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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 AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT
AND
THE FERTILIZER IMPORT 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 4 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 21 to 22 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 23 to 45 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on 30 December 2024 at 10:00 a.m. is set out on pages 49 to 51 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.

13 December 2024

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DEFINITIONS

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

“2021 Agricultural Products Purchase and Sale Framework Agreement”	the agricultural products purchase and sale framework agreement entered into between Sinochem Fertilizer and Sinochem Holdings on 22 November 2021
“2021 Fertilizer Import Framework Agreement”	the import and sale framework agreement for fertilizer and other fertilizer raw materials entered into among the Company, Sinochem Fertilizer and Sinochem Group on 22 November 2021
“Agricultural Products Purchase and Sale Framework Agreement”	the framework agreement for the purchase and sale of agricultural products dated 2 December 2024 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
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fertilizer Import Framework Agreement”	the import and sale framework agreement for fertilizer and other fertilizer raw materials dated 2 December 2024 entered into among the Company, Sinochem Fertilizer and Sinochem Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	shareholders other than Sinochem Holdings and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	10 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on 30 December 2024 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages 49 to 51 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 ordinary share(s) of HK\$0.10 each in the capital of the Company
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Sinochem Fertilizer Group”	Sinochem Fertilizer and/or its subsidiaries
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC, a wholly-owned subsidiary of Sinochem Holdings
“Sinochem Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), a state-owned enterprise established in the PRC, which is wholly owned by SASAC and is the ultimate controlling shareholder 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
“Syngenta Group”	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), a limited liability company incorporated in the PRC, an indirect wholly-owned subsidiary of Sinochem Holdings, and the indirect controlling shareholder of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

LETTER FROM THE BOARD

SINOVERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Non-Executive Director:

SU Fu (Chairman)

Executive Directors:

WANG Tielin (Chief Executive Officer)

CHEN Shengnan

WANG Ling

Independent Non-executive Directors:

KO Ming Tung, Edward

LU Xin

SUN Po Yuen

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

13 December 2024

To: the shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT
AND
THE FERTILIZER IMPORT FRAMEWORK AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 December 2024 in relation to the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement. The transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the Agricultural Products Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps; (ii) further information on the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps; (iii) the letter of advice from the Independent Board Committee to the

LETTER FROM THE BOARD

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) Agricultural Products Purchase and Sale Framework Agreement

Reference is made to (i) the announcement of the Company dated 22 November 2021 in relation to the 2021 Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Holdings, the ultimate controlling shareholder of the Company, which will expire on 31 December 2024; and (ii) the announcement of the Company dated 31 July 2023 in relation to the revision of 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 2021 Agricultural Products Purchase and Sale Framework Agreement.

On 2 December 2024, Sinochem Fertilizer entered into the Agricultural Products Purchase and Sale Framework Agreement with Sinochem Holdings, pursuant to which Sinochem Fertilizer Group will continue to purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products (including fertilizers, agrichemicals and seeds) within the PRC during the period from 1 January 2025 to 31 December 2027 (both days inclusive).

Principal Terms of the Agricultural Products Purchase and Sale Framework Agreement

Date

2 December 2024

Parties

(a) Sinochem Fertilizer

(b) Sinochem Holdings

Nature of transactions

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, Sinochem Fertilizer Group will 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 THE BOARD

Based on Sinochem Fertilizer Group's purchase and sale plans, it is expected that Sinochem Fertilizer Group may source agricultural products (including fertilizers, agrichemicals and seeds) from certain subsidiaries of Sinochem Holdings ("**Sinochem Suppliers**"), and sell the agricultural products to the Group's customers in the area where Sinochem Suppliers operate for the purpose of saving logistic costs, while a small amount of agricultural products will be sold to other subsidiaries of Sinochem Holdings ("**Sinochem Customers**") that operate in different regions of Sinochem Suppliers 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 Group 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 Group 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 Group 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 Group 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. Such payment term, taken generally, is determined with reference to the respective payment terms agreed with the independent third party suppliers or customers of the Group's purchase and sale transactions of agricultural products, and accordingly, the Board is of the view that such payment term under the Agricultural Products Purchase and Sale Framework Agreement is fair, reasonable, and on normal commercial terms. Please also refer to the

LETTER FROM THE BOARD

section below headed “INTERNAL CONTROL AND MONITORING MECHANISM” for the internal control measures in connection with pricing policies, and the relevant approval and review mechanism.

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Agricultural Products Purchase and Sale Framework Agreement will have a term from 1 January 2025 to 31 December 2027 (both days inclusive).

Annual Caps

The Company estimates that the annual caps for the three years ending 31 December 2027 in respect of the purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings will be RMB965,000,000, RMB1,113,000,000 and RMB1,307,000,000, respectively, and the annual caps for the three years ending 31 December 2027 in respect of the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings will be RMB1,119,000,000, RMB1,244,000,000 and RMB1,328,000,000, respectively. The parties have determined such annual caps based on Sinochem Fertilizer Group’s purchase and sale plans, and the projected prices and quantities of purchase and sale of agricultural products.

For the two years ended 31 December 2023 and the ten months ended 31 October 2024, the historical amounts of the purchase of agricultural products under 2021 Agricultural Products Purchase and Sale Framework Agreement were approximately RMB336,705,000, RMB741,695,000 and RMB675,773,000, respectively. For the two years ended 31 December 2023 and the ten months ended 31 October 2024, the historical amounts of the sale of agricultural products under 2021 Agricultural Products Purchase and Sale Framework Agreement were approximately RMB1,414,826,000, RMB1,074,040,000 and RMB984,333,000, respectively.

Sinochem Fertilizer Group’s purchase and sale plans are formulated based on comprehensive analysis of historical purchase and sales data as well as anticipated demand from downstream customers. In respect of the purchase of agricultural products, with the identification, on a continual basis, of more suppliers of high-quality and reasonably priced agricultural products via the e-platform of a non-wholly owned subsidiary of Sinochem Holdings, Sinochem Fertilizer Group expects to further its diversification of supply chain to enhance its bargaining power and lower its procurement costs. In addition, as certain Sinochem Suppliers which are located in the central region of China, which offers fertilizer products at a competitive price due to reduced transportation costs, aligning well with Sinochem Fertilizer Group’s strategic layout. Furthermore, with a focus on high-end agrichemicals and products with high profit margins, Sinochem Fertilizer Group intends to beef up its purchases from suppliers that specialize in these areas. Some of these suppliers are subsidiaries of Sinochem Holdings, including leading crop protection companies, which are expected to further promote the development of Sinochem Fertilizer Group’s agrichemicals business and satisfy the demand of its downstream customers.

LETTER FROM THE BOARD

Apart from the aforementioned purchase plan, in determining the annual caps in respect of the purchase of agricultural products under the Agricultural Products Purchase and Sale Framework Agreement in 2025, the Company has also considered (i) the increasing trend of the historical amounts, in particular the significant increase in purchase amount by approximately 120.3% from 2022 to 2023, and the continuation of such increasing trend for the ten months ended 31 October 2024, which contributed to the expectation that purchase volumes for the coming three years will continue to grow. About 80% increase in the purchase amounts from 2022 to 2023 was attributable to the increase in purchase from the e-platform of the non-wholly owned subsidiary of Sinochem Holdings mentioned above as a result of the diversification of supply chain and the supplement of raw materials purchase (mainly nitrogen fertilizers) for the production of compound fertilizers following the declining operational scale of the nitrogen fertilizer business; and (ii) the increasing trend of the market demand of agricultural products, especially agrichemical products and seeds which are the specialty products of the subsidiaries of Sinochem Holdings. The Group's sales of these high quality crop protection and seed products in the first half of 2024 already accounted for approximately 95% of that for the whole year of 2023. The Group will continue to promote specialty products to cater to such needs of downstream customers, which in turn necessitates increased purchases from the Sinochem Suppliers going forward. Therefore, the Company expects such business growth will continue during the term of the Agricultural Products Purchase and Sale Framework Agreement. In terms of the projected purchase prices, the Group generally made reference to the prevailing market prices (for different types of fertilizer products) and the latest transaction prices (for the agrichemicals and seeds), whilst taking into account a slight increase in the projected purchase price for the coming three years to cater for unexpected price fluctuations.

