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

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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MOU WITH CANPOTEX
REVISION OF PURCHASE ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT
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 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 18 to 19 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 20 to 37 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 September 2023 at 10:00 a.m. is set out on pages 42 to 43 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

25 August 2023

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DEFINITIONS

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

“Agricultural Products Purchase and Sale Framework Agreement”	the framework agreement for the purchase and sale of agricultural products dated 22 November 2021 entered into between Sinochem Fertilizer and Sinochem Holdings
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Canpotex”	Canpotex Limited, a company incorporated in Canada, which is held as to 50% by Nutrien
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Export Agreement”	the export agreement dated 28 June 2023 entered into between Sinochem Macao and Canpotex, as further described in the announcement of the Company dated 28 June 2023
“Framework Agreement”	the framework agreement for the supply of potash dated 8 March 2022 entered into between Sinochem Macao and Canpotex
“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 (i) the MOU, the transactions contemplated thereunder and the proposed annual caps, and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework 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 (i) the MOU, the transactions contemplated thereunder and the proposed annual caps, and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement
“Independent Shareholders”	shareholders who are not required to abstain from voting at the SGM, refer to shareholders other than Nutrien and its associates for the purpose of approving the MOU, the transactions contemplated thereunder and the proposed annual caps, and shareholders other than Sinochem Holdings and its associates for the purpose of approving the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement
“Latest Practicable Date”	18 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macao”	Macao Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 10 July 2023 entered into between Sinochem Macao and Canpotex
“Nutrien”	Nutrien Ltd., a corporation incorporated in Canada with its shares listed on the Toronto Stock Exchange and the New York Stock Exchange, and an indirect substantial shareholder of the Company

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao and Taiwan
“Purchase Annual Caps”	the annual caps for the two years ending 31 December 2024 in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement
“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 Boardroom 8, Lower Lobby, Renaissance Harbour View Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 September 2023 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages 42 to 43 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“shareholder(s)”	registered holder(s) of Shares
“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 Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), a state-owned enterprise incorporated in the PRC, and the ultimate controlling shareholder of the Company
“Sinochem Macao”	中化化肥澳門有限公司 (Sinochem Fertilizer Macao Limited), a company incorporated in Macao on 16 November 2004, and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

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:

MA Yue (*Chief Executive Officer*)

WANG Jun

WANG Ling

Non-executive Director:

LIU Hongsheng (*Chairman*)

Independent Non-executive Directors:

KO Ming Tung, Edward

LU Xin

TSE Hau Yin, Aloysius

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business:

Unit 4705, 47th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

25 August 2023

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MOU WITH CANPOTEX
AND
REVISION OF PURCHASE ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT**

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 10 July 2023 in relation to the transactions under the MOU, and (ii) the announcement of the Company dated 31 July 2023 in relation to the proposed revision of the Purchase Annual Caps under the Agricultural Products Purchase and Sale Framework Agreement. The transactions contemplated under the MOU and the Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information on the MOU, the transactions contemplated thereunder and the proposed annual caps; (ii) further information on the Agricultural Products Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the revised Purchase Annual Caps; (iii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) the notice of the SGM; and (vi) other information as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) MOU

Reference is made to the announcement of the Company dated 8 March 2022 in relation to the Framework Agreement entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Canpotex for the supply of potash by Canpotex to Sinochem Macao. The Framework Agreement expired on 31 December 2022.

On 10 July 2023, Sinochem Macao and Canpotex entered into the MOU, pursuant to which Sinochem Macao will continue to purchase potash from Canpotex for a term up to 31 December 2025, subject to obtaining the approval from the Independent Shareholders at the SGM.

Principal Terms of the MOU

Date

10 July 2023

Parties

- (a) Sinochem Macao
- (b) Canpotex

Nature of transactions

Under the MOU, Sinochem Macao has agreed to purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2025. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of potash per year comprising the following grades: red standard grade potash, red granular grade potash, white fine standard grade potash and white standard grade potash.

During the term of the MOU, Sinochem Macao will have exclusivity to purchase red standard grade potash from Canpotex for sale in the PRC market.

LETTER FROM THE BOARD

Pricing

Prices of potash will be determined through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC.

In determining such prices, the parties generally make reference to the reports published by certain independent commodity information providers such as Argus Media (www.argusmedia.com) and Baiinfo (百川盈孚, www.baiinfo.com). Such reports, usually updated on a regular basis and available to the Group by subscription, provide up to date information on market trend and prevailing market prices. In addition, the Group maintains regular contacts with domestic and overseas potash producers, distributors and traders, keeping abreast of the latest international and domestic market prices.

When determining the prices of potash to be purchased from Canpotex, the Group usually makes reference to the prices under its long-term agreements with three or more independent suppliers who are leading suppliers of potash in the world and maintain long-term cooperation with the Group, and takes into account the demand of its downstream customers. The Group will check the latest prices published by Argus Media and Baiinfo, and compare the prices, quantities, types and specifications of potash offered by Canpotex with those offered by independent suppliers, so as to ensure that the prices offered by Canpotex are consistent with the latest prices published by Argus Media and Baiinfo, and are no less favourable than the prices offered by independent suppliers. Such information will be reported to the manager of the potash department, and then submitted to the person in charge of the potash business for approval.

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

Payment

Detailed payment terms will be set forth in the specific contracts to be entered into between the parties pursuant to the MOU, which will be in line with the Group's existing payment practice with independent suppliers.

Term and termination

Subject to obtaining the approval from the Independent Shareholders at the SGM, the MOU will have a term up to 31 December 2025. The MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

LETTER FROM THE BOARD

In the event that Sinochem Macao purchases any potash from Canpotex before obtaining the approval from the Independent Shareholders at the SGM, the Company will comply with the relevant requirements under the Listing Rules in a timely manner with respect to each particular purchase.

Annual Caps

The annual caps for the three years ending 31 December 2025 in respect of the continuing connected transactions contemplated under the MOU are US\$210,000,000, US\$240,000,000 and US\$260,000,000, respectively. Such annual caps are determined based on the estimated quantities of potash to be supplied by Canpotex pursuant to the MOU and the estimated prices of different grades of potash.

