
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 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 17 to 31 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 24 January 2014 at 10:00 a.m. is set out on pages 36 to 38 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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:

“Amended MOU”	the MOU as amended by the amendment dated 13 December 2013 entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex)
“Announcement”	the announcement of the Company dated 13 December 2013 in relation to the Amended MOU and the Framework Agreement
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Canpotex”	Canpotex Limited, a company incorporated in Canada, which is held as to 33.33% by Potash Corporation
“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(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
“Framework Agreement”	the fertilizer sales co-operation framework agreement dated 13 December 2013 entered into among Sinochem Group, Sinochem Macao and Sinochem Fertilizer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company formed to consider the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM, refer to Shareholders other than Potash Corporation and its associates for the purpose of approving the Amended MOU (including the proposed annual caps relating thereto) and the transactions contemplated thereunder, and Shareholders other than Sinochem Group and its associates for the purpose of approving the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder
“Latest Practicable Date”	2 January 2014, 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
“Macao”	The Macao Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 20 October 2010 entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex)
“Potash Corporation”	Potash Corporation of Saskatchewan Inc., a corporation incorporated in Canada with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange, and a substantial shareholder of the Company
“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

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 24 January 2014 at 10:00 a.m., or any adjournment thereof, the notice of which is set out on pages 36 to 38 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“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”	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

DEFINITIONS

“Somerley” or “Independent Financial Adviser”	Somerley Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“US\$”	US dollars, the lawful currency of the United States of America
“%”	percent

For the purposes of illustration only, US\$ is translated into HK\$ at the rate of US\$1.00 = HK\$7.7537, while RMB is translated into HK\$ at the rate of RMB1.00 = HK\$1.2688. No representation is made that any amount in US\$ or RMB has been or could be converted at the above rates or at any other rates or at all.

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:

FENG Zhi Bin (*Chief Executive Officer*)
Harry YANG

Non-executive Directors:

LIU De Shu (*Chairman*)
YANG Lin
Stephen Francis DOWDLE
XIANG Dandan

Independent non-executive Directors:

KO Ming Tung, Edward
TANG Tin Sek
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

8 January 2014

To: the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE AMENDED MOU AND THE FRAMEWORK AGREEMENT**

INTRODUCTION

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

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information on the details of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER THE AMENDED MOU

Reference is made to the announcement of the Company dated 20 October 2010 in relation to the MOU entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex International Pte. Limited (on behalf of Canpotex) for the supply of Canadian potash by Canpotex to Sinochem Macao. The MOU expired on 31 December 2013.

On 13 December 2013, Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex) entered into the Amended MOU to, *inter alia*, renew the MOU and specify the quantity of Canadian potash to be supplied during the renewed term under the Amended MOU.

The Company currently expects that all Canadian potash to be supplied by Canpotex to Sinochem Macao under the Amended MOU will then be sold to Sinochem Fertilizer through the arrangement with Sinochem Group pursuant to the Framework Agreement as disclosed in the section headed “Continuing Connected Transactions under the Framework Agreement” below.

Principal Terms of the Amended MOU

Date

13 December 2013

Parties

- (a) Sinochem Macao
- (b) Canpotex International Pte. Limited (on behalf of Canpotex)

Nature of transaction

Canpotex shall supply, and Sinochem Macao shall purchase a minimum of 1,000,000 tonnes of Canadian potash or 33.33% of seaborne potash imports to the PRC, whichever is greater, for the year 2014. The quantity may be adjusted for product mix according to market and supply conditions but the annual total will not be less than the above-mentioned quantity.

Sinochem Macao will purchase Canadian potash from Canpotex on an exclusive basis and Canpotex will not sell Canadian potash to any other independent buyers in the PRC, other than in the circumstances specified in the Amended MOU. If Sinochem Macao and Canpotex cannot reach final agreements pursuant to the Amended MOU by certain specified dates, Sinochem Macao will be free to pursue business through alternative channels.

LETTER FROM THE BOARD

Pricing and payment

Prices for the Canadian potash will be determined on a six-month basis through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC, which can be obtained from various sources published by certain independent commodity information providers.

Payments may be settled by way of letter of credit or such other means as may be decided upon by the parties.

Term and termination

One year from 1 January 2014 to 31 December 2014. The Amended MOU may be terminated by either party giving a written notice to the other party by 30 June 2014.

Proposed Annual Caps

The proposed annual cap for the year ending 31 December 2014 in respect of the continuing connected transactions contemplated under the Amended MOU is US\$350,000,000 (equivalent to approximately HK\$2,713,795,000). Such annual cap is determined based on the estimated volume and prices of purchases pursuant to the Amended MOU, with reference to the transaction volume of potash purchased for the previous years and taking into account the demand for potash imports into the PRC in recent years. In arriving at the annual cap, the Company has estimated the purchase volume of potash to be approximately 1,000,000 tonnes, which is in line with the historical volume of potash purchased by Sinochem Macao from Canpotex, and has also taken into account a potential price recovery for the estimated average price of potash imports in 2014 against the current market price.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2012 and the eleven months ended 30 November 2013 were approximately US\$584,818,000 (equivalent to approximately HK\$4,534,503,000), US\$361,080,000 (equivalent to approximately HK\$2,799,706,000) and US\$412,203,000 (equivalent to approximately HK\$3,196,098,000) (instead of US\$613,007,000 as previously disclosed in the Announcement after further review of the internal records), respectively. Based on the information currently available to the Company, it is expected that the transaction amount of such continuing connected transactions for the year 2013 would not exceed the 2013 annual cap.

