
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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SINO FERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE AND NOTICE OF SPECIAL GENERAL MEETING

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 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 IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 17 September 2020 at 10:00 a.m. is set out on pages 38 to 39 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

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

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

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

* For identification purposes only

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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

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

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

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

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

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

DEFINITIONS

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

“Agreement for the Use of Fund”	the agreement for the use of fund dated 8 November 2019 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“ChemChina”	中國化工集團有限公司 (China National Chemical Corporation Limited), a limited liability company incorporated in the PRC and the ultimate controlling shareholder of the Company
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“connected transaction”	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
“Fund”	the fund in an amount of not more than RMB1,000 million to be provided by Sinochem Fertilizer to Sinochem Agriculture pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement)
“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

“Independent Board Committee”	the independent board committee of the Company formed to consider the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement)
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement)
“Independent Shareholders”	shareholders other than Syngenta Group and its associates
“Latest Practicable Date”	26 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Letter of Undertaking”	the letter of undertaking issued by Sinochem Group to Sinochem Fertilizer on 13 August 2020
“Original Letter of Undertaking”	the letter of undertaking issued by Sinochem Group to Sinochem Fertilizer on 8 November 2019
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 17 September 2020 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages 38 to 39 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“shareholder(s)”	registered holder(s) of Shares
“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Syngenta 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”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Agreement for the Use of Fund entered into between Sinochem Fertilizer and Sinochem Agriculture on 17 August 2020
“Syngenta Group”	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), a limited liability company incorporated in the PRC and the indirect controlling shareholder of the Company
“%”	percent

LETTER FROM THE BOARD



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Executive Directors:

QIN Hengde (*Chief Executive Officer*)

FENG Mingwei

Harry YANG

Non-executive Director:

YANG Lin

Independent Non-executive Directors:

KO Ming Tung, Edward

LU Xin

TSE Hau Yin, Aloysius

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business:

Unit 4705, 47th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

2 September 2020

To: the shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the announcement of the Company dated 17 August 2020 in relation to the provision of financial assistance by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, to Sinochem Agriculture pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement), which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Agreement for the Use of Fund (as revised by the Supplemental Agreement); (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders;

* For identification purposes only

LETTER FROM THE BOARD

(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.

DISCLOSEABLE AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 8 November 2019 in relation to the Agreement for the Use of Fund entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the lender), and Sinochem Agriculture (as the borrower). Pursuant to the Agreement for the Use of Fund, Sinochem Fertilizer agreed to provide the fund in an amount of not more than RMB250 million to Sinochem Agriculture. The Agreement for the Use of Fund will expire on 7 November 2020.

On 17 August 2020, Sinochem Fertilizer and Sinochem Agriculture entered into the Supplemental Agreement, pursuant to which the parties agreed to increase the maximum amount of the fund under the Agreement for the Use of Fund from RMB250 million to RMB1,000 million, revise the interest rate of the fund from 4.2% per annum to 3.85% for the first year (which will be adjusted for the second year), and change the expiry date of the Agreement for the Use of Fund from 7 November 2020 to the date that falls on the second anniversary of the date of approval of the Supplemental Agreement by the Independent Shareholders. Save for the amendments above, other terms and provisions under the Agreement for the Use of Fund remain valid and in force.

Principal Terms of the Agreement for the Use of Fund (as revised by the Supplemental Agreement)

Parties : (a) Sinochem Fertilizer (as the lender); and
(b) Sinochem Agriculture (as the borrower)

Total amount of the Fund : Not more than RMB1,000 million of a revolving nature. Sinochem Agriculture may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.

When determining the amount of the Fund, the Group has taken into account its cash and cash equivalents on hand, the interest income available to the Group for placing deposits with banks, the assessment of the Group on the financial and business conditions of Sinochem Agriculture, as well as the financial needs of Sinochem Agriculture and its use of proceeds.

LETTER FROM THE BOARD

Interest rate : Within one year from the date of approval of the Supplemental Agreement by the Independent Shareholders (the “**First Year Period**”), the interest rate of the Fund shall be 3.85%, which is equal to the latest loan prime rate quotation for one-year loan as published by the People’s Bank of China (the “**Loan Prime Rate**”). In the event of any change in the Loan Prime Rate during the First Year Period, Sinochem Fertilizer and Sinochem Agriculture will, on the date that falls on the first anniversary of the date of approval of the Supplemental Agreement by the Independent Shareholders, change the interest rate of the Fund for the period from such date to the expiry date of the Supplemental Agreement to the Loan Prime Rate then in force.

When determining the interest rate of the Fund, the Group has considered the interest rates offered by independent commercial banks for providing guaranteed loans of the same term. As neither Sinochem Fertilizer nor Sinochem Agriculture has any bank loan for a term of two years or longer, the Group has made enquiries to its principal banks, all of which are independent commercial banks in the PRC. The interest rate offered by most of such banks for providing a two-year guaranteed loan is the Loan Prime Rate. Based on the above, the Company is of the view that the interest rate of the Fund is fair and reasonable and comparable to similar loans offered by independent third parties.

Term : The Supplemental Agreement shall become effective on the date of approval by the Independent Shareholders at the SGM and expire on the date that falls on the second anniversary of such date of approval. Sinochem Agriculture shall make withdrawal applications to Sinochem Fertilizer in writing within the total amount of the Fund and during the term of the Agreement for the Use of Fund (as revised by the Supplemental Agreement). Sinochem Fertilizer shall issue a written confirmation for the release of each fund at the time of its release, setting out the amount of each fund, date of release and maturity date. The maturity date of each fund shall not exceed the term of the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

LETTER FROM THE BOARD

- Repayment : Sinochem Agriculture shall repay each fund to Sinochem Fertilizer on the maturity date of such fund, and shall pay any interest accrued on such fund to Sinochem Fertilizer on a quarterly basis. Sinochem Agriculture may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.
- Use of proceeds : Sinochem Agriculture shall use the Fund for its daily working capital and acquisition of fixed assets.
- Other provisions : Sinochem Agriculture shall provide detailed information concerning the use of each fund to Sinochem Fertilizer at the time of applying for such fund. Sinochem Fertilizer shall have the right to decide whether to release the fund to Sinochem Agriculture based on the information provided by it. If, during the term of the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Agriculture intends to invest any fixed asset project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.
- Liabilities for breach of contract : If Sinochem Agriculture fails to perform its obligations under the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture is unable to repay the Fund and any interest accrued thereon as scheduled or fails to use the Fund in accordance with the use specified in the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Fertilizer shall also have the right to impose on Sinochem Agriculture an additional interest of 50% on the overdue amount or the amount used in breach of the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

LETTER FROM THE BOARD

Provision of Guarantee

Sinochem Group issued the Original Letter of Undertaking to Sinochem Fertilizer on 8 November 2019, pursuant to which Sinochem Group has undertaken to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the Agreement for the Use of Fund.