The historical amount of such continuing connected transactions for the year ended 31 December 2022 was approximately US\$245,610,000. Sinochem Macao did not purchase any potash from Canpotex during the five months ended 31 May 2023 after the expiry of the Framework Agreement. As a result, the Group's inventory of potash has fallen to a low level, but the demand of downstream customers for potash has continued to increase. As such, the Group intends to increase its import of potash to replenish its inventory level and cater for the increase in demand from downstream customers.

Sinochem Macao has resumed its purchase from Canpotex in June 2023 (please refer to the announcement of the Company dated 28 June 2023 in relation to Sinochem Macao's purchase of no more than 132,000 tonnes of potash from Canpotex at a consideration of no more than US\$40,524,000 pursuant to the Export Agreement). Save for the purchase under the Export Agreement, there is no purchase of potash by Sinochem Macao from Canpotex after the expiry of the Framework Agreement and up to the Latest Practicable Date. After the MOU takes effect, the transaction amount under the Export Agreement will be included in the above annual cap for the year ending 31 December 2023 in respect of the transactions under the MOU.

The Company has set a lower threshold, representing approximately 70% of the annual caps of the continuing connected transactions under the MOU, as an internal monitoring cap. If the actual transaction amounts reach the lower threshold, an alert message will be sent by the legal department to the business department, who will assess whether the annual cap of the continuing connected transactions will be sufficient for the remainder of the financial year. If it is concluded that any annual cap needs to be revised, the Company will perform the required procedures under the applicable Listing Rules requirements in a timely manner.

LETTER FROM THE BOARD

Reasons and Benefits for the Continuing Connected Transactions

By entering into the MOU, the Group will further enrich its operational resources and ensure a stable supply of the relatively rare mineral fertilizer of potash. The production of potash in the PRC falls short of domestic demand. Each year the PRC needs to import potash to meet the increasing demand of potash for domestic agricultural production. The import of potash products from Canpotex under the MOU will help enrich the operational resources of the Group.

The Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions contemplated under the MOU have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under the MOU are fair and reasonable.

None of the Directors is regarded as having a material interest in the MOU and the transactions contemplated thereunder, and hence none of the Directors has abstained from voting on the Board resolution passed to approve the MOU and the transactions contemplated thereunder.

Implications of the Listing Rules

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien indirectly holds approximately 22.26% equity interest in the Company, and is therefore an indirect substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions contemplated under the MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

General Information

The Company is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP).

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

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Canpotex is a joint venture owned by two large potash producers, Nutrien (a company listed on the Toronto Stock Exchange and the New York Stock Exchange) and The Mosaic Company (a company listed on the New York Stock Exchange), with each shareholder having an equal ownership in Canpotex. Canpotex is one of the world's largest suppliers of potash, and is principally engaged in offshore marketing of potash products for its two shareholders.

(B) Agricultural Products Purchase and Sale Framework Agreement

Reference is made to the announcement of the Company dated 22 November 2021 in relation to the Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Holdings. Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products within the PRC during the period from 1 January 2022 to 31 December 2024 (both days inclusive).

The Company estimates that the amounts of purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement for the two years ending 31 December 2024 will exceed the original Purchase Annual Caps. As such, the Company intends to revise the Purchase Annual Caps for the two years ending 31 December 2024. The annual caps for the two years ending 31 December 2024 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement will remain unchanged.

Principal Terms of the Agricultural Products Purchase and Sale Framework Agreement

Date

22 November 2021

Parties

- (a) Sinochem Fertilizer
- (b) Sinochem Holdings

Nature of transactions

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds within the PRC.

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Based on Sinochem Fertilizer's purchase and sale plans, it is expected that Sinochem Fertilizer may source agricultural products (including all types of fertilizers, agrichemicals and seeds) from certain subsidiaries of Sinochem Holdings ("**Sinochem Suppliers**"), and sell a small amount of agricultural products to other subsidiaries of Sinochem Holdings ("**Sinochem Customers**") that operate in different regions of Sinochem Suppliers. This is because the sales and logistics network of Sinochem Suppliers may not cover the regions where Sinochem Customers operate their business, and Sinochem Customers intend to purchase through Sinochem Fertilizer who has the strategic centralized procurement capability and extensive service network to supply agricultural products.

Pricing

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

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

The Group also makes reference to the reports published by certain independent commodity information providers (the "**Independent Commodity Information Providers**") such as Baiinfo (百川盈孚, www.baiinfo.com) and OilChem China (隆眾資訊, www.oilchem.net). Such reports, usually updated on a regular basis and available to the Group by subscription, provide up to date information on market trend and prevailing market prices.

Purchase of agricultural products

With respect to the purchase of agricultural products, the Group will compare three or more reference prices and take into account the demand of its downstream customers when determining the prices of the transactions.

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

LETTER FROM THE BOARD

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, as prices of agrichemicals and seeds vary largely among types and specifications, reference prices from independent third parties may not be available or comparable. In order to ensure that the pricing terms are no less favourable to the Group, the Group will look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of Sinochem Holdings, and (i) compare such prices against the Group's historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group's historical gross profit margin from the same or similar type of product.

Sale of agricultural products

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

Internal approval process

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

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

Payment

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

Term

The Agricultural Products Purchase and Sale Framework Agreement has a term from 1 January 2022 to 31 December 2024 (both days inclusive).

LETTER FROM THE BOARD

Revision of Purchase Annual Caps

Revised Purchase Annual Caps and historical figures

The Company estimates that the amounts of purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement for the two years ending 31 December 2024 will exceed the original Purchase Annual Caps. As such, the Company intends to revise the Purchase Annual Caps for the two years ending 31 December 2024 from RMB520,000,000 and RMB630,000,000 to RMB975,000,000 and RMB1,326,000,000, respectively. The parties have determined such revised Purchase Annual Caps based on Sinochem Fertilizer's purchase plans, and the projected prices and quantities of purchase of agricultural products. The annual caps for the two years ending 31 December 2024 in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings under the Agricultural Products Purchase and Sale Framework Agreement will remain unchanged at RMB3,430,000,000 and RMB4,480,000,000, respectively.