The proposed annual cap for the year ending 31 December 2014 is less than the historical transaction amounts for the two years ended 31 December 2012 and the eleven months ended 30 November 2013, which was mainly attributable to the estimated lower price of potash imports in 2014 as compared to the previous years.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 22 November 2010 in relation to the existing fertilizer sales co-operation framework agreement entered into between Sinochem Group on the one part, and Sinochem Macao and Sinochem Fertilizer, indirect wholly-owned subsidiaries of the Company on the other part. The existing fertilizer sales co-operation framework agreement expired on 31 December 2013.

On 13 December 2013, Sinochem Group, Sinochem Macao and Sinochem Fertilizer entered into the Framework Agreement, pursuant to which Sinochem Group will continue to import fertilizer products for Sinochem Fertilizer through the arrangement with Sinochem Macao during the term of the Framework Agreement.

Principal Terms of the Framework Agreement

Date

13 December 2013

Parties

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

Nature of transaction

Under 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. Accordingly, Sinochem Group has agreed to provide import service to the Group pursuant to the Framework Agreement.

Pursuant to the 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 to Sinochem Fertilizer. Sinochem Group will also import a small amount of fertilizer products direct 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.

LETTER FROM THE BOARD

Sinochem Group, Sinochem Macao and Sinochem Fertilizer will, in accordance with the provisions and principles stipulated in the Framework Agreement, enter into further specific agreements for the fertilizer products to be imported through Sinochem Group.

Pricing and payment

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

- (i) the price to be paid by Sinochem Group to Sinochem Macao for fertilizer products sold by Sinochem Macao to Sinochem Group will be determined in accordance with the prevailing international market price, based on the actual price of purchase from independent overseas suppliers by Sinochem Macao;
- (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 (including product inspection costs, customs and excise handling charges, import duty, value-added tax, and reasonable administrative costs); and
- (iii) the price to be paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced by Sinochem Group direct from overseas suppliers will be determined in accordance with the domestic wholesale price at port.

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 importation of the fertilizer products.

Term

One year from 1 January 2014 to 31 December 2014. The term of the Framework Agreement can be extended with the consent of Sinochem Group, Sinochem Macao and Sinochem Fertilizer.

Termination and expiration

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

LETTER FROM THE BOARD

Proposed Annual Caps

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

The proposed annual cap for the year ending 31 December 2014 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group under the Framework Agreement is US\$1,140,000,000 (equivalent to approximately HK\$8,839,218,000). 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 Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2012 and the eleven months ended 30 November 2013 were approximately US\$1,157,227,000 (equivalent to approximately HK\$8,972,791,000), US\$1,009,252,000 (equivalent to approximately HK\$7,825,437,000) and US\$840,292,000 (equivalent to approximately HK\$6,515,372,000), respectively. Based on the information currently available to the Company, it is expected that the transaction amount of such continuing connected transactions for the year 2013 would not exceed the 2013 annual cap.

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

The proposed annual cap for the year ending 31 December 2014 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Framework Agreement is RMB7,340,000,000 (equivalent to approximately HK\$9,312,992,000). 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) and the estimated costs incurred by Sinochem Group for the importation of such fertilizer products during the term of the Framework Agreement; and
- (ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group direct 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 Framework Agreement.

The historical amounts of such continuing connected transactions for the two years ended 31 December 2012 and the eleven months ended 30 November 2013 were approximately RMB7,301,888,000 (equivalent to approximately HK\$9,264,635,000), RMB6,730,908,000 (equivalent to approximately HK\$8,540,176,000) and RMB5,579,473,000 (equivalent to approximately HK\$7,079,235,000), respectively. Based on the information currently available to the Company, it is expected that the transaction amount of such continuing connected transactions for the year 2013 would not exceed the 2013 annual cap.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

With the increasing demand for potash in the PRC, by entering into the Amended MOU, the Group will further enrich its operational resources and ensure a stable supply of the relatively rare mineral fertilizer of potash. The production of potash in the PRC falls short of domestic demand. Each year the PRC needs to import large quantities of potash to meet the increasing demand of potash for agricultural production. The import of potash products from Canpotex under the Amended MOU will help enrich the operational resources of the Group. The exclusivity arrangement under the Amended MOU will also enhance the long-term strategic relationship between the Group and Canpotex and will ensure that the Group has a stable supply of Canadian potash from one of the world's largest potash supplier.

Under 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 Framework Agreement was therefore entered into between the parties.