In light of the amendments to the Agreement for the Use of Fund as stipulated in the Supplemental Agreement, Sinochem Group issued the New Letter of Undertaking to Sinochem Fertilizer on 13 August 2020 to expand the scope of its guarantee under the Original Letter of Undertaking to cover all the contractual obligations of Sinochem Agriculture under the Supplemental Agreement. Under the New Letter of Undertaking, if Sinochem Agriculture fails to repay the Fund and any interest accrued thereon pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Fertilizer shall have the right to require Sinochem Group to make repayments for Sinochem Agriculture by serving a prior written notice of ten business days to Sinochem Group.

The liabilities of Sinochem Group under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and any interest accrued thereon pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement). Sinochem Group shall provide a guarantee in respect of each fund provided by Sinochem Fertilizer to Sinochem Agriculture in accordance with the New Letter of Undertaking.

Reasons for and Benefits of the Transaction

The objectives of the Group's cash management policies are to generate appropriate investment returns from its surplus funds not currently required by its principal businesses, and to maintain flexibility for the Group to recover such funds should it have any funding needs or any investment opportunity arise. As at 30 June 2020, Sinochem Fertilizer had cash and other quick assets, being the sum of bank balances and cash and wealth management products, of approximately RMB2,918 million, representing an increase of approximately 59.8% as compared to approximately RMB1,826 million as at 31 December 2019. In addition, Sinochem Agriculture is at a stage of rapid business expansion. After becoming a subsidiary of Syngenta Group, Sinochem Agriculture is expected to have more business opportunities with greater growth potentials, and meanwhile it will have higher capital requirement. Given that Sinochem Fertilizer has sufficient bank balances and cash, but has not identified any proper project for investment, and taking into account the business development and capital requirement of Sinochem Agriculture, the Group intends to increase the amount of the Fund to be provided by Sinochem Fertilizer to Sinochem Agriculture under the Agreement for the Use of Fund.

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After taking into account the following factors, the Company believes that the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) will enable the Group to make use of its surplus funds in a better way at an acceptable level of risk:

- (i) Sinochem Agriculture has expanded its businesses to 28 provinces, cities and autonomous regions in the PRC and has invested in the establishment of a number of technical service centers in areas such as Chaohu and Lujiang in Anhui Province, Zhijiang in Hubei Province and Baixiang in Hebei Province. The regions in which its customers locate can serve as an effective replenishment to the existing markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. Sinochem Agriculture intends to use the Fund for its daily operations (such as grain purchasing and storage) and acquisition of fixed assets, which will promote its business development, and will in turn facilitate Sinochem Fertilizer to further extend sales channels through Sinochem Agriculture and increase the operating revenue and profitability of Sinochem Fertilizer.
- (ii) The interest rate of the Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group may obtain a higher interest income through the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) to increase its rate of return on cash and cash equivalents, thereby improving its investment income;
- (iii) All of the Fund will be financed by the Group from its surplus funds. Therefore, the Company is of the view that the provision of the Fund will not affect the working capital or daily operations of the Group during the term of the Agreement for the Use of Fund (as revised by the Supplemental Agreement), and the external loan balance of Sinochem Fertilizer during such period is expected to remain at a similar level as its external loan balance of approximately RMB3,122 million as at 31 March 2020¹. Moreover, pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date, which increases the flexibility of fund management by Sinochem Fertilizer. Sinochem Fertilizer can recover the Fund within a short period of time when there is any funding requirement to conduct its daily operations and to repay its existing debts. Such arrangement is not normally available to lenders in usual loan agreements with independent third parties, and is more favourable to the Group as compared to the terms with independent third parties; and
- (iv) The Group has also considered the possibility of increasing its rate of return by investing in industry-related projects. However, given that the domestic fertilizer industry is currently suffering from excess capacity, the Group will be exposed to

¹ It refers to the external loan balance of Sinochem Fertilizer on an unconsolidated basis.

LETTER FROM THE BOARD

rather high risks if it invests in industry-related projects in the market, and therefore, it has not identified any proper project for investment. In addition, the Group has also considered revenue management such as placing deposits, but principal-guaranteed products such as deposits usually have an interest rate which is lower than that for the Fund, and have a fixed term which restricts the Group's ability to withdraw its funds before the maturity date. In particular, due to the impact of COVID-19 pandemic, global economic growth is expected to decline and may require a long time for recovery. All major central banks around the world have adopted aggressive monetary policies, with a view to creating a positive momentum to the economic recovery. In the context of global loose monetary policy, the yield of deposit products has generally decreased. The investment returns of the Group from principal-guaranteed products such as deposits have been lower than before and it is expected that such investment returns may further decrease.

Internal Control Measures

In order to properly mitigate investment risks while generating investment returns, the Group will take the following risk control measures:

- (i) Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by Sinochem Agriculture at the time of its application for the Fund, so as to ensure the safe use of the Fund and to mitigate the recovery risks during the process of determining the release of the Fund. Sinochem Fertilizer shall be under no obligation to provide the Fund, in whole or in part, to Sinochem Agriculture under the Agreement for the Use of Fund (as revised by the Supplemental Agreement). Before releasing the Fund, the manager of the Treasury Division of the Company will review the details of the application and analyze the Group's position of bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should he have any concern about the business or financial position of Sinochem Agriculture;
- (ii) Sinochem Agriculture shall use the Fund strictly in accordance with the use specified in the Agreement for the Use of Fund (as revised by the Supplemental Agreement), and Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use by Sinochem Agriculture of the Fund to ensure that the Fund will be used for specified purposes;
- (iii) The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture. Although Sinochem Agriculture is still in a loss making situation, its revenue for the year ended 31 December 2019 increased substantially to approximately RMB1,668 million, representing an increase of approximately RMB786 million or 89% as compared to the year ended 31 December 2018. As at 31 December 2019, Sinochem Agriculture had total assets,

LETTER FROM THE BOARD

total liabilities and net assets of approximately RMB2,927 million, RMB2,602 million and RMB325 million, respectively. In addition, since Sinochem Fertilizer provided the fund to Sinochem Agriculture for the first time in December 2018, Sinochem Agriculture has not violated any agreement for the use of fund entered into with Sinochem Fertilizer, or failed to repay any fund to Sinochem Fertilizer on a timely basis. Based on the above due diligence results, and taking into account the guarantee provided by Sinochem Group pursuant to the New Letter of Undertaking and the bank facilities available to Sinochem Agriculture as further described in the paragraphs (iv) and (v) below, the Company is optimistic about the repayment capability of Sinochem Agriculture.