For the two years ended 31 December 2022 and the six months ended 30 June 2023, the historical amounts of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings were approximately RMB285,066,000, RMB336,705,000 and RMB350,838,000, respectively.

As at the Latest Practicable Date, the transaction amounts of the continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement have not exceeded the original annual caps.

Reasons for the revision of Purchase Annual Caps

In determining the revised Purchase Annual Caps, the Company has considered various factors, including:

- the increasing trend of the historical amounts. In particular, the purchase amount for the six months ended 30 June 2023 has exceeded the full year amount for the year ended 31 December 2022, and accounted for approximately 67.5% of the original Purchase Annual Cap for the year ending 31 December 2023;
- the increase in demand of the Group for agricultural products. In particular, after Sinochem Fuling Chongqing Chemical Industry Co., Ltd. ("**Sinochem Fuling**"), a non-wholly owned subsidiary of the Company, completed the relocation of its production facilities, it has commenced the trial production of fine phosphates and ancillary novel special fertilizers on the new production site since 2023. With the increase in the production capacity of Sinochem Fuling, it is expected that its demand for fertilizer products, which are part of the raw materials for its production, will increase significantly;

LETTER FROM THE BOARD

- more high quality suppliers of agricultural products identified by the Group. With the business development of Sinochem Holdings, more of its subsidiaries are capable of supplying high quality and reasonably priced agricultural products. For example, Yitong Shuke Technology Co., Ltd., a non-wholly owned subsidiary of Sinochem Holdings, can utilize its Fertex platform, an e-platform for agricultural materials, to attract more sources of high quality products and provide more choices in pricing, which may lower the procurement cost of Sinochem Fertilizer. Another example is Junhua Ecological Engineering Co., Ltd. (“**Junhua Ecological**”), a non-wholly owned subsidiary of Sinochem Holdings, who can provide fertilizer products with price advantages. Junhua Ecological is located in the central region of the PRC, which provides a transportation cost advantage for shipping products to the Group’s regional network that matches with the Group’s strategic layout in the central region of the PRC. Given that subsidiaries of Sinochem Holdings can provide a wide range of agricultural products at reasonable prices, the Group intends to increase its procurement from subsidiaries of Sinochem Holdings to further enhance its product supply capability to downstream customers nationwide; and
- the strategic transformation of the Group in agrichemicals business. The Group intends to increase its purchase of high-end agrichemicals, and further optimize its product structure with particular focus on products with high profit margin. Resources of such products are concentrated in a limited number of large-scale suppliers, some of which are subsidiaries of Sinochem Holdings, including Syngenta Group Co., Ltd. and ADAMA Ltd., both being leading crop protection companies. Business collaboration with such subsidiaries of Sinochem Holdings that can provide high-end agrichemicals may further promote the development of the agrichemicals business of the Group and satisfy the demand of its downstream customers.

Monitoring mechanism

The Company has set a lower threshold, representing approximately 70% of the annual caps of the continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement, as an internal monitoring cap. If the actual transaction amounts reach the lower threshold, an alert message will be sent by the legal department to the business department, who will assess whether the annual cap of the continuing connected transactions will be sufficient for the remainder of the financial year. If it is concluded that any annual cap needs to be revised, the Company will perform the required procedures under the applicable Listing Rules requirements in a timely manner.

Reasons and Benefits for the Continuing Connected Transactions

Subsidiaries of Sinochem Holdings have a good reputation in the industry and can provide sufficient supply of agricultural products covering a wide range of categories at reasonable prices. The purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings can diversify the product mix of the Group and

LETTER FROM THE BOARD

enhance its capability of supplying products. Meanwhile, subsidiaries of Sinochem Holdings have extensive customer base which can serve as an effective replenishment to the established markets of the Group, and the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings can boost up the sale revenues of the Group.

The Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the revised Purchase Annual Caps for the continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are fair and reasonable.

Mr. Liu Hongsheng and Mr. Ma Yue, being Directors of the Company and management members of subsidiaries of Sinochem Holdings, have abstained from voting on the Board resolution passed to approve the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement.

Implications of the Listing Rules

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

General Information

Sinochem Fertilizer is engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, as well as provision of technological research and development and services relating to crop nutrition business and products.

Sinochem Holdings, the ultimate controlling shareholder of the Company, is a large-scale chemical conglomerate. It operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is the State-owned Assets Supervision and Administration Commission of the State Council.

LETTER FROM THE BOARD

SGM

Ordinary resolutions approving (i) the MOU, the transactions contemplated thereunder and the proposed annual caps, and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement will be proposed at the SGM.

In view of Nutrien's interests in the transactions under the MOU, Nutrien 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 MOU, the transactions contemplated thereunder and the proposed annual caps. As Nutrien indirectly holds 1,563,312,141 Shares, representing approximately 22.26% of the total issued shares of the Company, through PCS (Barbados) Investment Company Limited ("**PCS**") which is an indirect wholly-owned subsidiary of Nutrien and the immediate substantial shareholder of the Company, PCS shall abstain from voting at the SGM for the purpose of approving the MOU, the transactions contemplated thereunder and the proposed annual caps.

In view of Sinochem Holdings' interests in the transactions under the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Holdings 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 revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. As Sinochem Holdings indirectly holds 3,698,660,874 Shares, representing approximately 52.65% of the total issued shares of the Company, through Syngenta Group (HK) Holdings Company Limited ("**Syngenta HK**") which is an indirect wholly-owned subsidiary of Sinochem Holdings and the immediate controlling shareholder of the Company, Syngenta HK shall abstain from voting at the SGM for the purpose of approving the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement.

Save as disclosed above, none of the shareholders would be required to abstain from voting at the SGM.

A notice convening the SGM to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 September 2023 at 10:00 a.m. is set out on pages 42 to 43 of this circular.

A form of proxy for the SGM is enclosed herewith. Whether or not shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

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

FURTHER INFORMATION

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of (i) the MOU, the transactions contemplated thereunder and the proposed annual caps, and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework 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 18 to 19 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 20 to 37 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

Ma Yue

Executive Director and Chief Executive Officer

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

25 August 2023

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MOU WITH CANPOTEX
AND
REVISION OF PURCHASE ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 25 August 2023 (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 in respect of (i) the MOU and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. In this connection, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 37 of the Circular which contains its opinion in respect of (i) the MOU and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Somerley and its recommendation in relation thereto, we consider that (i) the MOU and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder (including the revised Purchase Annual Caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the SGM.