Dr. Stephen Francis Dowdle and Ms. Xiang Dandan are regarded as having a material interest in the Amended MOU and have abstained from voting on the Board resolutions passed to approve the Amended MOU and the transactions contemplated thereunder. Mr. Liu De Shu and Mr. Yang Lin are regarded as having a material interest in the Framework Agreement and have abstained from voting on the Board resolutions passed to approve the Framework Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Amended MOU and the Framework Agreement have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the Amended MOU and the Framework Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

Potash Corporation is a substantial shareholder of the Company holding approximately 22.26% of the issued share capital of the Company. Canpotex, owned as to 33.33% by Potash Corporation, is an associate of Potash Corporation, and is therefore a connected person of the Company. As such, the transactions contemplated under the Amended MOU constitute continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

Each of Sinochem Macao and Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company holding an effective interest of approximately 52.65% of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Given that the relevant applicable percentage ratios in respect of the annual caps under each of the Amended MOU and the Framework Agreement are more than 5%, the Amended MOU and the Framework Agreement and the continuing connected transactions contemplated thereunder 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 the Amended MOU and the 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.

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.

Canpotex is principally engaged in offshore marketing of potash products for its three owners. Canpotex is owned as to 33.33% by Potash Corporation, one of the largest potash producers in the world.

LETTER FROM THE BOARD

SGM

Resolutions approving (i) the Amended MOU, the transactions contemplated thereunder and the proposed annual caps relating thereto, and (ii) the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps relating thereto, shall be proposed at the SGM.

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

A notice convening the SGM to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 24 January 2014 at 10:00 a.m. is set out on pages 36 to 38 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Amended MOU and the Framework Agreement have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the Amended MOU and the Framework Agreement are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to recommend the Independent Shareholders in respect of the terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder. Somerley has been

LETTER FROM THE BOARD

appointed 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 15 to 16 of this circular, which contains its recommendation to the Independent Shareholders and the letter from Somerley set out on pages 17 to 31 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Sinofert Holdings Limited
Feng Zhi Bin
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)

8 January 2014

To: the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE AMENDED MOU AND THE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 8 January 2014 (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 terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder are 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 terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 31 of the Circular which contains its opinion in respect of the terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley and its recommendation in relation thereto, we consider that the terms of the Amended MOU and the Framework Agreement (including the proposed annual caps relating thereto) and the transactions contemplated thereunder are 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
Tang Tin Sek

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

8 January 2014

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

Dear Sirs,

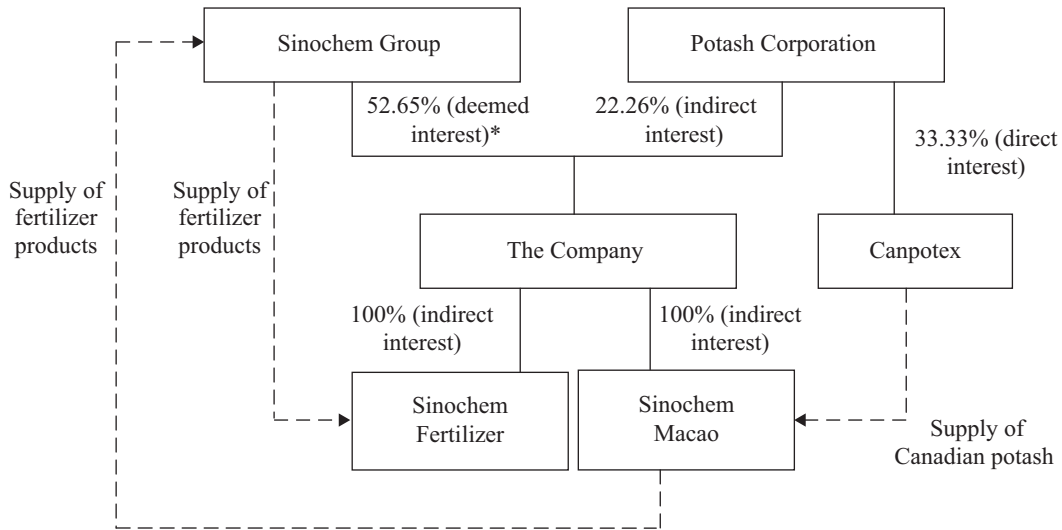
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE AMENDED MOU AND THE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the purchases of Canadian potash by Sinochem Macao from Canpotex for the year 2014 pursuant to the renewed terms under the Amended MOU and (ii) the import of fertilizer products for Sinochem Fertilizer by Sinochem Group through the arrangement with Sinochem Macao for the year 2014 pursuant to the terms of the Framework Agreement, for which the Independent Shareholders' approval is being sought, including the relevant annual caps (the "Continuing Connected Transactions"). Details of the Amended MOU, the Framework Agreement and the Continuing Connected Transactions are contained in the circular of the Company to the Shareholders dated 8 January 2014 (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.

LETTER FROM SOMERLEY

A simplified chart summarising the shareholding structure as at the Latest Practicable Date relevant to the Continuing Connected Transactions (dotted lines) is set out below:



* Sinochem Group indirectly holds a 98% equity interest in Sinochem HK, which in turn owns approximately 52.65% of the Company. Accordingly, Sinochem Group is deemed to be interested in approximately 52.65% of the Company, being the beneficial interest held by Sinochem HK.

Potash Corporation was indirectly interested in approximately 22.26% of the entire issued share capital of the Company as at the Latest Practicable Date and is therefore a substantial shareholder of the Company. Canpotex was approximately 33.33% owned by Potash Corporation and is therefore an associate of Potash Corporation and a connected person of the Company as defined under the Listing Rules.