- (iv) As at the Latest Practicable Date, Sinochem Agriculture obtained the facilities in a total amount of RMB3,500 million from various financial institutions, and the available credit under such facilities amounted to RMB1,068 million. Sinochem Agriculture may utilize such facilities to make repayment (or even early repayment) of the Fund to Sinochem Fertilizer when necessary; and
- (v) Sinochem Group has agreed to provide a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the Agreement for the Use of Fund (as revised by the Supplemental Agreement), thus further mitigating the risks of the Group in the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement). Sinochem Group is a state-owned enterprise with solid financial track records. Based on its latest annual report, Sinochem Group recorded a total revenue of approximately RMB555,300 million and profit attributable to the owners of approximately RMB3,300 million for the year ended 31 December 2019. Sinochem Group had a registered capital of RMB43,700 million and consolidated net assets attributable to the owners of approximately RMB53,100 million as at 31 December 2019. Furthermore, Sinochem Group is one of China's earliest qualifiers of Fortune Global 500, ranking the 88th in 2019, and has been named by Fortune as the "World's Most Admired Companies" for two consecutive years.

As such, the Directors (including the independent non-executive Directors) are of the view that the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) is entered into by the Group in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Qin Hengde and Mr. Feng Mingwei, being Directors of the Company and management members of Syngenta Group, and Mr. Yang Lin, being a Director of the Company and a management member of Sinochem Group (the guarantor of the Fund), have abstained from voting on the relevant Board resolution to approve the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

LETTER FROM THE BOARD

Implications of the Listing Rules

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Syngenta Group is the indirect controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Sinochem Agriculture, a wholly-owned subsidiary of Syngenta Group, is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) constitutes a connected transaction of the Company. Given that the applicable percentage ratios in respect of the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) are more than 5%, such transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) are more than 5% but less than 25%, such transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements thereunder.

General Information

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, distribution and agricultural services of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses.

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

Sinochem Agriculture's core businesses include the promotion of integrated planting solutions, land trust, design of agricultural input packages, auxiliary facilities for agricultural mechanization, technology tracking, as well as the services in relation to the sale of agricultural products, food banks and agricultural informatization, and the businesses such as agricultural and production credit, agricultural and financial leasing, and agricultural insurance. Sinochem Agriculture also carries out projects on the renovation of low- and medium-yield farmlands, improvement of soil, demonstration of precision agriculture and utilization of agricultural waste as resources.

Sinochem Agriculture is a wholly-owned subsidiary of Syngenta Group, which is in turn an indirect wholly-owned subsidiary of ChemChina. ChemChina is primarily engaged in the production and sale of chemical raw materials, chemical products, chemical minerals, fertilizers, agrichemicals (excluding hazardous chemicals), plastics, tyres, rubber products, membrane equipment and chemical equipment; the production and sale of mechanical products, electronic products, instruments and apparatus, construction materials, textiles, light industrial products, forest products and forest chemical products; and the research,

LETTER FROM THE BOARD

development, design and construction of chemical equipment, chemical cleaning, anticorrosion, petrochemicals and water technology. The sole shareholder of ChemChina is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Sinochem Group, the guarantor of the Fund, is a key state-owned enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, agriculture, real estate and finance, etc. The sole shareholder of Sinochem Group is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

SGM

An ordinary resolution approving the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) shall be proposed at the SGM.

In view of Sinochem Agriculture's interests in the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Syngenta Group (being the holding company of Sinochem Agriculture and the indirect controlling shareholder of the Company) and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

A notice convening the SGM to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 17 September 2020 at 10:00 a.m. is set out on pages 38 to 39 of this circular.

A form of proxy for the SGM is enclosed herewith. Whether or not shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) is entered into by the Group in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interests of the Company and the shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the SGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement). 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 Somerley 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 the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

2 September 2020

To: the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

We refer to the circular of the Company dated 2 September 2020 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) is 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 is 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 transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

We wish to draw your attention to the letter from the Board set out on pages 5 to 15 of the Circular, and the letter from Somerley 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 transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement).

* *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 transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) is 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 is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the SGM.

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

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED

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

2 September 2020

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) (the “**Loan Transactions**”), for which the Independent Shareholders’ approval is being sought. Details of the Loan Transactions are contained in the circular of the Company to the Shareholders dated 2 September 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 17 June 2020, Sinochem Group, through its subsidiary, completed the transfer of 3,698,660,874 Shares (representing approximately 52.7% of the total issued share capital of the Company) to Syngenta Group, which is in turn a wholly-owned subsidiary of ChemChina (the “**Transfer**”). After the Transfer, ChemChina has become the controlling shareholder of the Company, and Sinochem Group has ceased to own any equity interest in the Company. As advised by the management of the Group, as at the Latest Practicable Date, Sinochem Group had completed the transfer of entire equity interests in Sinochem Agriculture to ChemChina. As at the Latest Practicable Date, Sinochem Agriculture is a wholly-owned subsidiary of Syngenta Group and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Loan Transactions constitute connected transactions of the Company. Given that the applicable percentage ratios in respect of the Loan Transactions are more than 5%, such transactions are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the SGM to seek approval from the Independent Shareholders in respect of the Supplement Agreement. In view of Syngenta Group’s interests in the Supplement Agreement, Syngenta Group and its associates are required to abstain

LETTER FROM SOMERLEY

from voting on the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement. As advised by management of the Group, in the event that the Independent Shareholders do not approve the Supplemental Agreement, the existing Agreement for the Use of Fund remains valid and in force pursuant to its terms, details of which are as set out in the announcement of the Company dated 8 November 2019.