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

LETTER FROM SOMERLEY

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



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

25 August 2023

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MOU WITH CANPOTEX
AND
REVISION OF PURCHASE ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS UNDER
THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the purchases of potash (the “**Potash Imports**”) by Sinochem Macao, an indirect wholly-owned subsidiary of the Company, from Canpotex pursuant to the terms of the MOU for the three years ending 31 December 2023, 2024 and 2025 (including the proposed annual caps (the “**Potash Imports Cap(s)**”), and (ii) the revision of annual caps for the two years ending 31 December 2023 and 2024 (i.e. the “**revised Purchase Annual Caps**”) relating to the purchases of certain agricultural products (the “**Agricultural Products Purchases**”, together with the Potash Imports, the “**Continuing Connected Transactions**”) by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, from subsidiaries of Sinochem Holdings in the PRC under the Agricultural Products Purchase and Sale Framework Agreement, for which the Independent Shareholders’ approval is being sought. Details of the Continuing Connected Transactions, the Potash Imports Caps and the revised Purchase Annual Caps are contained in the circular of the Company to the Shareholders dated 25 August 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

As at the Latest Practicable Date, Nutrien indirectly holds an approximately 22.3% equity interest in the Company, and is therefore an indirect substantial shareholder of the Company. Canpotex, which is owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated

LETTER FROM SOMERLEY

under the MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the Potash Imports Caps are more than 5%, the transactions contemplated under the MOU (including the Potash Imports Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Sinochem Holdings is the ultimate controlling shareholder of the Company, holding an approximately 52.7% equity interest in the Company, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are more than 5%, the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of (i) the MOU, the transactions contemplated thereunder (including the Potash Imports Caps), and (ii) the revised Purchase Annual Caps for the continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement. In view of Nutrien's interests in the transaction under the MOU, Nutrien and its associates are required to abstain from voting on the relevant ordinary resolution to be proposed at the SGM to approve the MOU, the transactions contemplated thereunder (including the Potash Imports Caps). In view of Sinochem Holdings' interests in the transactions under the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Holdings and its associates are required to abstain from voting on the relevant ordinary resolution to be proposed at the SGM to approve the revised Purchase Annual Caps for the continuing connection transaction contemplated under the Agricultural Products Purchase and Sale Framework Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius, has been established to advise the Independent Shareholders whether the Continuing Connected Transactions (including the Potash Imports Caps and the revised Purchase Annual Caps) are conducted by the Company in its ordinary and usual course of business, 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 14 September 2021, 13 December 2021, 8 April 2022 and 14 September 2022. The past engagements were limited to providing independent financial

LETTER FROM SOMERLEY

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. As such, we are of the view that the past engagements would not affect the objectivity of our advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions (including the Potash Imports Caps and the revised Purchase Annual Caps). Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Canpotex, Sinochem Holdings 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 (i) the MOU, (ii) the Agricultural Products Purchase and Sale Framework Agreement, (iii) the annual reports of the Company for the two years ended 31st December 2021 and 2022, and (iv) other information contained in the Circular. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Canpotex, Sinochem Holdings or any of their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Continuing Connected Transactions (including the Potash Imports Caps and the revised Purchase Annual Caps), we have taken the following principal factors and reasons into consideration:

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$6.8 billion as at the Latest Practicable Date.

The Group recorded total revenue of approximately RMB22.6 billion and RMB23.0 billion in 2021 and 2022 respectively. Potash fertilizer is one of the major products of the Group, contributing approximately RMB3.4 billion and RMB4.0 billion in revenue (or

LETTER FROM SOMERLEY

approximately 15.0% and 17.4% of total revenue) in 2021 and 2022 respectively. Profit attributable to owners of the Company in 2022 grew by approximately 28.9% to approximately RMB1.1 billion compared to 2021.

Sinochem Macao

Sinochem Macao, incorporated in Macao, is an indirect wholly-owned subsidiary of the Company and is principally engaged in sourcing fertilizer products and other related agricultural products for the Group from overseas.

Sinochem Fertilizer

Sinochem Fertilizer, incorporated in the PRC, is an indirect wholly-owned subsidiary of the Company and is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, as well as research and development and services business and products.

Canpotex

Canpotex is a joint venture owned by two large potash producers, Nutrien (a company listed on the Toronto Stock Exchange and the New York Stock Exchange) and The Mosaic Company (a company listed on the New York Stock Exchange), with each shareholder having an equal ownership in Canpotex. Canpotex is one of the world's largest suppliers of potash, and is principally engaged in offshore marketing of potash products for its shareholders.

Sinochem Holdings

Sinochem Holdings is a large-scale chemical conglomerate. It operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is the State-owned Assets Supervision and Administration Commission of the State Council.

(A) The MOU

1. Background to and reasons for entering into of the MOU

As production of potash in the PRC falls short of domestic demand, the PRC needs to import potash to meet the increasing demand of potash for domestic agricultural production every year. The continued import of potash products from Canpotex helps enrich the operational resources of the Group and ensure a stable supply of potash.

The previous supply of potash by Canpotex to the Group was governed by the Framework Agreement, as approved by the then independent shareholders of the Company at a shareholders' meeting held on 27 April 2022. As advised by the

LETTER FROM SOMERLEY

management of the Group, after the expiry of the Framework Agreement on 31 December 2022, Sinochem Macao did not purchase any potash from Canpotex in 2023 before the entering into of the Export Agreement.

On 28 June 2023, Sinochem Macao and Canpotex entered into the Export Agreement, pursuant to which Sinochem Macao agreed to purchase no more than 132,000 tonnes of potash from Canpotex at a unit price of US\$307 per tonne for a total consideration of approximately US\$40.5 million. Given that the applicable percentage ratios in respect of the transaction contemplated under the Export Agreement were more than 0.1% but less than 5%, such transaction was exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and the Export Agreement became effective immediately upon signing.