Sinochem Macao and Sinochem Fertilizer are wholly-owned subsidiaries 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 transactions contemplated under the Amended MOU and the Framework Agreement constitute continuing connected transactions for the Company respectively under the Listing Rules. As the relevant applicable percentage ratios in respect of the proposed annual caps under each of the Amended MOU and the Framework Agreement are more than 5%, the Continuing Connected Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of Potash Corporation's interests in the Amended MOU, Potash Corporation and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Amended MOU, the transaction contemplated thereunder and the proposed annual cap relating thereto. In view of Sinochem Group's interests in the Framework Agreement, Sinochem Group and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Framework Agreement, the transaction contemplated thereunder and the proposed annual caps relating thereto.

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Dr. Stephen Francis Dowdle and Ms. Xiang Dandan are regarded as having material interests in the Amended MOU and have abstained from voting on the Board resolutions passed to approve the Amended MOU and the transaction contemplated thereunder. Mr. Liu De Shu and Mr. Yang Lin are regarded as having material interests in the Framework Agreement and have abstained from voting on the Board resolutions passed to approve the Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tse Hau Yin, Aloysius, Mr. Ko Ming Tung, Edward and Dr. Tang Tin Sek, has been established to advise the Independent Shareholders whether the terms of the Amended MOU and the Framework Agreement (including the relevant 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.

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 Company and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the date 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 consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not conducted any independent investigation into the business, affairs and financial position of the Group, the Sinochem Group or Canpotex, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Information on the Group

The Group 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 of fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses.

(A) Amended MOU

In arriving at our opinion and recommendation on the terms of the Amended MOU (including the proposed annual cap), we have taken the following principal factors and reasons into consideration:

1. Information on Sinochem Macao and Canpotex

Sinochem Macao is incorporated in Macao and is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas suppliers. It has been acting as an international procurement arm for the Group's purchases of fertilizer products.

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Canpotex is a Canadian corporation owned by Potash Corporation and two other potash producers. It is principally engaged in offshore marketing of potash products for its three owners. Potash Corporation, one of the shareholders of Canpotex, is also incorporated in Canada with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange.

2. Background to and reasons for the Amended MOU

Since 2005, Sinochem Macao has been purchasing Canadian potash from Canpotex. The existing supply of Canadian potash to the Group was governed by a memorandum of understanding entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex) on 20 October 2010, for a term of three years from 2011 to 2013. The MOU was approved by the then independent shareholders at a shareholders' meeting held on 9 December 2010. We are advised by the management of the Group that the PRC needs to import large quantities of potash for domestic agricultural production, principally due to the limited supply of potash in the PRC.

Since the MOU expired on 31 December 2013, the Group considers that the MOU should be renewed. Accordingly, on 13 December 2013, the Amended MOU was entered into between Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex) to specify the quantity of Canadian potash to be supplied by Canpotex to Sinochem Macao for the year ending 31 December 2014. We are advised by the management of the Group that the continuing connected transaction is renewed for one year under the Amended MOU, instead of three years as the MOU, is to provide more flexibility to the Group to cope with the fast-changing environment brought to the global fertilizer market.

Similar to the MOU, the exclusivity arrangement (as discussed in the section below headed "Principal terms of the Amended MOU") under the Amended MOU is also expected to enhance the long-term strategic relationship between the Group and Canpotex and ensure that the Group has a stable supply of Canadian potash from one of the world's largest potash suppliers. In addition, the Directors believe that the import of potash products from Canpotex under the Amended MOU will help strengthen the operational resources of the Group.

3. Principal terms of the Amended MOU

Pursuant to the Amended MOU, Sinochem Macao will purchase a minimum of 1.0 million tonnes of Canadian potash, or 33.33% of seaborne potash imports to the PRC, whichever is greater, for the year 2014. The quantity may be adjusted for product mix according to market and supply conditions but the annual total purchase volume of Canadian potash will not be less than the above-mentioned quantity. For reference, according to the statistics of the PRC national customs authorities regarding annual seaborne potash imports to the PRC, the annual seaborne potash imports to the PRC reached approximately 4.93 million tonnes and approximately 4.27 million tonnes in 2011 and 2012 respectively.

Sinochem Macao will purchase Canadian potash from Canpotex on an exclusive basis and Canpotex will not sell Canadian potash to any other independent buyers in the PRC, other than in the circumstances specified in the Amended MOU. The terms and conditions of the Amended

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MOU are subject to contract. If Sinochem Macao and Canpotex cannot reach final agreements pursuant to the Amended MOU by certain specified dates, Sinochem Macao will be free to pursue business through alternative channels.

During the effective period under the Amended MOU, prices for the Canadian potash to be supplied will be determined on a six-month basis through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC, which can be obtained from various sources published by certain independent commodity information providers. Payments for the Canadian potash may be settled by way of letter of credit or such other means as may be decided upon by the parties of the Amended MOU. The Amended MOU may be terminated by either party giving a written notice to the other party by 30 June 2014.