In determining the annual cap in respect of the sale of agricultural products under the Agricultural Products Purchase and Sale Framework Agreement in 2025, the Company has considered, among other things, (i) the historical sales amounts, adjusted according to the purchase plans of relevant subsidiaries of Sinochem Holdings in contemplation of expected demand from their downstream customers of the subsidiaries of Sinochem Holdings; and (ii) expected purchase needs from both existing and newly established demonstration fields of the subsidiaries of Sinochem Holdings. Taking the foregoing into account, it is noted that annualized sales to relevant subsidiaries of Sinochem Holdings, which operated the whole-process planting technical services sites, were down by around 20% in 2024 as operational streamlining initiatives have resulted in the reduction of the scale of various service sites operated by such subsidiaries of Sinochem Holdings (and thereby driving down their demand for agricultural products from Sinochem Fertilizer Group). Such significant reduction, projected to affect sales amounts for the year 2025, is however expected to run its course within the year and, accordingly, no adjustments to sale amounts on a scale similar to that of 2025 is required for the determination of annual caps for the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings in 2026 and 2027. Yet, despite the aforementioned setback in projected sales in 2025, increment in sales from demonstration fields operated by certain indirect subsidiaries of Sinochem Holdings is expected as the demonstration of new crop varieties, the showcase of novel technologies and national and provincial-level regional trials, as well as the

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maintenance of consistent research and breeding bases for crop seeds across multiple provinces in China, shall ensure an expanding demand base for agricultural products from Sinochem Fertilizer Group.

On the other hand, annualized growth rates, estimated to be at an average of around 15%, are considered for the determination of annual caps for the purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings for the years ending 31 December 2026 and 2027. In determining the relevant growth rates of purchase transactions for 2026 and 2027, the Group drew reference from the annualized growth rate of purchase of agricultural products in 2024, which is around 10%, with an extra 5% added to give room for any unexpected growth in supplier base of quality products in the abovementioned e-platform. The annual caps for the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings for the years ending 31 December 2026 and 2027 are estimated from an annual growth rate of around 11% and 6% for 2026 and 2027, respectively. In determining the growth rates of sales transactions for 2026 and 2027, the Group took reference from the annualized growth rate of sale of agricultural products in 2024, which is around 10%, and estimates that similar average growth rate shall apply to 2026. Albeit a lower growth rate for sale of agricultural products to the subsidiaries of Sinochem Holdings, stemming from a decline in expected demand due to a reduced number of whole-process planting technical service sites operated by these subsidiaries in 2025, no reduction in growth rate is expected in the two years to follow. Growth projected to pick up in 2026, spurred on mostly by the spike in demand for agricultural products by the relevant subsidiaries of Sinochem Holdings upon the commencement of operations of their demonstration fields, will however taper off over time into 2027. A lower growth rate of 6% is thus expected in 2027 due to the anticipated slowing down of the increment in sales attributable to the reduced reliance and hence demand from demonstration fields of the relevant subsidiaries of Sinochem Holdings as their operations become on track over time. The estimated growth rates used for determining the annual caps for purchases and sales of agricultural products in 2026 and 2027 are thus derived with reference to the annualized rate of growth in 2024 and the business expectations that are in line with the overall procurement strategies and business plans of the Group, as well as the expected purchase adjustments of the subsidiaries of Sinochem Holdings. Based on the foregoing, the Board considers the growth rates applied to the determination of annual caps for 2026 and 2027 are fair and reasonable.

Taking into account the above factors, the Directors are of the view that the annual caps for the three years ending 31 December 2027 are fair and reasonable despite the difference between the historical amounts and the annual caps.

(B) Fertilizer Import Framework Agreement

Reference is made to the announcement of the Company dated 22 November 2021 in relation to the 2021 Fertilizer Import Framework Agreement entered into among the Company, Sinochem Fertilizer and Sinochem Group, which will expire on 31 December 2024.

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On 2 December 2024, the Company and Sinochem Fertilizer entered into the Fertilizer Import Framework Agreement with Sinochem Group, pursuant to which the overseas subsidiaries of the Company will sell fertilizer and other fertilizer raw materials to Sinochem Group and Sinochem Fertilizer (or other domestic subsidiaries of the Company) will purchase all the aforementioned imported fertilizer and other fertilizer raw materials from Sinochem Group during the period from 1 January 2025 to 31 December 2027 (both days inclusive).

Principal Terms of the Fertilizer Import Framework Agreement

Date

2 December 2024

Parties

- (a) The Company
- (b) Sinochem Fertilizer
- (c) Sinochem Group

Nature of transactions

Pursuant to the Fertilizer Import Framework Agreement, fertilizer and other fertilizer raw materials sourced by overseas subsidiaries of the Company for Sinochem Fertilizer (or other domestic subsidiaries of the Company) will first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer and other fertilizer raw materials in the PRC, will import the products sourced by overseas subsidiaries of the Company and Sinochem Fertilizer (or other domestic subsidiaries of the Company) will purchase all such products from Sinochem Group.

Pricing

Under the Fertilizer Import Framework Agreement, the pricing principles for the sale and purchase of fertilizer and other fertilizer raw materials between the parties are as follows:

- (i) the price to be paid by Sinochem Group to overseas subsidiaries of the Company for fertilizer and other fertilizer raw materials sold by overseas subsidiaries of the Company to Sinochem Group shall be determined in accordance with the prevailing international market price;
- (ii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for fertilizer and other fertilizer raw materials (excluding sulphur, the pricing basis of which is set out in (iii) below) purchased by Sinochem Fertilizer (or other domestic subsidiaries of

LETTER FROM THE BOARD

the Company) from Sinochem Group shall be determined in accordance with the purchase price paid by Sinochem Group plus the import costs incurred by Sinochem Group; and

- (iii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for sulphur purchased by Sinochem Fertilizer (or other domestic subsidiaries of the Company) from Sinochem Group shall be determined in accordance with the prevailing domestic price at port.

In determining the prevailing international market price and the domestic price at port, the Group generally makes 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 assessing the import costs incurred by Sinochem Group, the Group generally takes into account the actual fees paid to third parties, which are mainly customs duty, which account for approximately 1% of the import price, as well as the reasonable administrative costs. Such administrative costs mainly include labor costs, office supplies and rents, and staff travel expenses, all of which are the costs to be incurred by Sinochem Group. The administrative costs are expected to account for approximately 0.2% of the total transaction value.

In addition, the Group maintains regular contacts with domestic and overseas producers, distributors and traders, keeping abreast of the latest international bidding price and spot price and the latest domestic port price and factory price. The Group also takes into account the demand of its downstream customers when determining the prices of the transactions. Such prices will be reported to the manager of the relevant department, and then submitted to the person in charge of the business for approval.

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

Payment

Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group shall enter into specific agreements in relation to the type, specification, quantity, packaging and price of the fertilizer and other fertilizer raw materials, and Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall make the full payment to Sinochem Group by bank draft or other means for its purchase of the fertilizer and other fertilizer raw materials. Upon receipt of the

LETTER FROM THE BOARD

payment made by Sinochem Fertilizer (or other domestic subsidiaries of the Company), Sinochem Group shall enter into specific agreements with overseas subsidiaries of the Company in relation to the import of fertilizer and other raw fertilizer materials.

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

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Fertilizer Import Framework Agreement will have a term from 1 January 2025 to 31 December 2027 (both days inclusive).