Despite the entering into of the abovementioned Export Agreement, purchases of potash from Canpotex are expected to be more than 132,000 tonnes for the year 2023. On 10 July 2023, Sinochem Macao and Canpotex entered into the MOU, pursuant to which Sinochem Macao has agreed to purchase up to 1,000,000 tonnes of potash from Canpotex for each of the three years ending 31 December 2025. After the MOU takes effect, the transaction amount under the Export Agreement will be included in the Potash Imports Cap for the year ending 31 December 2023.

2. *Principal terms of the MOU*

Principal terms of the MOU are summarised below. For further details, please refer to the section headed "Principal terms of the MOU" in the letter from the Board.

General

Pursuant to the MOU, Canpotex has agreed to sell, and Sinochem Macao has agreed to purchase, 500,000 tonnes of red standard grade potash for each of the three years ending 31 December 2025. In addition, if mutually agreed upon by the parties, Sinochem Macao will have the option to purchase from Canpotex further volumes up to 500,000 tonnes of potash each year.

During the term of the MOU, Sinochem Macao will have exclusivity to purchase red standard grade potash from Canpotex for sale in the PRC market.

Term

Subject to obtaining the approval from the relevant Independent Shareholders at the SGM, the MOU will have a term up to 31 December 2025. The MOU may be terminated by either party giving a written notice to the other party by 30 June for termination on 31 December of the same year.

LETTER FROM SOMERLEY

Pricing

Prices of potash will be determined through mutual negotiations between the parties with reference to the prevailing international market potash prices and competitive sea import prices to the PRC.

When determining the prices of potash to be purchased from Canpotex, the Group usually makes reference to the prices under its long-term agreements with three or more independent suppliers and takes into account the demand of its downstream customers. The Group will check the latest prices published by certain independent commodity information providers (the “**Independent Commodity Information Providers**”), such as Argus Media (www.argusmedia.com) and Baiinfo (百川盈孚, www.baiinfo.com), and compare the prices, quantities, types and specifications of potash offered by Canpotex with those offered by independent suppliers, so as to ensure that the prices offered by Canpotex are consistent with the latest prices published by Argus Media and Baiinfo, and are no less favourable than the prices offered by independent suppliers. Such information will be reported to the manager of the potash department, and then submitted to the person in charge of the potash business for approval.

The reports published by the Independent Commodity Information Providers, which are usually updated on a regular basis and made available to the Group on a subscription basis, provide up-to-date information on market trend and prevailing market prices of fertilizer products, including potash. In addition, the Group maintains regular contacts with domestic and overseas potash producers, distributors and traders, keeping abreast of the latest international and domestic market prices.

Payment

Detailed payment terms will be set forth in the specific contracts to be entered into between the parties pursuant to the MOU, which will be in line with the Group’s existing payment practice with independent suppliers. As advised by the management of the Group and based on our review of the Selected Contracts (as defined below), the payments are generally settled by way of irrevocable letter of credit.

Comparison on terms of the Potash Imports with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions, summarising transaction details during the period from 8 March 2022 to 31 December 2022, and selected three sample contracts (the “**Selected Contracts**”) for the purchases of potash by Sinochem Macao from Canpotex under the Framework Agreement, which were selected on a random basis. We understand from the management of the Group that, save for the purchase under the Export Agreement, there is no purchase of potash by Sinochem Macao from

LETTER FROM SOMERLEY

Canpotex after the expiry of the Framework Agreement and up to the Latest Practicable Date, and therefore no such comparison on terms for transactions during such period was performed.

We obtained and compared the Selected Contracts with (i) contracts for similar purchases selected from the lists of transactions from independent third parties that were selected on a random basis in the same period, and/or (ii) the then prevailing market price of the relevant products sourced from the Independent Commodity Information Providers. On the basis of our review, we note that the terms of the Selected Contracts, in particular the pricing and credit terms, were on normal commercial terms when compared to the transaction terms between Sinochem Macao and independent third parties at around that time.

3. *The Potash Imports Caps*

Review of historical figures

Set out below are the historical transaction amounts of the Potash Imports by Sinochem Macao from Canpotex for the three years ended 31 December 2020, 2021 and 2022, and the relevant cap during the respective year:

	For the year ended 31 December		
	2020	2021	2022
	(US\$'000)	(US\$'000)	(US\$'000)
	(Approximate)	(Approximate)	(Approximate)
Potash Imports from Canpotex	81,985	–	245,610
Relevant annual caps	270,000	N/A	396,000
Utilisation rates	30.4%	N/A	62.0%

As shown in the table above, purchases of potash by Sinochem Macao from Canpotex amounted to approximately US\$82.0 million in 2020, nil in 2021, and approximately US\$245.6 million in 2022. We understand from the management of the Group that Sinochem Macao did not purchase any potash from Canpotex in 2021 and the first two months of 2022, and during the period the Group utilised its potash inventory to satisfy needs from its downstream customers, as well as sourced potash from other international and domestic potash producers. Sinochem Macao resumed its purchases from Canpotex in March 2022, as covered first by an export contract and subsequently the Framework Agreement. We note that utilisation of the annual cap in 2022 was approximately 62.0%. It was disclosed in the Company's 2022 annual report that geopolitical conflicts led to mounting in pressure on the international supply chain and an increase in the price differential between the international and domestic potash markets, with international potash being prioritised for supply to high-priced regions, resulting in a significant shortage of potash supply in the market. As advised by the management of the Group, due to the international potash supply continued to be tight in 2022, the

LETTER FROM SOMERLEY

actual transaction volume with Canpotex during the year was lower than the transaction volume as estimated in March 2022, resulting in the 2022 annual cap not being fully utilised.

We further understand from the management of the Group, save for the purchase under the Export Agreement, there was no purchase of potash by Sinochem Macao from Canpotex after the expiry of the Framework Agreement and up to the Latest Practicable Date. Further details of the Export Agreement were set out in the announcement of the Company dated 28 June 2023.