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 formed to advise the Independent Shareholders whether the Loan Transactions 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 the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain connected transactions of the Group, details of which were set out in the circulars of the Company dated 20 November 2018, 26 November 2019, 3 December 2019 and 4 December 2019. The above engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Somerley received normal professional fees from the Company. Notwithstanding the above engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Sinochem Agriculture, ChemChina and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have reviewed, among other things, (i) the Agreement for the Use of Fund and the Supplemental Agreement, (ii) the annual report of the Company for the year ended 31 December 2019, (iii) the interim results announcement of the Company for the six months ended 30 June 2020, and (iv) the information contained in the Circular. We have 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, Sinochem Agriculture, ChemChina or any of their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Loan Transactions, we have taken the following principal factors and reasons into consideration:

1. Information on the parties

The Group

The Group is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. Its main business comprises research and development, production, procurement, distribution and agricultural services in relation to fertilizers, and forms a vertically integrated business model combining upstream and downstream businesses. In 2019, the Group recorded revenue and profit attributable to its owners of approximately RMB23.0 billion and RMB0.6 billion respectively. For the first half of 2020, revenue and profit attributable to owners of the Company amounted to approximately RMB12.5 billion and RMB447.8 million. The Group had total assets and net assets of approximately RMB17.1 billion and RMB8.1 billion respectively as at 30 June 2020. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$5.3 billion as at the Latest Practicable Date.

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

ChemChina

ChemChina is a PRC state-owned chemical enterprise owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. As stated earlier, ChemChina has become the controlling shareholder of the Company following completion of the Transfer in June 2020. It is primarily engaged in the production and sale of, among others, various chemical products and equipment (including raw materials, minerals and agrichemicals (excluding hazardous chemicals)), fertilizers, chemical equipment, mechanical products and electronic products; and the research, development, design and construction of, among others, chemical equipment, petrochemicals and water technology.

Sinochem Agriculture

Sinochem Agriculture is a PRC incorporated company and a wholly-owned subsidiary of ChemChina. Its core business includes the promotion of integrated planting solutions, design of agricultural input packages, as well as the provision of services in relation to the sale of agricultural products. In addition, Sinochem Agriculture also carries out projects relating to, among others, the renovation of low- and medium-yield farmlands, improvement of soil and utilization of agricultural waste as resources.

LETTER FROM SOMERLEY

Sinochem Group

Sinochem Group is a key PRC state-owned enterprise owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and a Fortune Global 500 Company, ranking the 88th in 2019, and was the ultimate controlling shareholder of the Company prior to completion of the Transfer. Its core businesses involve, among others, energy, chemicals, agriculture, real estate and finance.

2. Background to the Loan Transactions

In November 2018, Sinochem Fertilizer entered into two agreements (the “**2018 Agreements**”) to provide (i) the fund in an amount of not more than RMB1.1 billion to Sinochem Agriculture and/or a subsidiary of Sinochem Group, and (ii) the entrusted loan in a total principal amount of not more than RMB1.0 billion to Sinochem Agriculture, each for a term of approximately one year. Sinochem Agriculture intended to use the fund and the entrusted loan for its equity investment in the sectors of agricultural materials and agricultural services and for its daily working capital (including the procurement and storage of autumn grain crops). A subsidiary of Sinochem Group provided a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities (the “**Joint and Several Guarantee**”) in connection with all the contractual obligations of Sinochem Agriculture under the 2018 Agreements. The above transactions, with further details set out in the circular of the Company dated 5 December 2018, were approved by the then independent shareholders of the Company at a special general meeting on 20 December 2018.

In November 2019, Sinochem Agriculture and Sinochem Fertilizer entered into the Agreement for the Use of Fund, such that upon repayment of the outstanding amount under the 2018 Agreements, Sinochem Fertilizer would continue to provide the fund in an amount of not more than RMB250 million to Sinochem Agriculture, for a term of one year. Sinochem Agriculture intended to use the fund for its daily working capital and acquisition of fixed assets. Similar to the 2018 Agreements, Sinochem Group has undertaken to provide a Joint and Several Guarantee in favour of Sinochem Fertilizer. We understand that the transaction under the Agreement for the Use of Fund was only subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Agreement for the Use of Fund will expire on 7 November 2020. On 17 August 2020, Sinochem Fertilizer and Sinochem Agriculture entered into the Supplemental Agreement, amending certain terms of the Agreement for the Use of Fund. The amendments included: (i) adjustment of the maximum amount of the Fund from RMB250 million to RMB1.0 billion, (ii) revision of the annual interest rate of the Fund, and (iii) change of the expiry date of the Agreement for the Use of Fund from 7 November 2020 to the date that falls on the second anniversary of the date of approval (the “**Effective Date**”) of the Supplemental Agreement by the Independent Shareholders. Save for the amendments above, other terms and provisions under the Agreement for the Use of Fund remains valid and in force.

LETTER FROM SOMERLEY

In light of the amendments to the Agreement for the Use of Fund as stipulated in the Supplemental Agreement, on 13 August 2020, Sinochem Group issued the New Letter of Undertaking in favour of Sinochem Fertilizer, for the purpose of expanding the scope of its Joint and Several Guarantee to additionally cover all the contractual obligations of Sinochem Agriculture pursuant to the Supplemental Agreement.

3. Reasons for and benefits of the Loan Transactions

We are advised by management of the Group that it has been the responsibility of the Treasury Division of the Company to monitor and analyse the Group's cash position, and the Group has been managing its surplus funds in various ways from time to time, such as placing deposits with financial institutions and investing in financial assets. Currently, the Group's cash management policies are to focus on reducing risks. As disclosed in the letter from the Board, as at 30 June 2020, Sinochem Fertilizer had cash and other quick assets, being the sum of bank balances and cash and wealth management products, of approximately RMB2,918 million, representing an increase of approximately 59.8% as compared to approximately RMB1,826 million as at 31 December 2019.

As stated in the letter from the Board, the Group has considered the possibility of increasing its rate of return by investing in industry-related projects. However, given that the domestic fertilizer industry is currently suffering from excess capacity, the Group will be exposed to rather high risks if it invests in industry-related projects in the market, and therefore, it has not identified any proper project for investment. The Group has also considered alternatives such as principal-guaranteed products which, however, usually have lower interest rates, and have fixed terms which restrict the Group's ability to withdraw its funds before maturity dates.

Given that Sinochem Fertilizer has surplus bank balances and cash, but has not identified any suitable investment, the Group intends to increase the maximum amount of the Fund and believes that the Loan Transactions will enable the Group to make use of its surplus funds in a better way at an acceptable level of risk according to its cash management policies.

Summarised below are the key benefits of the Loan Transactions according to our discussions with management of the Group. For further details, please refer to the section headed "Reasons for and benefits of the Transaction" in the letter from the Board.