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

Annual Caps

Annual caps for continuing connected transactions between overseas subsidiaries of the Company and Sinochem Group

The Company estimates that the annual caps for the three years ending 31 December 2027 in respect of the sale of fertilizer and other fertilizer raw materials procured from the overseas subsidiaries of the Company to Sinochem Group will be US\$1,297,000,000, US\$1,410,000,000 and US\$1,511,000,000, respectively. Such annual caps have been estimated by the Company based on the projected quantity of purchase by Sinochem Fertilizer (or other domestic subsidiaries of the Company) through the arrangement between overseas subsidiaries of the Company and Sinochem Group and the projected average price per tonne of products.

The historical amounts of such transactions for the two years ended 31 December 2023 and the ten months ended 31 October 2024 were approximately US\$746,059,000, US\$770,666,000 and US\$484,813,000, respectively. Despite the recovery in fertilizer consumption in China in 2024, the annualized historical amount of transactions showed a reduction of around 24% in 2024, attributable mainly to the reduction in average price of around 15% to 19% in 2024 across different types of fertilizer products.

LETTER FROM THE BOARD

Annual caps for continuing connected transactions between Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group

The Company estimates that the annual caps for the three years ending 31 December 2027 in respect of the purchase of fertilizer and other fertilizer raw materials by Sinochem Fertilizer (or other domestic subsidiaries of the Company) from Sinochem Group will be RMB9,744,000,000, RMB10,579,000,000 and RMB11,335,000,000, respectively. Such annual caps have been estimated by the Company based on the projected quantity of purchase by Sinochem Fertilizer (or other domestic subsidiaries of the Company) from Sinochem Group and the projected average price per tonne of products.

The historical amounts of such transactions for the two years ended 31 December 2023 and the ten months ended 31 October 2024 were approximately RMB5,146,906,000, RMB5,471,367,000 and RMB3,611,294,000, respectively. Despite the recovery in fertilizer consumption in China in 2024, the annualized historical amount of transactions showed a reduction of around 20% in 2024, attributable mainly to the reduction in average price of around 13% to 17% in 2024 across different types of fertilizer products.

When determining the annual caps for the sales and purchases transactions under the Fertilizer Import Framework Agreement in 2025, the Company has considered a host of factors, including (i) the anticipated continuing market recovery of the fertilizer industry, drawing, particularly, on the report published by the International Fertilizer Association (www.fertilizer.org) mentioned that the potash consumption in China has rebounded, supported by improved affordability and continued growth in fruits and vegetable production; (ii) the Group's business plan devised to, among other objectives, further promote the strategic concentrated procurement of fertilizer products from overseas suppliers to ensure abundant supply of fertilizer products within the PRC. To which end, the Company has entered into framework agreements with several strategic suppliers where target volumes agreed thereunder represent a significant increase in purchase amounts in 2025 (when the agreements shall commence) from that of 2024's figures, thus prompting adjustments to the annual caps to accommodate such projected increase. Also topping the Group's agenda is to replenish and adjust the Group's inventory level of fertilizer products to cope with such contemplated increase in demand from downstream customers going forward. As disclosed in the Group's 2024 and 2023 interim reports, the Group's inventory level declined substantially in 2024 as it recorded inventories of approximately RMB3,418.5 million as at 30 June 2024, which is down by approximately 39.9% and 21.0% when compared to the respective inventory balances of approximately RMB5,683.6 million as at 31 December 2023 and approximately RMB4,326.0 million as at 30 June 2023. On a further note, with the Group taking on the role as a leading enterprise in steering "Bio-fertilizers and Soil Health Innovation" in China, it is incumbent on the Group to adapt and implement appropriate policies to ensure stability of supply and prices of fertilizer products, foster abundant grain harvests and increased farmer income, while promoting sustainable and healthy development of agriculture in China. Thus, it is necessary for the Group to conduct procurement activities for the continuous replenishment of inventory levels in contemplation of such anticipated increase in demand from downstream customers in

LETTER FROM THE BOARD

the coming three years, thereby fulfilling its role in ensuring food security and agricultural sustainability; and (iii) the projected average price of fertilizer products per tonne was determined mainly with reference to average historical prices of the major type of the fertilizer products over the past three years from 2022 to 2024. On such basis, the Directors are of the view that the annual caps for the three years ending 31 December 2027 are fair and reasonable despite the difference between the historical amounts and the annual caps.

The annual caps of the sales and purchases transactions under the Fertilizer Import Framework Agreement represent a projected growth rate of approximately 7% to 9% in 2026 and 2027. According to the report published by the International Fertilizer Association (www.fertilizer.org), the global consumption of potash fertilizers between 2024 and 2028 is forecast to grow at approximately 10%. With the support of the above market research, the Group projected a 7% to 9% annual growth rates for the annual caps for purchases and sales of fertilizer products in 2026 and 2027 with reference to the Group's historical rate of revenue growth, for instance, the revenue of the Group (excluding nitrogen fertilizer business which was disposed by the Group in the first half of 2024) increased by approximately 7.4% from approximately RMB19,945.3 million in 2022 to approximately RMB21,417.0 million in 2023. Since the growth rates in determining the annual caps for purchases and sales of fertilizer products in 2026 and 2027 are in line with the overall procurement strategies and historical sales trend of the Group, and are supported by the global market forecast on consumption of fertilizer products mentioned above, the Board considers the growth rates applied to the determination of annual caps for 2026 and 2027 are fair and reasonable.

INTERNAL CONTROL AND MONITORING MECHANISM

Internal Control Measures

To ensure that all transactions comply with the agreed terms and pricing policies, the Company has established a comprehensive and effective internal control system, which includes the following key components:

- **Market information collection and analysis:** Personnel of business department regularly gather up-to-date industry pricing data from Independent Commodity Information Providers. They maintain frequent communication with major factories and key suppliers at product origins via instant messaging tools and understand the trends on recent market prices. Such process provides a crucial foundation for setting reasonable prices, ensuring that each transaction is priced appropriately.
- **Price reporting and approval process:** After performing market research on purchase and sale prices, the proposed prices are reported to the relevant department manager and then submitted to the business leader for approval. Such process ensures that pricing aligns with the Company's sales and purchase strategies, as well as prevailing market conditions.

LETTER FROM THE BOARD

- Hierarchical approval mechanism: Transactions are subject to a multi-tiered approval process based on their value. Such mechanism ensures that all transactions are consistent with market prices and closely monitored, thereby preventing any potential conflicts of interest or improper conduct.
- Fair pricing assurance: For both the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement, the Company refers to up-to-date market data from Independent Commodity Information Providers, which track international and domestic market prices. Pricing decisions also integrate with cost assessments and are reviewed by department managers before being approved by business leaders.
- Review by independent non-executive Directors and auditors: In accordance with the Listing Rules, the independent non-executive Directors shall review the continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement annually. In addition, the Company shall engage its auditors to report on the continuing connected transactions annually, including, inter alia, whether the transactions are entered into in accordance with the pricing policies of the Group in all material respects. If the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required under the Listing Rules, the Company will promptly notify the Stock Exchange and publish an announcement.

Monitoring Mechanisms and Measures

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 and the Fertilizer Import 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

(A) Agricultural Products Purchase and Sale Framework Agreement

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 with reasonable prices. The purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings can diversify the product mix of the Group and 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

LETTER FROM THE BOARD

markets of Sinochem Fertilizer Group, and the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings can boost up the sale revenues of the Group.

(B) Fertilizer Import Framework Agreement

Under the PRC law, the Group is not allowed to import fertilizer and other fertilizer raw materials into the PRC (except for small amount trade in border areas (邊境小額貿易) as approved under the PRC law) and the right to import fertilizer and other fertilizer raw materials is only granted to Sinochem Group and several other importers. In addition, as a state-owned enterprise in the PRC, Sinochem Group enjoys domestic preferential policies issued by the PRC government from time to time, such as import-related preferential policies. As the Group needs to import fertilizer and other fertilizer raw materials through authorized importers, such as Sinochem Group, the Fertilizer Import Framework Agreement was therefore entered into between the parties.