Assessment of the Potash Imports Caps

Set out below are the Potash Imports Caps under the MOU, for the three years ending 31 December 2023, 2024 and 2025:

	For the year ending 31 December		
	2023	2024	2025
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Potash Imports from Canpotex	210,000	240,000	260,000

The Potash Imports Caps for the years 2023, 2024 and 2025 represent decreases of approximately 47.0%, 39.4% and 34.3% respectively, compared to the annual cap set for the year 2022 under the Framework Agreement, mainly due to a significant reduction in potash price since the second half of 2022. The potash price decreased from US\$590 per tonne as agreed under the Framework Agreement in March 2022, to a much lower level of US\$307 per tonne as agreed under the Export Agreement in June 2023.

In assessing the reasonableness of the Potash Imports Caps, we have discussed with the management of the Group the bases and assumptions underlying the projections for the Potash Imports, which are directly determined based on the estimated purchase quantities of potash and the estimated prices of different grades of potash.

In arriving at the estimated purchase quantities of potash from Canpotex for the years 2023, 2024 and 2025, management of the Group has taken into account the Group's latest procurement strategies of potash, that a portion of the purchase quantities is to replenish its low inventory level and cater for the anticipated increase in demand from downstream customers. Based on our discussions with the management of the Group, the decrease in the Group's potash inventory level was partly due to the fact that no purchase of potash was made from Canpotex during the period from 1 January 2023 to 27 June 2023 (before entering into the Export Agreement), and as such the Group had been utilising its potash inventory to meet the downstream customers demand.

LETTER FROM SOMERLEY

As advised by the management of the Group, the estimated prices of different grades of potash per tonne were determined mainly with reference to the prevailing international market potash prices and competitive sea import prices to the PRC, and with a moderate growth for the years 2024 and 2025. We note that the potash price agreed with Canpotex under the Export Agreement in June 2023 was US\$307 per tonne. Based on our independent review, we note an industry report issued in June 2023 by one of the Independent Commodity Information Providers stating that the recent price of US\$307 per tonne might have set a floor price in the global market for the remaining period in 2023. In this respect, we have also made reference to the latest international market price levels in June 2023 as available from the Independent Commodity Information Providers, ranging from approximately US\$340 to US\$420 per tonne, which are broadly comparable to or higher than the estimated potash prices used in determining the Potash Imports Caps.

General comments

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Potash Imports Caps in a way that can take into account the prevailing market conditions and accommodate the potential growth of the Group's business and procurement strategies. In particular, the Group potash inventory levels declined during the first half of 2023 as no purchase of potash from Canpotex was made during the period from 1 January 2023 to 27 June 2023 (before entering into the Export Agreement). Having considered (i) the estimated purchase prices of potash, determined prudently referencing the prevailing relatively low international market potash price, and (ii) the Group's estimated purchase quantities of potash, mainly after taking account into the Group's latest procurements strategies, as discussed in the sub-section above, we consider it in the interests of the Group and the Shareholders to determine the Potash Imports Caps in a way that can accommodate the potential growth of the Group's revenue.

(B) The Agricultural Products Purchase and Sale Framework Agreement

1. Background to and reasons for the revision of Purchase Annual Caps

As further elaborated in the letter from the Board, subsidiaries of Sinochem Holdings have been supplying agricultural products covering a wide range of categories to Sinochem Fertilizer, so as to diversify the Group's product mix and enhance its capability of supplying products to its downstream customers. On the other hand, Sinochem Fertilizer has been selling agricultural products to subsidiaries of Sinochem Holdings, which have an extensive customer base and can serve as an effective replenishment to the established markets of the Group, in order to boost the revenue of the Group.

LETTER FROM SOMERLEY

The above purchases and sales between the Group and subsidiaries of Sinochem Holdings are currently governed by the Agricultural Products Purchase and Sale Framework Agreement, as approved by the then independent shareholders of the Company at a shareholders' meeting held on 29 December 2021, which has a term of three years from 1 January 2022 to 31 December 2024.

According to the management of the Group, there has been a significant increase in purchases of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings during the first half of 2023, mainly due to, among others, the continued collaboration with subsidiaries of Sinochem Holdings, including members and business units of Syngenta Group Co., Ltd. ("**Syngenta Group**") to promote the quality and rapid development of the agrichemicals business, and the market development and promotion of differentiated products. Such purchase amount in the first half of 2023 had already exceeded the full year amount for the year 2022 and accounted for approximately 67.5% of the original Purchase Annual Cap of RMB520 million for the year 2023. The Company currently estimates that the amounts of purchases in 2023 and 2024 will exceed the respective original Purchase Annual Caps. In view of the above, the Company intends to revise the Purchase Annual Caps for the two years 2023 and 2024 under the Agricultural Products Purchase and Sale Framework Agreement.

2. *Principal terms of the Agricultural Products Purchase and Sale Framework Agreement*

Principal terms of the Agricultural Products Purchase and Sale Framework Agreement are summarised and reproduced below. Save for the revision of the Purchase Annual Caps, all other terms of the Agricultural Products Purchase and Sale Framework Agreement (including the existing annual caps in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings) will remain unchanged. For further details, please refer to the section headed "Principal Terms of the Agricultural Products Purchase and Sale Framework Agreement" in the letter from the Board.

General

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds within the PRC.

LETTER FROM SOMERLEY

Pricing

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

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

The Group also makes reference to the reports published by certain Independent Commodity Information Providers, such as Baiinfo, Argus Media and OilChem China (隆眾資訊, www.oilchem.net). These reports, which are usually updated on a regular basis and made available to the Group on a subscription basis, provide up-to-date information on market trend and prevailing market prices of fertilizer products.

Purchase of agricultural products

With respect to Agricultural Products Purchases, the Group will compare three or more reference prices and take into account the demand of its downstream customers when determining the prices of the transactions.

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

In respect of agrichemicals (such as pesticide, fungicide and herbicide) and seeds, as prices of agrichemicals and seeds vary largely among types and specifications, reference prices from independent third parties may not be available or comparable. In order to ensure that the pricing terms are no less favourable to the Group, the Group will look into the prices of relevant agrichemicals and seeds quoted from subsidiaries of Sinochem Holdings, and (i) compare such prices against the Group's historical purchase prices of relevant agrichemicals and seeds, and (ii) evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals and seeds and compare against the Group's historical gross profit margin from the same or similar type of product.

