Qin prior to its expiry other than in the circumstances described in (ii) above, Mr. Qin will be entitled to a cash compensation equivalent to 11 months of the annual fixed fee then payable to him.

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

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 Sinofert Holdings Limited (the “**Company**”) will be held at Salon II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 16 February 2017 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 Fertilizer Sales Co-operation Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 23 January 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
- (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 identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

2. “THAT:

- (a) the Sulphur Import Framework Agreement (as defined and described in the Circular, a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps of the transactions contemplated under the Sulphur Import 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 Sulphur Import 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 Sulphur Import 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.”

3. To re-elect Mr. ZHANG Wei as a non-executive director of the Company.

4. To re-elect Mr. QIN Hengde as an 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

23 January 2017

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- 1 The register of members of the Company will be closed from 13 February 2017 to 16 February 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 in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:30 p.m. on 10 February 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 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 be 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.