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

In view of the fact that (i) Mr. Su Fu, the non-executive Director, currently serves as the president of Syngenta Group China; (ii) Mr. Wang Tielin, the executive Director, currently serves as the vice president of Syngenta Group China; and (iii) Ms. Chen Shengnan, the executive Director, currently serves as the general manager of the Fertilizer Import Department of Sinochem Group¹, they are deemed to be materially interested in the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder. As such, they have abstained from voting on the Board resolution passed to approve the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder. Ms. Chen Shengnan, being Director of the Company and holding a position in Sinochem Group, is deemed to be materially interested in the Fertilizer Import Framework Agreement and the transactions contemplated thereunder. As such, Ms. Chen Shengnan has abstained from voting on the Board resolution passed to approve the Fertilizer Import Framework Agreement and the transactions contemplated thereunder.

¹ *The Company is indirectly owned by Syngenta Group, while Syngenta Group is indirectly wholly owned by Sinochem Holdings. Sinochem Group is directly wholly owned by Sinochem Holdings but has no shareholding relationships with Syngenta Group.*

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total number of issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Group is wholly owned by Sinochem Holdings, Sinochem Group is an associate of Sinochem Holdings and also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under each of the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Fertilizer, an indirect wholly-owned subsidiary of the Company, 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 relating to crop nutrition business and products.

Sinochem Group is a key state-controlled enterprise established in 1950. Sinochem Group's core businesses include: the businesses of energy, chemical, real estate and finance, etc. Sinochem Group is a wholly-owned subsidiary of Sinochem Holdings.

Sinochem Holdings is the ultimate controlling shareholder of the Company. It is a large-scale chemical conglomerate operating 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 SASAC.

LETTER FROM THE BOARD

SGM

Ordinary resolutions approving (i) the Agricultural Products Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and (ii) the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps will be proposed at the SGM.

As Sinochem Holdings is deemed to be interested in the transactions under the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement, Sinochem Holdings and its associates are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the SGM to approve (i) the Agricultural Products Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and (ii) the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. As at the Latest Practicable Date, Sinochem Holdings indirectly holds 3,698,660,874 Shares, representing approximately 52.65% of the total issued shares of the Company.

A notice convening the SGM to be held at 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on 30 December 2024 at 10:00 a.m. is set out on pages 49 to 51 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.

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.

LETTER FROM THE BOARD

FURTHER INFORMATION

The Independent Board Committee comprising all three independent non-executive Directors has been appointed to advise the Independent Shareholders in respect of (i) the Agricultural Products Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and (ii) the Fertilizer Import Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 23 to 45 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
Su Fu
Chairman of the Board

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

13 December 2024

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT
AND
THE FERTILIZER IMPORT FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 13 December 2024 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, (i) the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Fertilizer Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Fertilizer Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 20 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 45 of the Circular which contains its opinion in respect of (i) the Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Fertilizer Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

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 Agricultural Products Purchase and Sale Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Fertilizer Import Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the SGM.

Yours faithfully,
Independent Board Committee of
Sinofert Holdings Limited
Sun Po Yuen
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

13 December 2024

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE AGRICULTURAL PRODUCTS PURCHASE AND
SALE FRAMEWORK AGREEMENT
AND
THE FERTILIZER IMPORT FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the purchase and sale of certain agricultural products between Sinochem Fertilizer Group and subsidiaries of Sinochem Holdings in the PRC (the “**Domestic Arrangements**”) (including the proposed annual caps (the “**Domestic Arrangements Annual Caps**”)) under the Agricultural Products Purchase and Sale Framework Agreement for the three years ending 31 December 2027, and (ii) the import of fertilizer and other fertilizer raw materials for Sinochem Fertilizer (or other domestic subsidiaries of the Company) by Sinochem Group through the arrangement with the Company’s overseas subsidiaries (the “**Import Arrangements**”) (including the proposed annual caps (the “**Import Arrangements Annual Caps**”, together with the Domestic Arrangements Annual Caps, the “**Annual Caps**”)) under the Fertilizer Import Framework Agreement for the three years ending 31 December 2027 (collectively, the “**Continuing Connected Transactions**”), for which the Independent Shareholders’ approval is being sought. Details of the Continuing Connected Transactions and the Annual Caps are contained in the circular of the Company to the Shareholders dated 13 December 2024 (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, Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.7% of total number of issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Group is a wholly owned subsidiary of Sinochem Holdings, Sinochem Group is an associate of Sinochem Holdings and also a connected person of the Company. Accordingly, the transactions contemplated under each of the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM SOMERLEY

Given that the applicable percentage ratios in respect of the Domestic Arrangements Annual Caps and the Import Arrangements Annual Caps are more than 5%, the Continuing Connected Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps). In view of Sinochem Holdings' interests in the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement, Sinochem Holdings and its associates are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps).

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

During the past two years, Somerley has acted as 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 25 August 2023 and 6 December 2023. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, 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 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, Sinochem Holdings, Sinochem Group and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have reviewed, among others, (i) the Agricultural Products Purchase and Sale Framework Agreement, (ii) the Fertilizer Import Framework Agreement, (iii) the annual report of the Company for the year ended 31 December 2023, (iv) the interim report of the Company for the six months ended 30 June 2024, and (v) other relevant 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, Sinochem Holdings, Sinochem Group or any of their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(A) 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\$7.7 billion as at the Latest Practicable Date.

The Group's total revenue reached approximately RMB21.7 billion in 2023 and approximately RMB13.7 billion in the first half of 2024. The profit attributable to owners of the Company reached approximately RMB0.6 billion in 2023 and approximately RMB1.0 billion in the first half of 2024. In terms of volume, the Group recorded sales of approximately 7.24 million tons in 2023 and approximately 4.66 million tons for the first half of 2024, both showing year-on-year increases. According to the Company's 2024 interim report, the above growth was mainly due to the strengthening of the safeguard of agricultural inputs by the Group to ensure sufficient supply of end-use goods.

Sinochem Fertilizer

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

Sinochem Holdings

Sinochem Holdings is a Fortune Global 500 company and the ultimate controlling shareholder of the Company. It is a large-scale chemical conglomerate operating 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 SASAC.

Sinochem Group

Sinochem Group is a key state-owned enterprise established in 1950 and a wholly-owned subsidiary of Sinochem Holdings. Its core business areas include, among others, energy, chemical, real estate and finance.

LETTER FROM SOMERLEY

(B) THE AGRICULTURAL PRODUCTS PURCHASE AND SALE FRAMEWORK AGREEMENT

1. Background to and reasons for the Domestic Arrangements

As a leading manufacturer and distributor service provider of crop nutrition products in China, the Group has extensive collaboration with its network of suppliers and customers. As disclosed in the 2023 annual report of the Company, the Group's competitive strengths are mainly reflected in, among others, (i) its business coverage of the entire industry chain of research, production, sales and agricultural services, with an extensive sales service network in China, and (ii) its abilities to produce and distribute complete varieties of crop nutrition products, including nitrogen, phosphate, potash, compound fertilizers and special fertilizers.

As set out in the letter from the Board, 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. The purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings can diversify the Group's product mix and enhance its capability of supplying products. Subsidiaries of Sinochem Holdings have an extensive customer base which can serve as an effective replenishment to the established markets of Sinochem Fertilizer Group, and the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings can boost the revenue of the Group. The above will allow the Group to further its competitive strengths as mentioned in the paragraph above, in particular that such collaborations with Sinochem Holdings will enable to the Group to enrich its product portfolio with those of Sinochem Holdings, and to extend its product reach to the customers of Sinochem Holdings.

Currently, the purchase and sale of certain agricultural products between the parties are governed by the 2021 Agricultural Products Purchase and Sale Framework Agreement, which was approved by the then independent shareholders of the Company at a shareholders' meeting held on 29 December 2021. The annual caps for purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings for the year 2023 and 2024 under the 2021 Agricultural Products Purchase and Sale Framework Agreement were revised and approved at another shareholders' meeting of the Company held on 12 September 2023.