LETTER FROM SOMERLEY

Sale of agricultural products

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

Internal approval process

According to the letter from the Board, the purchase and sale prices will be reported to the manager of the relevant department, and then submitted to the person in charge of the business for approval.

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

Payment

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

Term

The Agricultural Products Purchase and Sale Framework Agreement has a term of three years, commencing from 1 January 2022 and ending on 31 December 2024 (both days inclusive).

3. *The revision of Purchase Annual Caps*

Review of historical figures

Set out below are the historical transaction amounts relating to the Agricultural Products Purchases by Sinochem Fertilizer from subsidiaries of Sinochem Holdings for the two years ended 31 December 2021 and 2022, and for the six months ended 30 June 2023, and the relevant cap during the respective period:

LETTER FROM SOMERLEY

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Approximate)</i>	<i>(Approximate)</i>	<i>(Approximate)</i>
Agricultural Products Purchases from subsidiaries of Sinochem Holdings	285,066	336,705	350,838
Relevant annual caps	514,800	410,000	520,000
	<i>(Note)</i>		
Utilisation rates	55.4%	82.1%	67.5%

Note: Represented the sum of annual caps for the year 2021 under the agricultural products purchase and sale framework agreement dated 29 October 2020 and the fertilizer purchase and sale framework agreement dated 24 August 2021, entered into between Sinochem Fertilizer and subsidiaries of Sinochem Holdings in relation to purchase of agricultural related products.

As shown in the table above, the Agricultural Products Purchases increased significantly during the periods under review. The purchase amount grew by approximately 18.1% from approximately RMB285.0 million in 2021 to approximately RMB336.7 million in 2022. The trend continued, with the purchase amount increased to approximately RMB350.8 million in the first six months of 2023, which exceeded the full-year amount in 2022 and accounted for approximately 67.5% of the original Purchase Annual Cap of RMB520 million for the year 2023. As advised by the management of the Group, the increase in purchases during the periods under review was mainly due to the continued collaboration with subsidiaries of Sinochem Holdings, in particular Syngenta Group, to promote the quality and rapid development of the agrichemicals business and the market development and promotion of differentiated products. As a result, Sinochem Fertilizer increased its purchases of agricultural products, particularly agrichemicals (such as pesticide, fungicide and herbicide), in the first six months of 2023. As disclosed in the letter from the Board, the purchase amount in 2023 up to the Latest Practicable Date did not exceed the original Purchase Annual Cap of RMB520 million.

Assessment of the revised Purchase Annual Caps

Set out below are the original and revised Purchase Annual Caps under the Agricultural Products Purchase and Sale Framework Agreement, for the two years ending 31 December 2023 and 2024:

LETTER FROM SOMERLEY

	For the year ending	
	31 December	
	2023	2024
	(RMB'000)	(RMB'000)
Agricultural Products Purchases from subsidiaries of Sinochem Holdings		
Original Purchase Annual Caps	520,000	630,000
Revised Purchase Annual Caps	975,000	1,326,000

The revised Purchase Annual Caps for the years 2023 and 2024 represent increases of approximately 87.5% and 110.5% respectively when compared to the original Purchase Annual Caps. As set out in the letter from the Board, in determining the revised Purchase Annual Caps, the Company has considered various factors, including (i) the increasing trend of the historical transaction amounts, as explained above, (ii) the increase in demand of the Group for agricultural products, (iii) the wide range of agricultural products at reasonable prices offered from subsidiaries of Sinochem Holdings, and (iv) the strategic transformation of the Group in agrichemicals business.

In assessing the reasonableness of the revised Purchase Annual Caps, we have discussed with the management of the Group the bases and assumptions underlying the projections for the Agricultural Products Purchases, which are directly determined based on (i) the estimated purchase quantities of agricultural products by the Group from subsidiaries of Sinochem Holdings; and (ii) the estimated average purchase prices per tonne of agricultural products for the years 2023 and 2024.

When determining the estimated purchase quantities of agricultural products, management of the Group has taken into account the Group's intention to increase its procurement from subsidiaries of Sinochem Holdings for its downstream customers and for the production of differentiated and special fertilizers by members of the Group.

It was disclosed in the Company's 2022 annual report that the Group, together with the seed business unit and the crop protection business unit of Syngenta Group, jointly launched collaborative trials on seeds, fertilizers and pesticides in a number of provinces in the PRC in June 2022 to provide a combination of fertilizer and plant protection solutions for the entire rice growing season. The continued business development of the Group and the continued collaboration with Syngenta Group in the area of seeds, fertilizers and pesticides would also drive the expected increase in Agricultural Products Purchases from subsidiaries of Sinochem Holdings.

On the other hand, as set out in the letter from the Board and the Company's 2022 annual report, Sinochem Fuling Chongqing Chemical Industry Co., Ltd. ("**Sinochem Fuling**"), a non-wholly-owned subsidiary of the Company, completed the relocation of its production facilities, which has an annual production capacity

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of 200,000 tons of fine phosphates and supporting new-type special fertilizers, and has commenced trial production since 2023. With the gradual increase in the production capacity of Sinochem Fuling, it is expected to drive demand for fertilizer products, which are part of the raw materials for its production, from suppliers including subsidiaries of Sinochem Holdings.

As set out in the letter from the Board, with the continuing business development, more subsidiaries of Sinochem Holdings are capable of supplying high quality and reasonably priced agricultural products. Given that subsidiaries of Sinochem Holdings can provide a wide range of agricultural products at reasonable prices, the Group intends to increase its procurement from subsidiaries of Sinochem Holdings to further enhance its product supply capability to downstream customers nationwide. In addition, as part of its strategic transformation in agrichemical business, the Group intends to increase its purchase of high-end agrichemicals, and further optimize its product structure with particular focus on products with high profit margin in near future, while Syngenta Group is a large-scale supplier of these products.