- Higher interest income: The interest rate of the Fund of 3.85% under the Loan Transactions is higher than the benchmark interest rate of 1.5% and 2.1% specified by the People's Bank of China (the "PBOC") for fixed deposits of one and two years respectively, as at the Latest Practicable Date.
- Benefits from Sinochem Agriculture's business development: Since 2017, the Group has been selling fertilizer products to Sinochem Agriculture, which would then sell such products to its customers together with other items in its product line. Customers of Sinochem Fertilizer are mainly distributors, while Sinochem Agriculture's customers are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialization that

LETTER FROM SOMERLEY

are engaged in the production of staple foods and economic crops. Sinochem Agriculture has a diverse portfolio of customers across 28 provinces, cities and autonomous regions in the PRC, in which the Directors believe that they can serve as an effective replenishment to the existing markets of Sinochem Fertilizer. Sinochem Agriculture can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers, which will in turn extend the sales channels, and increase the operating revenue and profitability, of Sinochem Fertilizer.

According to the Company's 2019 annual report, there was a substantial increase in sale of fertilizer products by Sinochem Fertilizer to Sinochem Agriculture, from approximately RMB87.8 million in 2018 to RMB412.3 million in 2019, demonstrating the improvement of Sinochem Fertilizer's operating performance. We therefore concur with the Directors' view as regards the indirect benefits available to the Group along with the growth of Sinochem Agriculture's business, as described above.

As stated in the letter from the Board, all of the Fund will be financed by the Group from its surplus funds, such that the working capital and daily operations of the Group will not be affected. During the amended term pursuant to the Supplemental Agreement, Sinochem Fertilizer is expected to maintain its external loan balance at a level similar to that of approximately RMB3,122 million as at 31 March 2020. Sinochem Fertilizer shall have the right to (i) decide whether to release the Fund to Sinochem Agriculture, on a case by case basis, and (ii) require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In our view, the Loan Transactions represent an opportunity for the Group to earn a higher rate of return as compared to bank deposits, while still keeping control over the use of funds and retaining the right to demand repayment at short notice.

The Group has a number of internal control measures in place to protect the interests of the Shareholders regarding the Loan Transactions, as more particularly described and analysed in the section below headed "Internal control procedures". Moreover, Sinochem Group has undertaken to provide the Joint and Several Guarantee in favour of Sinochem Fertilizer in connection with all the contractual obligations of Sinochem Agriculture under the Agreement for the Use of Fund (as revised by the Supplemental Agreement). The above provides assurance that the potential risk of the Loan Transactions faced by the Group is properly addressed.

4. Principal terms of the Loan Transactions and the New Letter of Undertaking

The key terms of the Agreement for the Use of Fund (as revised by the Supplemental Agreement) and the details of the New Letter of Undertaking are summarised below.

LETTER FROM SOMERLEY

Agreement for the Use of Fund (as revised by the Supplemental Agreement)

Subject matter

Sinochem Fertilizer agreed that it will provide the Fund, in an amount of not more than RMB1.0 billion, to Sinochem Agriculture. Sinochem Agriculture intends to use the Fund for its daily working capital, such as grain purchasing and storage, and acquisition of fixed assets. As set out in the letter from the Board, when determining the amount of the Fund, the Group has taken into account, among others, its cash and cash equivalents on hand and the Group's assessment on the financial and business conditions of Sinochem Agriculture.

Interest rate

The interest rate of the Fund shall be 3.85% per annum (equivalent to the loan prime rate quotation for one-year loan as published by the PBOC (the "**Loan Prime Rate**") for one-year RMB loan available as at the Latest Practicable Date) during the first year following the Effective Date (the "**First Year Period**"). In the event of any change in the Loan Prime Rate during the First Year Period, Sinochem Fertilizer and Sinochem Agriculture will, on the date that falls on the first anniversary of the Effective Date, change the interest rate of the Fund for the period from such date to the expiry date of the Supplemental Agreement to the Loan Prime Rate then in force.

Term

Subject to the approval from the Independent Shareholders at the SGM, the Supplemental Agreement shall become effective and expire on the date that falls on the second anniversary of the Effective Date. The Fund is of a revolving nature, and any portion of total amounts repaid or prepaid may be re-borrowed by Sinochem Agriculture. The maturity date of each fund shall not exceed the new maturity date of Agreement for the Use of Fund (revised by the Supplemental Agreement).

Repayment

Sinochem Agriculture shall repay each fund to Sinochem Fertilizer on the relevant maturity date and pay any interest accrued on each fund to Sinochem Fertilizer on a quarterly basis. In addition, Sinochem Fertilizer may require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date, by serving a prior written notice of five business days to Sinochem Agriculture.

Other provisions

Sinochem Agriculture shall provide detailed information concerning the proposed use of each fund to Sinochem Fertilizer at the time of application for the Fund. Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture, based on such information provided. During the amended term pursuant to the Supplemental Agreement, if Sinochem Agriculture intends to invest any fixed asset project of an amount exceeding 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for such investment.

LETTER FROM SOMERLEY

New Letter of Undertaking

On 7 November 2019, Sinochem Group issued the Letter of Undertaking to Sinochem Fertilizer, pursuant to which Sinochem Group has undertaken to provide a Joint and Several Guarantee in favour of Sinochem Fertilizer in connection with all the contractual obligations of Sinochem Agriculture under the Agreement for the Use of Fund. On 13 August 2020, Sinochem Group issued the New Letter of Undertaking in favour of Sinochem Fertilizer, for the purpose of expanding the scope of its Joint and Several Guarantee to additionally cover all the contractual obligations of Sinochem Agriculture pursuant to the Supplemental Agreement.

Pursuant to the New Letter of Undertaking, Sinochem Group shall provide a guarantee in respect of each fund provided by Sinochem Fertilizer to Sinochem Agriculture. If Sinochem Agriculture fails to repay any of the Fund or any interest accrued thereon, Sinochem Fertilizer shall have the right to require Sinochem Group to make repayments for Sinochem Agriculture by serving a prior written notice of ten business days to Sinochem Group.

We have discussed with the Company's PRC legal adviser, Junhe LLP ("**PRC Legal Adviser**"), and understand that the Joint and Several Guarantee, compared to ordinary guarantee, provides a higher level of protection to the lender under PRC law. In a situation where the relevant borrower defaults on a loan repayment, the guarantor under ordinary guarantee arrangements may refuse the lender's demand of assuming guarantee responsibilities before the judicial or arbitration procedures have confirmed that the relevant borrower is incapable of repaying the loan. Under the Joint and Several Guarantee arrangements, if Sinochem Agriculture (the borrower) fails to perform its obligations at the maturity of the loan, Sinochem Group (the guarantor), upon request from Sinochem Fertilizer (the lender), will be required to assume guarantee responsibilities within the scope of the relevant guarantee contract without any such judicial or arbitration procedures.