The 2021 Agricultural Products Purchase and Sale Framework Agreement will expire on 31 December 2024. In view of the reasons as discussed and the upcoming expiry, the Agricultural Products Purchase and Sale Framework Agreement has been entered into between Sinochem Fertilizer and Sinochem Holdings on 2 December 2024 to govern and continue the purchase and sale relationship between Sinochem Fertilizer Group and Sinochem Holdings for the three years ending 31 December 2027.

LETTER FROM SOMERLEY

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

The principal terms of the Agricultural Products Purchase and Sale Framework Agreement are summarised below. 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 Group will 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.

Pricing

Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, the pricing terms are remain unchanged which are the same as the 2021 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 Group 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 (the “**Independent Commodity Information Providers**”), such as Baiinfo (百川盈孚, www.baiinfo.com), Argus Media (<http://www.arguschina.cn>) 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 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.

LETTER FROM SOMERLEY

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.

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 Group 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.

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.

According to the letter from the Board, 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.

LETTER FROM SOMERLEY

Payment

Sinochem Fertilizer Group 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

Subject to obtaining the approval by the Independent Shareholders at the SGM, the Agricultural Products Purchase and Sale Framework Agreement has a term of three years, commencing from 1 January 2025 and ending on 31 December 2027 (both days inclusive).

Comparison of terms with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions, summarising transaction details (such as transaction date, parties involved, product descriptions, transaction price and transaction volume) during the period from 1 January 2023 to 31 October 2024, which we consider to be a fair and representative period given the sufficient number of transactions covering all major product categories as the sampling population, and selected 49 sample contracts for sale and purchase of agricultural products under the 2021 Agricultural Products Purchase and Sale Framework Agreement. The above sample contracts were randomly selected and on the basis that there was at least one sample relating to each of the major product categories under the 2021 Agricultural Products Purchase and Sale Framework Agreement.

In respect of purchase of agricultural products

In respect of fertilizer products (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), we have compared the selected samples with (i) contracts for similar purchases from independent third parties during the same period, and/or (ii) the then prevailing market price of agricultural products to the extent possible sourced from the Independent Commodity Information Providers. We noted from the selected samples that the purchase prices of the selected samples were in line with the prevailing market price of the relevant agricultural products at around that time, and that such purchase, in particular the pricing and credit terms, were on normal commercial terms when compared with those applicable to independent third parties.

In respect of agrichemicals (such as pesticide, fungicide and herbicide), we noted that such purchases from subsidiaries of Sinochem Holdings and independent third parties may not be comparable, as the types of agrichemicals vary. As confirmed by the management of the Group, in order to ensure that the pricing terms are no less favourable to the Group, the Company would look into the prices of relevant agrichemicals quoted from subsidiaries of Sinochem Holdings, compare such prices against the Group's historical purchase prices of relevant agrichemicals from subsidiaries of Sinochem Holdings, evaluate the estimated gross profit margin based on such quoted prices and overhead costs of the relevant agrichemicals, and compare against the Group's historical gross profit margin from the similar product. As mentioned above, the purchase and selling prices of agricultural products will be reported to the Sinochem Fertilizer Group's

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manager of the basic fertilizer department and the distribution business department, and will be approved by the person in charge of purchase and sale of the relevant agricultural products. In this respect, we have (i) compared the selected samples to the historical purchase contracts with the same agrichemical, and noted that the purchase prices are broadly comparable, and (ii) checked to the gross profit margin analysis schedule of the respective agrichemical, and it is broadly comparable to the gross profit margin of agrichemicals relevant to the selected samples.

In respect of sale of agricultural products

We have compared the selected samples with (i) contracts for similar sales to independent third parties during the same period, and/or (ii) the then prevailing market price of agricultural products, sourced from the Independent Commodity Information Providers. We noted from the selected samples that (i) the selling prices of the selected samples were in line with the prevailing market price of the relevant products at around that time, and (ii) such sales, in particular the pricing and credit terms, were on normal commercial terms when compared with those applicable to independent customers.

3. The Domestic Arrangements Annual Caps

(i) Review of historical figures

Set out below are the historical transaction amounts relating to the Domestic Arrangements with subsidiaries of Sinochem Holdings for the two years ended 31 December 2023 and the ten months ended 31 October 2024 (the “**Review Period**”) under the 2021 Agricultural Products Purchase and Sale Framework Agreement, and the relevant caps during the respective period:

	For the year ended 31 December		For the ten months ended
	2022	2023	31 October 2024
	(RMB'000)	(RMB'000)	(RMB'000)
	(Approximate)	(Approximate)	(Approximate)
Purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings	336,705	741,695	675,773
Relevant caps	410,000	975,000	1,326,000
Utilisation rates	82.1%	76.1%	61.2%
			(Note)
Sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings	1,414,826	1,074,040	984,333
Relevant caps	2,260,000	3,430,000	4,480,000
Utilisation rates	62.6%	31.3%	26.4%
			(Note)

Notes: Utilisation rates for the ten months ended 31 October 2024 were calculated based on the relevant ten-months transaction amount and pro rata annual cap amount

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As shown in the above table, purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings increased significantly during the periods presented above. The purchase amount grew by approximately 120% from approximately RMB336.7 million in 2022 to approximately RMB741.7 million in 2023, which was mainly attributed to the increase of purchase from the e-platform of a subsidiary of Sinochem Holdings in order to diversify the supply chain and to supplement raw materials purchase (mainly nitrogen fertilizers) of the Group for its production of compound fertilizers, following the reduction in operations of the Group's nitrogen fertilizer business.

In the first ten months of 2024, the purchase of agricultural products was approximately RMB675.8 million (representing approximately 91% of the full-year purchases in 2023), with approximately 61.2% of the pro rata annual cap amount being utilised. As advised by the management of the Group, the significant increase was mainly due to the continued business development of the Group and the continued collaboration with Sinochem Holdings' subsidiaries, in the area of seeds, fertilizers and pesticides, which in turn drove the increase in purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings.

On the other hand, the sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings decreased from approximately RMB1,414.8 million in 2022 to approximately RMB1,074.0 million in 2023, and amounted to approximately RMB984.3 million in the first ten months of 2024 (representing approximately 92% of the full-year sales in 2023). Utilisations of the relevant annual cap in 2023 and 2024 were low.

Based on our discussion with the management of the Group, at the time when the existing annual caps were projected in 2021, it was assumed that purchases from the relevant subsidiaries of Sinochem Holdings would increase as a result of their expansion plans. However, the relevant subsidiaries of Sinochem Holdings adjusted its agricultural products purchase plans, which led to a reduced level of purchases from the Sinofert Fertilizer Group. Despite the actual sales achieved for the first ten months of 2024 was close to the full-year amount in 2023, the utilisation of the relevant annual cap was still significantly lower than the original expectation in 2021.

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(ii) Assessment of the Domestic Arrangements Annual Caps

Set out below are the Domestic Arrangements Annual Caps governing all the transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement, for the three years ending 31 December 2027 as follow:

	For the year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of agricultural products by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings	965,000	1,113,000	1,307,000
Sale of agricultural products by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings	1,119,000	1,244,000	1,328,000

Based on our discussions with the management of the Group, in determining the Domestic Arrangements Annual Caps, the Company has taken into account the purchase and sale plans of Sinochem Fertilizer Group and subsidiaries of Sinochem Holdings for the three years ending 31 December 2027, in order to estimate the projected prices and quantities of purchase and sale of agricultural products. In assessing the reasonableness of the Domestic Arrangements Annual Caps, we have discussed with the management of the Group the bases and assumptions underlying the projections for the purchase and sale plans in the next three years.

Purchase of agricultural products

In respect of the purchase of agricultural products, the relevant annual caps have been estimated based on (i) the projected quantities of purchase by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings; and (ii) the projected average price per tonne of agricultural products (which is determined in accordance with the latest prevailing market prices and/or the latest transaction prices) for years 2025 to 2027.