As regards the estimated purchase prices of fertilizer products, management of the Group has generally made reference to the prevailing market prices for different type of fertilizer products for the year 2023, and applied a slight percentage increase for the year 2024. In this respect, we have reviewed and compared the 2023 estimated purchase prices of nitrogen fertilizer and sulphur, being the two largest fertilizer products expected to be purchased by the Group under the Agricultural Products Purchase and Sale Framework Agreement, against the prevailing market prices in June 2023 available from the Independent Commodity Information Providers, and note that they are broadly comparable. We have also performed independent research and reviewed a report titled “Public Summary: Medium-Term Fertilizer Outlook 2023 – 2027”, published in July 2023 by the International Fertilizer Association (<http://www.fertilizer.org/>), a global fertilizer association with a membership of more than 430 entities according to its website, stating that the global consumption of fertilizers is expected to recover partially in 2023, and continue to grow between 2024 and 2027.

As regards the estimated purchase prices of agrichemicals and seeds for the year 2023, management of the Group has generally made reference to the latest transaction prices for different type of agrichemicals and seeds in June 2023. In this respect, we have reviewed and compared the estimated prices of selected agrichemicals and seeds against the actual transaction prices in June 2023, and note that they are broadly in line. For the estimated purchase prices of agrichemicals and seeds for the year 2024, management of the Group expected further price increases mainly resulting from the Group’s intention to increase its proportional of purchases of high-end agrichemical products, resulting in a higher average estimated purchase prices.

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Our comment

Purchases of agricultural products from subsidiaries of Sinochem Holdings have significantly increased in recent years, to a level beyond original expectation when the original Purchase Annual Caps were first determined in November 2021. The purchase amount for the six months ended 30 June 2023 already exceeded the full-year amount in 2022, and utilisation of the original full-year Purchase Annual Cap of 2023 already reached approximately 67.5%, suggesting that the annual cap may be exceeded if no revision is made. In 2024, demand for and prices of agricultural products are expected to further increase, as explained above. Having considered (i) the significant historical growth in transaction amounts, (ii) the estimated purchase prices of agricultural products being determined with reference to the latest prevailing market prices and/or the latest transaction prices, and taking into account of the expected fertilizer market recovery and/or the Group's stated focus on the high-end agrichemicals, and (iii) the uncertainty in estimating future transaction value as it will be principally driven by demand from the Group's downstream customers which is beyond the Group's control, as demonstrated by the need to revise the Purchase Annual Caps, we consider it reasonable for the Directors to revise the Purchase Annual Caps for the years 2023 and 2024 as set out above, and it is in the interests of the Group and the Shareholders to determine the revised Purchase Annual Caps in a way that can accommodate the potential growth of the Group's revenue and product differentiation strategy.

REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS AND INTERNAL MONITORING MECHANISM

Reporting requirements and conditions of the Continuing Connected Transactions

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

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business

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days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:

- (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have exceeded the relevant annual cap(s).
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

Internal monitoring mechanism

The Company has set a lower threshold, representing approximately 70% of the annual caps of the Continuing Connected Transactions, as an internal monitoring cap. If the actual transaction amounts reach the lower threshold, an alert message will be sent by the legal department to the business department, who will assess whether the annual cap of the continuing connected transactions will be sufficient for the remainder of the financial year. If it is concluded that any annual cap needs to be revised, the Company will perform the required procedures under the applicable Listing Rules requirements in a timely manner.

In light of the reporting requirements attached to the Continuing Connected Transactions and the above internal monitoring mechanism, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the relevant annual cap(s); and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the transactions under the MOU and the Agricultural Products Purchase and Sale Framework Agreement, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the Potash Imports Caps and the revised Purchase Annual Caps are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the MOU, the transactions contemplated thereunder (including the Potash Imports Caps) and the revised Purchase Annual Caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework 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 fifteen 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 Directors are also employees of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
Liu Hongsheng	Syngenta Group Co., Ltd.	President of China region
Ma Yue	Syngenta Group Co., Ltd.	Vice president of China region

4. DIRECTORS' SERVICE CONTRACTS

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

Ms. Wang Ling, an executive Director of the Company, is a director of Qinghai Salt Lake Industry Co., Ltd. (青海鹽湖工業股份有限公司, "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.

As at the Latest Practicable Date, the board of directors of Qinghai Salt Lake consists of 12 directors. Ms. Wang Ling is not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Ms. Wang Ling has extensive experience in finance, financial affairs, taxation and property rights management, is aware of her duties and responsibilities as a Director and senior management member of the Company, and is able to devote sufficient time to the business of the Group. The Company believes that Ms. Wang Ling is able to exercise her independent judgment in making decisions at the Board meetings and act in the interest of the Group.

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

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

- (a) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (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 2022, 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 2022 (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 ON DISPLAY

A copy of each of the MOU and the Agricultural Products Purchase and Sale Framework Agreement is available on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the website of the Company (<https://www.sinofert.com>) from the date of this circular up to and including the date of the SGM.

NOTICE OF SPECIAL GENERAL MEETING

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofert Holdings Limited (the “**Company**”) will be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 September 2023 at 10:00 a.m. or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the MOU (as defined and described in the circular to the shareholders of the Company dated 25 August 2023 (the “**Circular**”)) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
 - (b) the proposed annual caps of the transactions contemplated under the MOU be and are hereby approved, ratified and confirmed; and
 - (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the MOU and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the MOU which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

2. “**THAT:**
 - (a) the revised Purchase Annual Caps (as defined and described in the Circular) of the transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement (as defined and described in the Circular) 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

NOTICE OF SPECIAL GENERAL MEETING

purpose of or in connection with the implementation of the revised Purchase Annual Caps under the Agricultural Products Purchase and Sale Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Agricultural Products Purchase and Sale Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

For and on behalf of the Board of
Sinofert Holdings Limited
MA Yue

Executive Director and Chief Executive Officer

Hong Kong Special Administrative Region of the People’s Republic of China
25 August 2023

Notes:

1. The register of members of the Company will be closed from 7 September 2023 to 12 September 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 6 September 2023.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.
6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect or “extreme conditions” caused by super typhoon is announced by the Government of Hong Kong any time after 8:00 a.m. on the date of the above meeting, the meeting will be postponed. The Company will post an announcement on the website of the Hong Kong Exchanges and Clearing Limited and website of the Company to notify shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the executive directors of the Company are Mr. Ma Yue (Chief Executive Officer), Mr. Wang Jun and Ms. Wang Ling; the non-executive director of the Company is Mr. Liu Hongsheng (Chairman); and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.