In addition, the PRC Legal Adviser further stated in its opinion letter that, among others, (i) the Agreement for the Use of Fund and the Supplemental Agreement are legally binding on the parties thereto, when they become effective, (ii) the New Letter of Undertaking and the agreed form of the draft guarantee letter in connection with the Loan Transactions, as reviewed by the PRC Legal Adviser, are legally binding to Sinochem Group, when they become effective, and (iii) Sinochem Group, as the guarantor, is required to provide a Joint and Several Guarantee to Sinochem Fertilizer as regards Sinochem Agriculture's contractual liabilities under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) (i.e. in the event that Sinochem Agriculture fails to perform its obligations, Sinochem Group is required to assume all the contractual liabilities for and on behalf of Sinochem Agriculture pursuant to the Agreement for the Use of Fund (revised by the Supplemental Agreement), and in accordance with the scope of the relevant guarantee letter.

LETTER FROM SOMERLEY

Our view

The Loan Transactions are in line with the objectives of the Group's cash management policies to generate appropriate investment returns from its surplus funds not currently required by its principal businesses, and to maintain flexibility for the Group to recover such funds should it have any funding needs or any investment opportunity arise. Although the Agreement for the Use of Fund (revised by the Supplemental Agreement) is for a term of two years from the Effective Date, Sinochem Fertilizer has right to demand early repayment as described above, which provide the Group with greater flexibility to adjust its treasury management exercises. Based on our experience, the right to require early repayment is not normally available to lenders with independent third parties in normal term loan facilities. In our opinion, such early repayment right given to Sinochem Fertilizer is a favourable term to the Group in the context of the Loan Transactions, allowing it to reduce or terminate the borrowings extended to Sinochem Agriculture, if its own financing needs unexpectedly exceed the Group's projections.

In the event that Sinochem Agriculture fails to perform its obligations under the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Group is required to make repayments on behalf of Sinochem Agriculture, based on the guarantee letters to be given in respect of each loan in accordance with the New Letter of Undertaking. Such guarantee letters will be given on a joint and several basis, such that Sinochem Group will be liable for all the joint and several obligations of Sinochem Agriculture under the Agreement for the Use of Fund (as revised by the Supplemental Agreement), including any early repayment or repayment of the total outstanding principal and interest of the Loan Transactions as if it is the borrower under the Loan Transactions. Sinochem Fertilizer is allowed to demand Sinochem Group to settle any outstanding amounts for and on behalf of Sinochem Agriculture. In our view, the New Letter of Undertaking provides protection to the Group as regards its credit risk associated with the Loan Transactions.

We have reviewed the terms of the Agreement for the Use of Fund and the Supplemental Agreement, including the basis for determination of the agreed interest rate. Based on our independent research, the PBOC introduced in August 2019 the Loan Prime Rate, a new benchmark lending rate that banks charge their most creditworthy customers. Since then, it has been publishing the Loan Prime Rate for the one-year and five-year RMB loan on a monthly basis. We note that the Loan Prime Rate for the one-year RMB loan exhibited a downward trend, from 4.15% in November 2019 (around the time when the Agreement for the Use of Fund was entered into) to 3.85% in July 2020. Given the lower interest rate environment, the parties agreed to adjust the interest rate of the Fund to follow the current Loan Prime Rate for the one-year RMB loan in the Supplemental Agreement, which we consider to be reasonable.

As set out in the letter from the Board, when determining the interest rate of the Fund, given that neither Sinochem Fertilizer nor Sinochem Agriculture has any bank loan for a term of two years or longer, the Company has made enquiries to its principal banks, all of which are independent commercial banks in the PRC. Based on the discussions, a majority of such banks indicated to the Company that the interest rate to be charged on a two-year guaranteed loan shall be the prevailing Loan Prime Rate for the one-year RMB loan.

LETTER FROM SOMERLEY

We have also obtained a summary of guaranteed banking facilities granted by independent PRC commercial banks to Sinochem Agriculture as at 30 June 2020. Based on our review, all such guaranteed RMB loans have a term of one year, bearing annual interest rates which represented approximately 0.22 to 0.45 basis points below the then Loan Prime Rate at the time when the RMB loans were granted. On this basis, together with the early repayment right given to Sinochem Fertilizer which is not normally available to independent lenders, we consider the use of one-year Loan Prime Rate for the Loan Transactions to be fair and reasonable.

Having considered the above, in particular the reasons for and benefits of the Loan Transactions, we are of the view that the Loan Transactions represent an appropriate means of capital management by the Group to generate a higher interest income than its bank deposits.

5. Business and financial information on Sinochem Agriculture and Sinochem Group

Sinochem Agriculture

Since its incorporation in 2015, Sinochem Agriculture has been pursuing its business development and expansion plans, including growing customer bases and widening scope of services. According to its website, Sinochem Agriculture has launched a modern agricultural technological platform (“MAP”) to, among others, provide online and offline comprehensive solutions to its customers and partners in the agriculture sectors of the PRC. It is also stated that in the next few years, Sinochem Agriculture will build 700 MAP technical service centres and 1,500 MAP demonstration farms across the PRC, covering over 30 million mu of arable land and servicing more than 3 million growers. As advised by the management of the Group, at the end of June 2020, Sinochem Agriculture has set up 203 MAP technical service centres (of which 40 are under construction) and 234 MAP demonstration farms across the PRC, with its service network covering 28 provinces, cities and autonomous regions, around 32,000 farm households and over 9.7 million mu of cultivated land.