When determining the projected purchase quantities of agricultural products, management of the Group has taken into account Sinochem Fertilizer Group's latest agrichemicals/fertilizer products procurement volume in 2024, with an intention to further diversify the Group's product mix by sourcing different types of agrichemicals from the e-platform of a subsidiary of Sinochem Holdings, with a focus on high-end agrichemicals and products with high profit margins. Management of the Group has also taken into account the expected rising demand of such products from the downstream customers, as the Group's sales of such high-end products in the first half of 2024, which were in turn mainly purchased from the subsidiaries of Sinochem Holdings, has already accounted for approximately 95% of that in 2023. To substantiate the above, we have obtained

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the breakdown of the historical purchases under the 2021 Agricultural Products Purchase and Sale Framework Agreement for the first ten months in 2024, compared with the projected purchase quantities of the agrichemicals and seeds adopted in the projection of the annual cap of 2025 and the expected increment in 2026 and 2027, and discussed with the management of the Group about the future procurement strategies. We noted that a mild increase in the projected quantities of agrichemical products in the coming three years is expected.

According to the statistics published by the National Bureau of Statistics (as retrieved from its website at https://www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html), the annual grain output of the agriculture market in the PRC rose by approximately 1.3% from approximately 686.5 million tonne in 2022 to approximately 695.4 million tonnes in 2023. Separately, according to the website of the Ministry of Agriculture and Rural Affairs (as retrieved from its website at http://www.moa.gov.cn/xw/shipin/xwzx/202404/t20240422_6454109.htm), the 2024 annual output of rice in the PRC is expected to remain stable, while the output of wheat, corn and soybean are expected to increase by approximately 1.5%, 2.3% and 3.6% respectively. The above showed a increasing trend of agricultural products output.

As regards the projected purchase prices of fertilizer products, management of the Group has generally made reference to the prevailing market prices for different types of fertilizer products and has taken into account the unexpected fluctuations of the price. In this respect, we have reviewed and compared the 2025 projected prices of nitrogen fertilizer, being the largest fertilizer product expected to be purchased by the Group under the Domestic Arrangements, against the prevailing market prices in October 2024 available from the Independent Commodity Information Providers, and note that they are broadly comparable. The management of the Group expected a mild increase in the projected purchase prices of agrichemicals and seeds in the coming three years with reference to the latest historical purchase price.

Based on the above, we concur with the management of the Group's view that the amount of agricultural product purchases by Sinochem Fertilizer Group from subsidiaries of Sinochem Holdings is expected to continuously increase in the next three years, principally led by the increase in purchase quantities as discussed above.

Sale of agricultural products

In respect of the sale of agricultural products, the relevant annual caps are estimated based on (i) the projected quantities of sales by Sinochem Fertilizer Group to subsidiaries of Sinochem Holdings; and (ii) the projected average price per tonne of agricultural products (which is determined in accordance with the prevailing market prices) for years 2025 to 2027.

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When determining the projected sale quantities of agricultural products, management of the Group has taken into account the adjusted purchase plans for years 2025 to 2027 of the relevant subsidiaries of Sinochem Holdings. In particular, there is a slight reduction in expected demand for agricultural products in 2025, mainly due to the expected decrease in sales arising from the reduction in scale of certain planting technical services sites of the relevant subsidiaries of Sinochem Holdings, which is expected to complete within the same year and is therefore not expected to affect the expected growth in sales in 2026 and 2027. When determining the projected sale quantities of agricultural products, management of the Group has taken into account (i) the latest agrichemical products sales volume in 2024, (ii) the expected impact on the annual cap in 2025 from the reduction in scale of certain planting technical services sites as described above, (iii) the expectation of additional sales to both existing and newly established demonstration fields of Sinochem Holdings' subsidiaries as the continuous development of such demonstration fields shall ensure an expanding demand base for agricultural products in the coming years, and (iv) the expected rising demands of their downstream customers. To substantiate the above, we have obtained the breakdown of the historical sales under the 2021 Agricultural Products Purchase and Sale Framework Agreement for the first ten months in 2024, compared with the projected sales quantities of the fertilizer products adopted in the projection of the annual cap of 2025 and the expected increment in 2026 and 2027, and discussed with the management of the Group about the business plan of Sinochem Holdings' subsidiaries regarding demonstration fields. We noted that a slight decrease in the projected sales quantities of fertilizer products for the year 2025 and a mild increases in 2026 and 2027 are expected.

As regards the projected selling prices of agricultural products (mainly fertilizer products) for the years 2025 to 2027, management of the Group has generally made reference to the prevailing market prices for different types of agricultural products. In this respect, we have reviewed and compared the projected prices of potash fertilizer and compound fertilizer, being the two largest products to be supplied by the Group under the Domestic Arrangements, and the prevailing market prices available from the Independent Commodity Information Providers and/or the latest transaction prices in October 2024, and note that they are broadly comparable.

Based on the above analyses, and having considered the Group's consolidated sales of potash fertilizer and compound fertilizer recorded a continuous growth in the past, of approximately 16.7% and 12.6% in 2022 and 2023 respectively, we concur with management of the Group that while a slight decrease is expected in 2025 as specifically explained above, the longer-term growth rates adopted for the determination of annual caps of the sales of agricultural products in 2026 and 2027 are reasonable.

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Our comment

The Group has for a long time been transacting with subsidiaries of Sinochem Holdings. While purchases of agricultural products has been increasing, utilisation of the historical annual caps relating to sales of agricultural products were relatively low, mainly due to the adjustment of purchase plans by Sinochem Holdings' subsidiaries. In future, the Group and its customers' demand for agricultural products is expected to steadily increase, as explained above. Having considered (i) *(in respect of purchase of agricultural products)* the historical growth in transaction amounts and the expected continuing increase in demand from downstream customers, (ii) *(in respect of sales of agricultural products)* the expectation of a slightly reduced sales in 2025 but return in mild increases in the following two years, based on the adjustment of the agricultural product purchase plans of the relevant subsidiaries of Sinochem Holdings as described above, and the continuous growth of the Group's sales of potash fertilizer and compound fertilizer in 2022 and 2023, and (iii) the projected purchase and selling prices of agricultural products are estimated with reference to the latest prevailing market prices and/or the latest transaction prices, we consider it reasonable for the Directors to set the growth rates of Domestic Arrangements Annual Caps for the three years ending 31 December 2027 as set out above, and it is in the interests of the Group and the Shareholders to determine the Domestic Arrangements Annual Caps in a way that can accommodate the potential growth of the Group's revenue.

(C) THE FERTILIZER IMPORT FRAMEWORK AGREEMENT

1. Background to and reasons for the Import Arrangements

Pursuant to the PRC law, only approved importers are allowed to import fertilizer and other fertilizer raw materials into the PRC. The Group is not allowed to do so, except for small amounts in border areas as approved under the PRC law. Based on our discussions with, and as confirmed by, the management of the Group, Sinochem Group is one of the enterprises authorised under the Fertilizer Import Tariff Quota, Allocation Principle and Relevant Procedures for 2024 issued by the Ministry of Commerce of the PRC on 1 November 2023 for import of certain fertilizer and other fertilizer raw materials into the PRC, and the Group sees no indication that the above arrangement is expected to change in near future.

The Group needs to import fertilizer and other fertilizer raw materials through authorised importers in its ordinary course of business. In addition, as a state-owned enterprise in the PRC, Sinochem Group enjoys domestic preferential policies issued by the PRC government from time to time, such as import-related preferential policies. During the ordinary and usual course of business, subsidiaries of the Company source fertilizer and other fertilizer raw materials from overseas and sell them to Sinochem Group, after which Sinochem Group imports the products into the PRC and sells all such products to Sinochem Fertilizer (or other domestic subsidiaries of the Company).

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Currently, the above arrangements are governed by the 2021 Fertilizer Import Framework Agreement, which was approved by the then independent shareholders of the Company at a shareholders' meeting held on 29 December 2021. The 2021 Fertilizer Import Framework Agreement will expire on 31 December 2024.