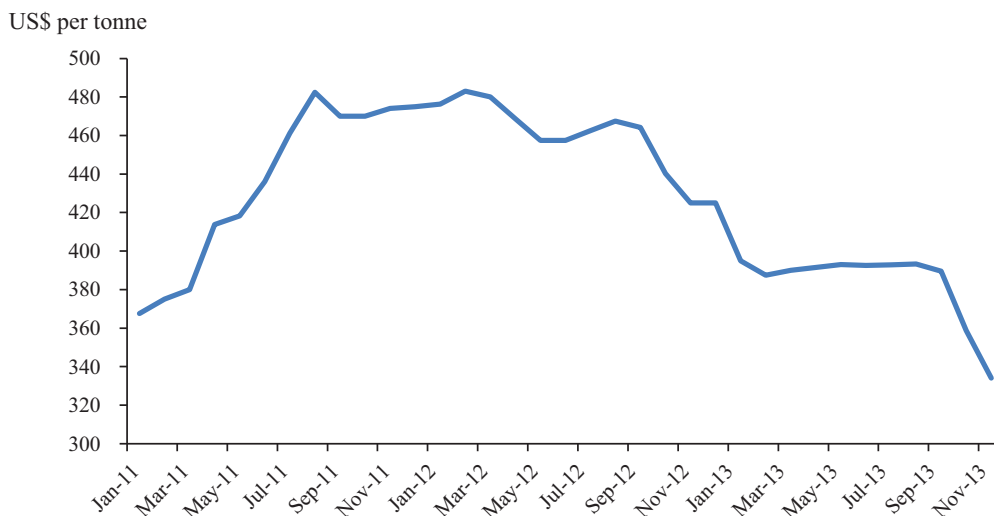
Pursuant to the Amended MOU, all the remaining principal terms and provisions thereunder remain unchanged as compared with the MOU, other than the quantity of Canadian potash to be purchased for the year 2014 as mentioned above.

Comparison on terms of the Amended MOU with independent third parties

We have discussed with the management of the Group and reviewed sample contracts for the purchases of Canadian potash by Sinochem Macao from Canpotex and compared them with contracts for similar purchase from independent suppliers. We note that the terms for transaction contemplated under the Amended MOU are no less favourable to Sinochem Macao than the terms for similar transactions between Sinochem Macao and independent third parties.

4. International market price of potash

International market price of potash



Source: commodity spot price from the World Bank, Bloomberg

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Based on our review on the international market price of potash from 2011 to November 2013 on Bloomberg, as shown in the above table, we note that the price increased in general throughout 2011. The international market price of potash continued rising and reached its high at approximately US\$480 per tonne in the first quarter of 2012, before it started to fluctuate and in general gradually declining for the rest of the year. In the first half of 2013, the price of potash continued to decrease and remained relatively flat. Following the news relating to the break-up of one of the world's largest potash production groups, namely Belarusian Potash Company in July 2013, the international market price of potash further dropped and reached its low at approximately US\$330 per tonne in November 2013.

We are of the view that the future potash price will be varied in view of the volatility of the historical international market price of potash as mentioned above, which will create uncertainties for the Directors in estimating the future potash price.

5. *Proposed annual cap under the Amended MOU*

The transaction contemplated under the Amended MOU is subject to the Listing Rules requirements and conditions as more particularly discussed under the section headed "Reporting requirements and conditions of the Continuing Connected Transactions" below. In particular, the transaction contemplated under the Amended MOU is subject to the proposed annual cap as discussed below.

(a) *Review of historical figures*

Set out below are the historical purchases of Canadian potash by Sinochem Macao from Canpotex during the two years ended 31 December 2012 and for the eleven months ended 30 November 2013, and the relevant annual caps for the three years ended 31 December 2013:

	For the financial year ended		For the eleven
	31 December		months ended
	2011	2012	30 November
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	('000)	('000)	('000)
Historical purchases from			
Canpotex	US\$584,818	US\$361,080	US\$412,203*
Relevant annual caps	US\$600,000	US\$730,000	US\$870,000*
Utilisation rates	97.5%	49.5%	47.4%

* *Historical purchases cover purchases from Canpotex for the eleven months ended 30 November 2013, whereas the relevant annual cap governs purchases from Canpotex for the full year of 2013.*

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We are advised by the management of the Group that the price fluctuation in international fertilizer market in 2012 led to the reduction of the dollar value of purchases of Canadian potash from Canpotex by approximately 38.3% from approximately US\$584.8 million in 2011 to approximately US\$361.1 million in 2012, primarily due to the decline in purchase quantity of Canadian potash in 2012.

Following a decline in international market price of potash in the first half of 2013, the Group managed to secure potash imports from Canpotex at a competitive price. Accordingly, Sinochem Macao increased its purchase of Canadian potash from Canpotex for its ordinary course of business. As a result, total purchases of Canadian potash from Canpotex by Sinochem Macao for the eleven months ended 30 November 2013 amounted to approximately US\$412.2 million, representing approximately an increase by approximately 14.2% of the total purchase of Canadian potash from Canpotex in 2012.

We note that the relevant annual caps under the MOU for 2012 and 2013 have not been fully utilised, with utilisation rates of approximately 49.5% and 47.4% in 2012 and for the eleven months ended 30 November 2013 respectively. According to the management of the Group, this was principally due to the price fluctuation in international fertilizer market since 2012 which generally reduces the expected price level and purchases of potash than previously estimated.