Set out below is a summary of the consolidated financial information of Sinochem Agriculture for the two years ended 31 December 2018 and 2019, and for the six months ended 30 June 2019 and 2020, as extracted from its audited financial statements and unaudited management accounts, prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

LETTER FROM SOMERLEY

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Revenue	1,916,482	695,352	1,667,997	881,679
Cost of sales	(1,747,338)	(640,320)	(1,502,649)	(826,330)
Gross profit	169,144	55,032	165,348	55,349
<i>Gross profit margin</i>	8.8%	7.9%	9.9%	6.3%
Selling expense	(189,643)	(135,067)	(270,161)	(164,031)
Administrative expense	(85,819)	(69,033)	(118,810)	(106,587)
Finance costs	(52,001)	(31,870)	(76,114)	(12,043)
Loss for the year	(164,223)	(173,091)	(328,578)	(222,413)

Revenue of Sinochem Agriculture, mainly derived from sale of agricultural products (including fertilizers, seeds and pesticides) and the provision of agricultural related services, increased substantially by approximately 89.2%, from approximately RMB881.7 million in 2018 to approximately RMB1,668.0 million in 2019. Such increase was primarily attributable to the growth in sale of agricultural products as driven by the increased network coverage of Sinochem Agriculture's MAP technical services centres and demonstration farms.

For the six months ended 30 June 2020, Sinochem Agriculture recorded total revenue of approximately RMB1,916.5 million, surpassing the full year revenue in 2019, mainly due to the continued business expansion as explained above.

Despite the substantial increase in revenue and the improvement in gross profit margin, Sinochem Agriculture recorded a loss for each of the year 2018 and 2019 and the first six months ended 30 June 2020, mainly due to the corresponding increases in selling expenses, administrative expenses and finance costs. The labour costs, being the largest elements of the selling and distribution expenses and administrative expenses, increased substantially during the periods under review, as Sinochem Agriculture has been expanding its business and sales teams for the implementation of its MAP strategy. We are given to understand that Sinochem Agriculture is still in the development stage, and therefore is in need of a significant amount of capital to hire additional employees for exploring sales by providing technical guidance for growing, focusing on research and development, and supporting its future business growth.

LETTER FROM SOMERLEY

	As at 30 June 2020	As at 31 December	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Property, plant and equipment and construction in progress	642,142	391,236	126,904
Long term equity investments	736,118	736,118	301
Prepayments	355,313	411,577	734,573
Inventories	1,033,241	466,947	325,582
Cash and cash equivalents	189,633	329,510	90,602
Other assets	<u>785,768</u>	<u>591,865</u>	<u>482,141</u>
Total assets	3,742,215	2,927,253	1,760,103
Borrowings	2,842,744	2,213,382	851,000
Other liabilities	<u>738,509</u>	<u>388,459</u>	<u>168,887</u>
Total liabilities	3,581,253	2,601,841	1,019,887
Share capital	1,000,000	1,000,000	1,000,000
Reserves	<u>(866,605)</u>	<u>(700,282)</u>	<u>(285,453)</u>
	133,395	299,718	714,547
Non-controlling interest	<u>27,567</u>	<u>25,694</u>	<u>25,670</u>
Total equity	160,962	325,412	740,217

As at 30 June 2020, total assets of Sinochem Agriculture mainly included (i) inventories of approximately RMB1,033.2 million, (ii) long term equity investments of approximately RMB736.1 million, largely representing the 21.5% equity interests in Winall Hi-tech Seed Co., Ltd (“**Winall Hi-tech Seed**”) (A Shenzhen listed company principally engaged in the research and development, breeding, promotion and services of crop seeds, including rice seeds, corn seeds and wheat seeds) that Sinochem Agriculture acquired in 2019, with a view to creating synergies by utilising the existing network of Winall Hi-tech Seed to further expand its business, (iii) property, plant and equipment and construction in progress of approximately RMB642.1 million, mainly relating to MAP technical service centres, farm machines and demonstration farms, (iv) prepayments of approximately RMB355.3 million, mainly representing advance payments for the procurement of crops, and (v) cash and cash equivalents of approximately RMB189.6 million.

As at 30 June 2020, total liabilities of Sinochem Agriculture mainly included bank and other borrowings of approximately RMB2,842.7 million, out of which (i) RMB2,180.0 million represented borrowings from members of Sinochem Group or ChemChina, with interest rates ranged from approximately 3.7% to 4.7%, (ii) approximately RMB332.7 million related to secured or guaranteed bank borrowings, with interest rates ranged from approximately 3.6% to 3.9% per annum, and (iii) RMB250 million was extended by the

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Group pursuant to the existing Agreement for the Use of Fund. To the knowledge of the Company, Sinochem Agriculture has not defaulted on any of its credit obligations since incorporation.

As set out in the letter from the Board, the Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture. Sinochem Agriculture has not violated any agreement with Sinochem Fertilizer or failed to repay any fund to Sinochem Fertilizer on time, since the first release of Fund in December 2018. We have been provided with the relevant due diligence materials, including detailed analysis on Sinochem Agriculture's historical financial performance and position, future business plan and financial forecasts in coming two years. As at the Latest Practicable Date, Sinochem Agriculture had available credit under facilities from various financial institutions of approximately RMB1,068 million, and it is intended that Sinochem Agriculture may utilise such facilities to repay of the Fund to Sinochem Fertilizer when necessary.

Sinochem Group

According to the audited financial statements of Sinochem Group for the year ended 31 December 2019, Sinochem Group recorded total revenue and profit attributable to its owners of approximately RMB555.3 billion and RMB3.3 billion respectively in 2019. Sinochem Group had registered capital of RMB43.7 billion, consolidated net assets attributable to its owners of approximately RMB53.1 billion and a cash balance of approximately RMB35.9 billion as at 31 December 2019. To the knowledge of the Company, Sinochem Group has not defaulted on any of its credit obligations in the past five years.

On the basis of the above and assuming no material change to Sinochem Group's financial performance and position, we consider that Sinochem Agriculture, taking into account the guarantee to be provided by Sinochem Group pursuant to the New Letter of Undertaking, has sufficient financial resources and substantial backing from Sinochem Group to honour their obligations under the Agreement for the Use of Fund (revised by the Supplemental Agreement).

6. Financial effects of the Loan Transactions

Earnings, net assets and gearing

The Group will be entitled to earn interest income from the Loan Transactions, based on the applicable interest rate with reference to one-year Loan Prime Rate and the amount of Fund, therefore there would be a positive impact on the Group's future earnings.

Management of the Group informed us that the Group has the right to demand early repayment of the Fund under the Loan Transactions, and the amount of Fund will be recorded as loans to related parties under current assets of the Group. Given that the provision of the Fund will increase the loan receivables and at the same time decrease the bank balances and cash of the Group, there would be no material impact on net assets of the Group as a result of the Loan Transactions.

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As set out in the Company's 2020 interim results announcement, as at 30 June 2020, the current ratio and the debt-to-equity ratio of the Group was approximately 1.3 times and 0.3 times respectively. Since the amount of Fund will be classified as current assets, it is expected that there would be no material impact arising from the Loan Transactions on the Group's current ratio and debt-to-equity ratio.