In view of the long-term business relationship between the Group and Sinochem Group, which is one of the approved PRC fertilizer importers, the Company (for and on behalf of its overseas subsidiaries) and Sinochem Fertilizer entered into the Fertilizer Import Framework Agreement with Sinochem Group on 2 December 2024, to govern and continue the aforementioned Import Arrangements for the three years ending 31 December 2027.

2. Principal terms of the Fertilizer Import Framework Agreement

General

Pursuant to the Fertilizer Import Framework Agreement, fertilizer and other fertilizer raw materials sourced from overseas by the Company's overseas subsidiaries will first be sold to Sinochem Group, an approved importer of fertilizer and other fertilizer raw materials in the PRC, which will import such products and then sell them to Sinochem Fertilizer (or other domestic subsidiaries of the Company) in the PRC.

As confirmed by the management of the Group, other than the Import Arrangements for the Group, Sinochem Group will not import any fertilizer and other fertilizer raw materials itself or on behalf of other customers during the term of the Fertilizer Import Framework Agreement. In addition, Sinochem Fertilizer (or other domestic subsidiaries of the Company) is free to purchase fertilizer and other fertilizer raw materials from any authorised importers.

Pricing

The pricing principles for the sale and purchase of fertilizer and other fertilizer raw materials between the parties are as follows:

- (i) the price to be paid by Sinochem Group to overseas subsidiaries of the Company for fertilizer and other fertilizer raw materials sold by overseas subsidiaries of the Company to Sinochem Group shall be determined in accordance with the prevailing international market price;
- (ii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for fertilizer and other fertilizer raw materials (excluding sulphur, the pricing basis of which is set out in (iii) below) sold by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall be on a cost basis, that is, based on purchase price paid by Sinochem Group

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plus reasonable costs incurred by Sinochem Group (the “**Import Charges**”) in relation to such import (fees payable to third parties (mainly import customs duty, representing 1% of the import price), as well as reasonable administrative costs); and

- (iii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for sulphur sold by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall be determined in accordance with the prevailing domestic wholesale price at port.

We note that the above pricing principles are generally consistent with those adopted pursuant to the 2021 Fertilizer Import Framework Agreement. Further, we understand from the management of the Group that the reasonable administrative costs to be incurred by Sinochem Group are expected to account for approximately 0.2% of the total transaction value, which we consider to be immaterial. On this basis, we consider the charging of such administrative costs to be acceptable.

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

Payment

Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group shall enter into specific agreements in relation to the type, specification, quantity, packaging and price of the fertilizer and other fertilizer raw materials, and Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall make full payment to Sinochem Group by bank draft or other means for its purchase of the fertilizer and other fertilizer raw materials. Upon receipt of the payment made by Sinochem Fertilizer (or other domestic subsidiaries of the Company), Sinochem Group shall enter into specific agreements with overseas subsidiaries of the Company in relation to the import of fertilizer and other fertilizer raw materials. Payments are usually made by telegraphic transfer within 90 days upon signing of the specific agreements.

Term

Subject to obtaining the approval from the Independent Shareholders at the SGM, the Fertilizer Import Framework Agreement has a term of three years, commencing from 1 January 2025 and ending on 31 December 2027 (both days inclusive).

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Comparison of terms with independent third parties

We have discussed with the management of the Group and reviewed the lists of transactions relating to the Import Arrangements covering the period from 1 January 2023 to 30 October 2024, which we consider to be a fair and representative period given the sufficient number of transactions covering all major products as the sampling population, and selected 14 sample contracts under the 2021 Fertilizer Import Framework Agreement, which are randomly selected and on the basis that there is at least one sample relating to each of the major products under the 2021 Fertilizer Import Framework Agreement.

We have compared the sample contracts with (i) contracts for similar purchases selected on a random basis from the lists of transactions with independent fertilizer importers covering the period from 1 January 2023 to 30 October 2024, in the relevant categories, and/or (ii) the respective international market price and domestic wholesale price at port sourced from the Independent Commodity Information Providers. On the basis of our review, we note that the terms of the Import Arrangements as reviewed by us, in particular the pricing terms and credit terms, were in line with the transaction terms between the Group and the independent third parties and/or the international market price or domestic wholesale price at port.

3. The Import Arrangements Annual Caps

(i) Review of historical figures

Set out below are the historical transaction amounts relating to the Import Arrangements for the Review Period under the 2021 Fertilizer Import Framework Agreement, and the relevant caps during the respective period:

	For the year ended 31 December		For the ten months ended 31 October
	2022	2023	2024
	('000)	('000)	('000)
	(Approximate)	(Approximate)	(Approximate)
Transactions between overseas subsidiaries of the Company and Sinochem Group	US\$746,059	US\$770,666	US\$484,813
Relevant caps	US\$2,000,000	US\$2,168,000	US\$2,345,000
Utilisation rates	37.3%	35.5%	24.8%
			(Note)
Transactions between Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group	RMB 5,146,906	RMB 5,471,367	RMB3,611,294
Relevant caps	RMB13,135,000	RMB14,321,000	RMB15,523,000
Utilisation rates	39.2%	38.2%	27.9%
			(Note)

Note: Utilisation rate for the ten months ended 31 October 2024 was calculated based on the relevant ten-months transaction amount and pro rata annual cap amount

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In 2023, domestic sales of fertilizer products by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) increased by approximately 6.3% to approximately RMB5,471.4 million, and the import of fertilizer products by Sinochem Group from the Company's overseas subsidiaries in 2023 also increased slightly by approximately 3.3% to approximately US\$770.7 million. As advised by the management of the Group, the above increase was in line with the revenue growth of the Group in 2023.

Both domestic transactions and the related imports decreased in the first ten months of 2024, amounted to approximately RMB3,611.3 million and US\$484.8 million respectively. As disclosed in the letter from the board, such decrease was mainly due to the reduction in average price of different types of fertilizer products.

The low utilisation of the annual caps during the Review Period was mainly due the actual transaction price of the fertilizer products in the Review Period was significantly lower than the estimated transaction price when the annual caps were first estimated in 2021.

(ii) Assessment of the Import Arrangements Annual Caps

Transactions between the Company's overseas subsidiaries and Sinochem Group

Set out below are the proposed annual caps in respect of the transactions between the Company's overseas subsidiaries and Sinochem Group under the Fertilizer Import Framework Agreement for the three years ending 31 December 2027.

	For the year ending 31 December		
	2025	2026	2027
	(US\$ '000)	(US\$ '000)	(US\$ '000)
Transactions between the Company's overseas subsidiaries and Sinochem Group	1,297,000	1,410,000	1,511,000

In assessing the reasonableness of the annual caps, we have discussed with the management of the Group the bases and assumptions underlying the projections for the import of fertilizer products through Sinochem Group, which are estimated primarily based on (i) the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer (or other domestic subsidiaries of the Company) through the arrangement with the Company's overseas subsidiaries; and (ii) the projected average price per tonne of fertilizer products during the term of the Fertilizer Import Framework Agreement.

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When estimating the sale quantities of fertilizer products from the Company's overseas subsidiaries to Sinochem Group for the three years ending 31 December 2027, the management of the Group has taken into account (i) the Group's procurement strategies of fertilizer products in the coming years, that a portion of the future expected import is to replenish its inventory level from recent years low, (ii) the increase in target quantities in 2025 under framework agreements entered between the Company and several international suppliers for the purchase of fertilizer products, and (iii) cater for the anticipated increase in demand from downstream customers in the next three years. In this respect, according to the Group's 2024 and 2023 interim reports, we note the Group's inventory level declined substantially during 2024 and recorded inventories of approximately RMB3,418.5 million as at 30 June 2024, down by approximately 39.9% and 21.0% compared to the inventory balances of approximately RMB5,683.6 million as at 31 December 2023 and approximately RMB4,326.0 million as at 30 June 2023. According to the management of the Group, the decrease in inventory level was mainly due to the substantial decrease in import quantities of fertilizer products. We have reviewed two of the above framework agreements, and noted that the range of aggregate target purchase quantities in 2025 under the two framework agreements showed an increase compared to that in 2024.