(b) Assessment of the proposed annual cap

The proposed annual cap for the transaction contemplated under the Amended MOU is US\$350 million for the year ending 31 December 2014. Such proposed annual cap is less than the historical transaction amounts of approximately US\$412.2 million for the eleven months ended 30 November 2013, which was mainly attributable to the estimated lower price of potash imports in 2014 when compared to 2013.

In assessing the reasonableness of the proposed annual cap under the Amended MOU, we have discussed with the management of the Group the basis and assumptions underlying the projections of the proposed annual cap. The proposed annual cap is determined based on the estimated volume and prices of purchases of Canadian potash pursuant to the terms of the Amended MOU, with reference to the transaction volume of potash purchased for the previous years and taking into account the demand for potash imports into the PRC in recent years.

Pursuant to the terms under the Amended MOU, Sinochem Macao agrees to purchase a minimum of 1.0 million tonnes of Canadian potash, or a 33.33% market share of seaborne potash imports to the PRC, whichever is greater, for the year ending 31 December 2014. In deriving the proposed annual cap for 2014, the Directors estimated the purchase quantity of Canadian potash to be 1.0 million tonnes. Based on our review, we note that such estimated purchase quantity is in line with the trend of historical purchase volume of potash from Canpotex by Sinochem Macao.

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Following the break-up of one of the world's largest potash production groups, namely Belarusian Potash Company in July 2013, the international market price of potash has been weak in the second half of 2013. As mentioned in the above sub-section headed "International market price of potash", the price of potash imports has remained fluctuating and decreased in general since 2012. Since July 2013, the price level further dropped from approximately US\$390 per tonne to the lowest of approximately US\$330 per tonne in November 2013, and remains depressed.

Despite the slowing down of fertilizer demand around the world, there is insufficient domestic production of potash to meet demand and a reliance on imported potash in the PRC in recent years, based on our review of an independent research report on PRC fertilizer industry published in the second quarter of 2013. Accordingly, in deriving the proposed annual cap for the Amended MOU, the Directors have taken into account a potential price recovery for the estimated average price of potash imports in 2014 against the current market price.

Taking into account (i) the historical purchase volume of potash; (ii) the unstable international market price of potash and the weakness in such price since July 2013 and (iii) the potential growth in demand of potash due to the insufficient domestic production, we consider the proposed annual cap under the Amended MOU for the year 2014 is reasonable.

(B) The Framework Agreement

In arriving at our opinion and recommendation on the terms of the Framework Agreement (including the proposed annual cap), we have taken the following principal factors and reasons into consideration:

1. Information on Sinochem Group and Sinochem Fertilizer

Sinochem Group is the controlling shareholder of the Company. It is a key state-controlled enterprise and a Global Fortune 500 Company. Its core business involves 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.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company incorporated in the PRC. It 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.

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2. Background to and reasons for the Framework Agreement

Pursuant to the PRC law, only approved importers are allowed to import fertilizer products into the PRC. The Group is not allowed to import fertilizer products into the PRC except for a small amount of trade in border areas as approved under the PRC law. Over the years, only Sinochem Group, and a few other importers, have been granted the right to import fertilizer products into the PRC.

The Group needs to import fertilizer products through authorised importers for 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 and sells them (except for products imported by Sinochem Group as an agent for other customers) to Sinochem Fertilizer. At present, the arrangements between the three parties are governed by the existing fertilizer sales co-operation framework agreement dated 22 November 2010, for a term of three years from 2011 to 2013 (the “Former Framework Agreement”), which expired on 31 December 2013. The Former Framework Agreement was approved by the then independent shareholders at a shareholders’ meeting held on 9 December 2010.

In view of the long term business relationships between the Group and Sinochem Group and Sinochem Group being one of the approved PRC fertilizer importers, the Framework Agreement has been entered into between Sinochem Macao, Sinochem Group and Sinochem Fertilizer on 13 December 2013 to govern and continue the aforementioned import services for the year ending 31 December 2014. Since the Amended MOU was entered into for a term of one year, instead of entering the Framework Agreement for further three years, the Directors are of the view that the entering of the Framework Agreement for one year would coincide and balance the purchase and sales operation of the Group, and thus be beneficial to the Group as a whole.

3. Principal terms of the Framework Agreement

Pursuant to the 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 the products sourced by Sinochem Macao and then sell them 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 fertilizer products imported by it on behalf of 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 authorised supplier.

Pricing and payment

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

- (i) for products sourced by Sinochem Macao for Sinochem Fertilizer, the price to be paid by Sinochem Group to Sinochem Macao will be set in accordance with prevailing international market price, based on the actual price of purchase from independent overseas suppliers by Sinochem Macao;

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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 product inspection costs, customs and excise handling charges, import duty, value-added tax, and reasonable administrative costs incurred by Sinochem Group in relation to the import of the fertilizers; and
- (iii) for fertilizer products sourced by Sinochem Group directly from overseas, Sinochem Group will charge Sinochem Fertilizer in accordance with prevailing domestic wholesale price at port, which is determined with reference to the then existing actual purchase transactions of similar products transacted in the market.

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 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 importation of the fertilizer products.