Working capital

As set out in the Company's 2020 interim results announcement, as at 30 June 2020, the Group had cash and other quick assets, being the sum of bank balances and cash and wealth management products included in other financial assets as advised by the management of the Group, of approximately RMB3,504.1 million (which included Sinofert Fertilizer's bank balances and cash of approximately RMB968.5 million and wealth management products of RMB1,950 million), and total interest-bearing liabilities of approximately RMB2,667.4 million, mainly representing several tranche of super and short-term commercial paper issued by Sinofert Fertilizer. Further, on the same date, the Group had capital commitments of approximately RMB1,598.9 million (mainly for the acquisition of property, plant and equipment for a fertilizer production plant in Chongqing, the PRC, according to the management of the Group).

In this respect, we have reviewed, and discussed with the management of the Group, the projected cash flows of the Group for the years ending 31 December 2022. Based on our discussion with management of the Group, (i) having considered the Group's capital commitments and treasury management exercises (including the provision of the Fund), it is expected that the Group still maintains sufficient working capital for its business operations, and (ii) in the event that the interest-bearing liabilities of the Group need to be refinanced, the Group believes that the relevant interest rates will be lower than those under the Loan Transactions.

Bearing in mind that the Group has the right to recover the Fund within a short period of time before maturity, if funding is unexpectedly required for the Group's daily operations and debt repayments, and taking into account the Group's available unutilised banking facilities of approximately RMB23.3 billion as at 30 June 2020, we concur with the Directors' view as regards the sufficiency of the Group's working capital.

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7. Internal control procedures

The Group will continue to implement a series of internal control measures to monitor and properly mitigate investment risks while generating investment returns through the Loan Transactions. For example, Sinochem Fertilizer shall have no obligation to provide the Fund to Sinochem Agriculture under the Agreement for the Use of Fund (revised by the Supplemental Agreement). In order to ensure prudent use of the Fund by Sinochem Agriculture, set out below are the measures adopted by the Group, as summarised from the letter from the Board:

- Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by Sinochem Agriculture at the time of its application for the Fund. In the event that Sinochem Fertilizer is not satisfied with such application, for example, due to the potential risks involved after assessing the business or financial position of the Group and Sinochem Agriculture, Sinochem Fertilizer has the absolute right to reject such application and not to grant the Fund;
- Before releasing the Fund, the manager of the Treasury Division of the Company will review details of the application and analyse the Group's bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should there be any concern about the business or financial position of Sinochem Agriculture. No common director between the Group and Sinochem Agriculture will be involved in the above approval process;
- Sinochem Agriculture shall use the Fund, and the Company shall monitor the relevant uses from time to time, strictly in accordance with the terms specified in the Agreement for the Use of Fund (as revised by the Supplemental Agreement); and
- Sinochem Agriculture shall provide business operation reports or financial reports to Sinochem Fertilizer on a monthly basis, so that the Group would be able to monitor the financial situation of Sinochem Agriculture and assess the credit risks of the relevant loans extended.

Taking into account the above internal control procedures including the pre-approval of the release of the Fund by the Company and Sinochem Fertilizer and the subsequent monitoring mechanism, together with the Joint and Several Guarantee to be provided by Sinochem Group in favour of Sinochem Fertilizer's borrowings to Sinochem Agriculture pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement), we concur with the Directors that the above internal control procedures would limit the risks associated with the Loan Transactions, and protect the interests of the Company and the Shareholders as a whole.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Loan Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into the Supplemental Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplement Agreement.

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

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

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Lu Xin	Beneficial owner	2,900,000	0.041%
Tse Hau Yin, Aloysius	Beneficial owner	3,404,000	0.048%

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

Name of Director	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
Qin Hengde	Syngenta Group	President of China Region
Feng Mingwei	Syngenta Group	Senior management of China Region

4. DIRECTORS' SERVICE CONTRACTS

On 16 February 2020, Mr. Qin Hengde, an executive Director and the Chief Executive Officer of the Company, renewed his service contract with the Company for a term of three years. On 25 February 2020, Mr. Feng Mingwei, an executive Director of the Company, entered into a service contract with the Company for a term of three years. On 15 May 2020, Mr. Harry Yang, an executive Director of the Company, renewed his service contract with the Company for a term of three years. Pursuant to the terms stipulated in the service contracts of Mr. Qin Hengde, Mr. Feng Mingwei and Mr. Harry Yang, the respective service contract with the Company may be (i) terminated prior to its expiry if either party serves two months' prior notice to the other in writing; or (ii) terminated by the Company in case of bankruptcy, diseases and any other significant faults of a director as described in the respective service contract. Should the Company terminate the respective service contract with Mr. Qin Hengde, Mr. Feng Mingwei or Mr. Harry Yang prior to its expiry, Mr. Qin Hengde, Mr. Feng Mingwei or Mr. Harry Yang will be entitled to receive a cash compensation equivalent to 11 months of his annual director's salary, save for the circumstances described in item (ii) above.

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

5. COMPETING INTERESTS

Mr. Qin Hengde, an executive Director and the Chief Executive Officer of the Company, is the deputy chairman of the board of directors of Qinghai Salt Lake Industry Co., Ltd. (青海鹽湖工業股份有限公司) ("Qinghai Salt Lake"). Mr. Feng Mingwei, an executive Director of the Company, is also a non-executive director of Qinghai Salt Lake. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal

activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of salt lake resources.

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

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

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

- (a) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) were proposed to be acquired or disposed of by; or (iv) were proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Company since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT

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

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

As at the Latest Practicable Date, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of (i) the Agreement for the Use of Fund and the Supplemental Agreement, and (ii) the service contracts mentioned in paragraph 4 above is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM.

NOTICE OF SPECIAL GENERAL MEETING



SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofer Holdings Limited (the “**Company**”) will be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 17 September 2020 at 10:00 a.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Supplemental Agreement to the Agreement for the Use of Fund (as defined and described in the circular to the shareholders of the Company dated 2 September 2020 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of the transaction thereunder be and are hereby approved, ratified and confirmed; and
- (b) 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 Agreement for the Use of Fund (as revised by the Supplemental 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 Agreement for the Use of Fund (as revised by the Supplemental 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

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

2 September 2020

Notes:

1. The register of members of the Company will be closed from 14 September 2020 to 17 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 September 2020.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the meeting or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary 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), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. Yang Lin; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.