On the other hand, revenue of the Group (excluding nitrogen fertilizer business which was disposed by the Group in the first half of 2024) increased, by approximately 12.5% from approximately RMB17,732.6 million in 2021 to approximately RMB19,945.3 million in 2022, and further increased by approximately 7.4% to approximately RMB21,417.0 million in 2023. Having considered the increasing sales of fertilizer products, management of the Group expects to increase its purchase of fertilizer products from suppliers to cater for the increase in demand of fertilizer products.

We have also performed independent research and reviewed a report titled "Public Summary: Medium-Term Fertilizer Outlook 2024 – 2028", published in August 2024 by the International Fertilizer Association (as retrieved from its website at <http://www.fertilizer.org/resource/public-summary-medium-term-fertilizer-outlook-2024-2028/>), a global fertilizer association with a membership of more than 430 entities according to its website, and mentioned that (i) the growth of the global consumption of potash fertilizers between 2024 and 2028 is forecast to at approximately 10%, and (ii) the potash consumption in China has rebounded, supported by improved affordability and continued growth in fruits and vegetable production.

Having considered the above, we concur with the management of the Group's view that the increase in purchase of fertilizer products from suppliers is to replenish its inventory level and cater for the anticipated increase in demand from downstream customers in the next three years as discussed above.

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According to the management of the Group, the projected average price of fertilizer products per tonne was determined mainly with reference to average historical prices of the major type of the fertilizer products over the past three years from 2022 to 2024. In this respect, we have compared the projected prices for potash fertilizer used in estimating the proposed annual caps, being the major product under the Fertilizer Import Framework Agreement, to the average of the agreed price between by the consortium of Chinese buyers and the international suppliers for the year 2022, 2023 and 2024, and noted that they are broadly comparable. Given the significant fluctuations in prices of fertilizer in the past as detailed in the sub-section above, we consider it reasonable to use the historical average price as a basis in arriving at the future annual caps.

Transactions between Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group

Set out below are the proposed annual caps in respect of the transactions between Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group under the Fertilizer Import Framework Agreement for the three years ending 31 December 2027.

	For the year ending 31 December		
	2025	2026	2027
	(RMB '000)	(RMB '000)	(RMB '000)
Transactions between Sinochem Fertilizer (or other domestic subsidiaries of the Company) and Sinochem Group	9,744,000	10,579,000	11,335,000

In assessing the reasonableness of the annual caps, we have discussed with the management of the Group the bases and assumptions underlying the projections, which are mainly estimated based on the projected quantities of sale of fertilizer products by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) and the projected average price per tonne of fertilizer products (which is determined in accordance with (a) in respect of fertilizer and other fertilizer raw materials, the purchase price paid by Sinochem Group to the Company's overseas subsidiaries plus the Import Charges and the reasonable administrative costs incurred by Sinochem Group as discussed in the section above, and (b) the fluctuation of the exchange rate between RMB and USD.

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General comments

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Import Arrangements Annual Caps in a way that can take into account the prevailing market conditions and accommodate the potential growth of the Group's business and the Group's procurement strategies. In particular, the Group's inventory levels declined in 2024 as noted in the financial reports, mainly due to the growing in sale volumes of fertilizer products and unstable supply, as discussed in the sub-section above. It is difficult for the management of the Group to estimate the future transaction value with a high level of certainty. Having considered (i) the projected price of fertilizer products during the term of the Fertilizer Import Framework Agreement, referencing the average historical price over the past three years from 2022 to 2024 of fertilizer products, and (ii) the Group's projected purchase quantities of fertilizer products, mainly after taking account into the Group's procurements strategies in respect of fertilizer products in coming years, we consider it in the interests of the Group and the Shareholders to determine the Import Arrangements Annual Caps and its growth rate in a way that can accommodate the potential growth of the Group's revenue.

(D) INTERNAL CONTROL MEASURES

To ensure that all transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement and Fertilizer Import Framework Agreement comply with the agreed terms and pricing policies, the Company has established an internal control system, which are summarised below from the letter from the Board:

- (a) Market information collection and analysis: the business department of the Group regularly gather up-to-date industry pricing data from the Independent Commodity Information Providers, and maintain communication with major factories and key suppliers to understand market price trends, to ensure that each transaction is priced appropriately.
- (b) Price reporting and approval process: after performing market research on purchase and sale prices, the proposed prices are reported to the relevant department manager and submitted to the business leader for approval, to ensure that the pricing aligns with the Company's sales and purchase strategies as well as prevailing market conditions.
- (c) Hierarchical approval mechanism: transactions are subject to a multi-tiered approval process based on their value, to ensure that all transactions are consistent with market prices and are closely monitored, preventing any potential conflicts of interest or improper conduct.

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- (d) Fair pricing assurance: the Company gathers up-to-date market data from the Independent Commodity Information Providers, which track international and domestic market prices, and conducts cost assessments and review by department managers before approval from business leaders.

Monitoring Mechanisms and Measures

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 and the Fertilizer Import 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 relevant business department, which 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.

Having considered the above internal control measures, we concur with the Directors that the above internal control procedures to be adopted by the Group during the term of the Agricultural Products Purchase and Sale Framework Agreement and Fertilizer Import Framework Agreement assist the Group to comply with the agreed terms and pricing policies, ensuring the terms are no less favourable compare to the transactions between the Group and the independent third parties, and protect the interests of the Company and the Shareholders as a whole.

(E) REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rules 14A.55, 14A.56, 14A.58 and 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;

LETTER FROM SOMERLEY

- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board 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 Caps.
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements and conditions attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the relevant Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms for each of the Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import Framework Agreement not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

LETTER FROM SOMERLEY

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 Continuing Connected Transactions (including the Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Annual Caps).

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

Mr. John Wong is a licensed person registered with the 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 Rule 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%

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
Su Fu	Syngenta Group	President of China Region
Wang Tielin	Syngenta Group	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. Chen Shengnan and Ms. Wang Ling, executive Directors of the Company, are directors 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 13 directors. Ms. Chen Shengnan and Ms. Wang Ling are not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Ms. Chen Shengnan has extensive experience in international resource acquisition, marketing management and team management. Ms. Wang Ling has extensive experience in finance, financial affairs, taxation and property rights management. Each of Ms. Chen Shengnan and Ms. Wang Ling is aware of her duties and responsibilities as 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. Chen Shengnan and Ms. Wang Ling are able to exercise 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 2023 (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 2023, 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 2023 (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 Agricultural Products Purchase and Sale Framework Agreement and the Fertilizer Import 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 24th Floor, Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on 30 December 2024 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 Agricultural Products Purchase and Sale Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 13 December 2024 (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 Agricultural Products Purchase and Sale Framework Agreement 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 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.”

2. “**THAT:**

- (a) the Fertilizer Import Framework Agreement (as defined and described in the Circular) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF SPECIAL GENERAL MEETING

- (b) the proposed annual caps of the transactions contemplated under the Fertilizer Import Framework Agreement be and are hereby approved, ratified and confirmed; and
- (c) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Fertilizer Import Framework Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Fertilizer Import Framework Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

For and on behalf of the Board of
Sinofert Holdings Limited
Su Fu
Chairman of the Board

Hong Kong Special Administrative Region of the People's Republic of China
13 December 2024

Notes:

1. At the special general meeting, all resolutions put to the vote will be decided by way of poll pursuant to Bye-law 66(1) of the Company. For the avoidance of doubt, holders of treasury shares (if any) have no right to vote at the Company's general meeting(s).
2. For the purpose of determining shareholders' entitlement to attend the meeting, the register of members of the Company will be closed from 27 December 2024 to 30 December 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on 24 December 2024.
3. 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.
4. 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.
5. 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.

NOTICE OF SPECIAL GENERAL MEETING

6. As at the date of this notice, the non-executive director of the Company is Mr. Su Fu (Chairman); the executive directors of the Company are Mr. Wang Tielin (Chief Executive Officer), Ms. Chen Shengnan and Ms. Wang Ling; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Sun Po Yuen.
7. 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 7:30 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.