Comparison on terms of the Framework Agreement with independent third parties

We have discussed with the management of the Group and reviewed sample contracts for the purchases of fertilizer products by Sinochem Fertilizer from Sinochem Group and compared them with contracts for similar purchase from independent fertilizer importers. We note that the terms for the transactions contemplated under the Framework Agreement are no less favourable to Sinochem Fertilizer than the terms for similar transactions between Sinochem Fertilizer and independent fertilizer importers.

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4. *Proposed annual caps under the Framework Agreement*

The transactions contemplated under the Framework Agreement are subject to the Listing Rules requirements and conditions as more particularly discussed under the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below. In particular, the transactions contemplated under the Framework Agreement are subject to the proposed annual caps as discussed below.

(a) Review of historical figures

Set out below are the historical transactions under the Former Framework Agreement during the two years ended 31 December 2012 and for the eleven months ended 30 November 2013, and the relevant annual caps for the three years ended 31 December 2013:

	For the financial year ended		For the eleven
	31 December		months ended
	2011	2012	2013
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	('000)	('000)	('000)
Transactions between Sinochem Macao and Sinochem Group			
Historical amounts	US\$1,157,227	US\$1,009,252	US\$840,292*
Relevant annual caps	US\$1,370,000	US\$1,625,200	US\$1,939,792*
Utilisation rates	84.5%	62.1%	43.3%
Transactions between Sinochem Fertilizer and Sinochem Group			
Historical amounts	RMB7,301,888	RMB6,730,908	RMB5,579,473*
Relevant annual caps	RMB11,657,104	RMB14,162,276	RMB17,164,235*
Utilisation rates	62.6%	47.5%	32.5%

* *Historical transactions covered the period from 1 January 2013 to 30 November 2013, whereas the relevant annual caps govern the relevant transactions for the full year of 2013.*

We note that sale of imported fertilizer product by Sinochem Group to Sinochem Fertilizer slightly decreased by approximately 7.8% from approximately RMB7,301.9 million in 2011 to approximately RMB6,730.9 million in 2012. We are advised by the management of the Group that such decrease was mainly attributable to the reduction in sales quantity, primarily due to the slow down of economic growth in the PRC in 2012. As a result, purchases quantity of fertilizer products by Sinochem Group from Sinochem Macao sourced from overseas also reduced, which led to the decrease of the dollar values of the relevant purchases by approximately 12.8% from approximately US\$1,157.2 million in 2011 to approximately US\$1,009.3 million in 2012.

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As disclosed in the 2013 interim report of the Company, the growth rate of fertilizer demand around the world has been slowing, while production capacity is still increasing rapidly, which resulted in the PRC experiencing oversupply of fertilizers (except potash). In view of this, the price of fertilizer products decreased in the first half of 2013. Due to the drop in price level of fertilizer products and the reduction in sales quantity resulting from the decrease in demand as mentioned above, sales of imported fertilizer products by Sinochem Group to Sinochem Fertilizer for the eleven months ended 30 November 2013 amounted to approximately RMB5,579.5 million, representing approximately 82.9% of the total sales of fertilizer products to Sinochem Fertilizer in 2012. Such trend is in line with the decrease in purchase of fertilizer products by Sinochem Group from Sinochem Macao for the eleven months ended 30 November 2013 which amounted to approximately US\$840.3 million, representing approximately 83.3% of the total purchase of imported fertilizer products from Sinochem Macao in 2012.

We note that the relevant annual caps under the Former Framework Agreement for 2012 and 2013 have not been fully utilised, with utilisation rates of approximately 62.1% and 47.5% in 2012, and approximately 43.3% and 32.5% for the eleven months ended 30 November 2013 respectively. According to the management of the Group, this was principally due to slower than expected economic growth in the PRC and overall price reduction for fertilizer products since 2012.

(b) Assessment of the proposed annual caps

(i) Transactions between Sinochem Macao and Sinochem Group

The proposed annual cap in respect of the transaction between Sinochem Macao and Sinochem Group under the Framework Agreement is US\$1,140 million for the year ending 31 December 2014.

In assessing the reasonableness of the proposed annual cap, we have discussed with the management of the Group the basis and assumptions underlying the projections for the purchase of the fertilizer products by Sinochem Group from Sinochem Macao. The proposed 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 2014.

As disclosed in the 2013 interim report of the Company, sales of the Group decreased by approximately 8.7% for the six months ended 30 June 2013 when compared to the same period in 2012, primarily due to the decline in fertilizer prices in the first half of 2013. Taking into account (i) the anticipated price decrease in 2014 after the break-up of Belarusian Potash Company in July 2013 and (ii) the generally oversupply situation in the fertilizer market in recent years, the Directors have estimated a proposed annual cap of US\$1,140 million in 2014, which represents a decrease of approximately 41.2% when compared with the relevant annual cap of approximately US\$1,939.8 million in 2013.

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Despite the challenging environment in the global fertilizer industry, agricultural issues are among the top priorities of the PRC government. According to the “Central No. 1 Document” issued by the Ministry of Agriculture of the People’s Republic of China in January 2013, the PRC government has highlighted the significance of promoting agricultural modernisation and boosting the increase of agricultural output and farmers’ incomes, which is expected to bring opportunities for the development of the fertilizer industry. Accordingly, in deriving the proposed annual cap in 2014, the Directors have taken into account a potential increase in purchase volume to accommodate any increase in domestic demand in fertilizer products in the PRC.

By reference to the purchases by Sinochem Group from Sinochem Macao of approximately US\$840.3 million for the eleven months ended 30 November 2013, we consider the proposed annual cap for the Framework Agreement between Sinochem Macao and Sinochem Group provides an appropriate buffer for Sinochem Fertilizer to capture the growth potential in the fertilizer market in the PRC.

(ii) Transactions between Sinochem Fertilizer and Sinochem Group

The proposed annual cap in respect of the transaction between Sinochem Fertilizer and Sinochem Group under the Framework Agreement is RMB7,340 million for the year ending 31 December 2014.

In assessing the reasonableness of the proposed annual cap, we have discussed with the management of the Group the basis and assumptions underlying the projections for the sales of the fertilizer products by Sinochem Group to Sinochem Fertilizer. The proposed 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 2014 (which is determined on a cost basis) and the estimated costs incurred by Sinochem Group for the importation of such fertilizer for 2014; and
- (ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group direct 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) for 2014.

The quantity of fertilizer products expected to be sold by Sinochem Group to Sinochem Fertilizer under the 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, after adjusting for the quantity that Sinochem Group sourced directly from overseas suppliers from time to time. The average price

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of products to be sold by Sinochem Group to Sinochem Fertilizer for the purpose of the proposed annual cap are based on the prices of products sold by Sinochem Macao to Sinochem Group as estimated on the basis discussed above, plus an additional cost per tonne which is estimated based on the actual administrative and other direct costs incurred for the import of fertilizer products.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the proposed annual caps under the Framework Agreement in a way that can accommodate the potential growth of the Group's business. Provided that the transactions contemplated under the Framework Agreement 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 proposed annual caps under the Framework Agreement are tailored to future business growth. In assessing the reasonableness of the proposed annual caps under the Framework Agreement, we have discussed with the management of the Group the factors taken into account as stated earlier in the sub-section above headed "Assessments of the proposed annual caps". We consider it reasonable for the Company to use the above factors in determining the proposed annual caps under the Framework Agreement.

(C) Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Listing Rules 14A.37 to 14A.40, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;

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- (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the transactions; and
 - (iv) have not exceeded the relevant annual caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions shall 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 shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

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 relevant annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Continuing Connected Transactions and the relevant annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and assist in safeguarding the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Amended MOU and the Framework Agreement (including the relevant 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 relevant annual caps).

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

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' SERVICE CONTRACTS

On 28 July 2011, Mr. Feng Zhi Bin, executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, executive Director and Deputy General Manager of the Company, renewed their respective service contracts with the Company for a term of three years, up to 27 July 2014. Pursuant to the terms stipulated in their service contracts, 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. Feng Zhi Bin or Mr. Harry Yang prior to its expiry, Mr. Feng Zhi Bin 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Harry Yang, executive Director and Deputy General Manager of the Company, is also a director of US Agri-Chemicals Corporation, which is a wholly-owned subsidiary of Sinochem Group and was engaged in the production of fertilizer prior to its cessation of business in November 2005. Although US Agri-Chemicals Corporation ceased its operation, as at the Latest Practicable Date, it still maintained its company registration with the relevant authorities in the United States. As at the same date, other than Mr. Harry Yang, none of the directors of US Agri-Chemicals Corporation held any positions or assumed any role in the Group.

In addition, as at the Latest Practicable Date, Dr. Stephen Francis Dowdle, non-executive Director of the Company, is a director of Canpotex, a Canadian corporation equally owned by Potash Corporation and two other potash producers. Canpotex is principally engaged in offshore marketing of potash products for its three owners and is currently one of the major suppliers of fertilizer products to the Group. As at the same date, other than Dr. Stephen Francis Dowdle, none of the directors of Canpotex held any positions or assumed any role in the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates was 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.

5. 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 2012 (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.

6. MATERIAL ADVERSE CHANGES

Save as previously disclosed by the Company, including its announcements/financial report dated 26 April, 26 June, 22 August, 26 August, 3 September and 31 October 2013 in relation to the financial data of Sinochem Fertilizer and the operating performance of the Group in 2013, 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 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up. The Company is evaluating the operating performance of the Group and will provide further update as and when appropriate.

7. 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 corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) 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 2012 (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.

8. GENERAL

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the Amended MOU, (ii) the Framework Agreement, and (iii) the service contracts mentioned in paragraph 3 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.

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 Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 24 January 2014 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 Amended MOU (as defined and described in the circular to the shareholders of the Company dated 8 January 2014 (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 Amended MOU 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 Amended MOU 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 Amended MOU 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 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 Framework Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

For and behalf of the Board of

Sinofert Holdings Limited

Feng Zhi Bin

Executive Director and Chief Executive Officer

Hong Kong Special Administrative Region of
the People’s Republic of China

8 January 2014

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- 1 The register of members of the Company will be closed from 23 January 2014 to 24 January 2014, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by not later than 4:30 p.m. on 22 January 2014.
- 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 resolutions set out in this notice will be by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (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, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.