
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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SINOFERT HOLDINGS LIMITED**中化化肥控股有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT
(AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)
MAJOR AND CONNECTED TRANSACTION
UNDER THE NEW AGREEMENT FOR THE USE OF FUND
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 7 to 27 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 28 to 29 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 30 to 64 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 September 2022 at 3:00 p.m. is set out on pages 72 to 73 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.

PRECAUTIONARY MEASURES FOR THE SGM

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

- **compulsory body temperature checks and health declarations**
- **scanning of the “LeaveHomeSafe” venue and vaccination record QR codes**
- **complying with the requirements of the “Vaccine Pass Direction”**
- **wearing of surgical face masks**
- **no distribution of corporate gift or refreshment**

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

14 September 2022

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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

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

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

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

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“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
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)
“Director(s)”	the director(s) of the Company
“Existing Agreement for the Use of Fund”	the agreement for the use of fund dated 8 November 2019 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower (as revised and renewed by the supplemental agreement dated 17 August 2020 entered into between the parties)
“Financial Services Framework Agreement”	the financial services framework agreement dated 24 August 2021 entered into between the Company and Sinochem Finance
“Fund”	the fund in an amount of not more than RMB1,000,000,000 to be provided by Sinochem Fertilizer to Sinochem Agriculture pursuant to the New Agreement for the Use of Fund
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company formed to consider (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund
“Independent Shareholders”	shareholders other than Sinochem Holdings and its associates
“Latest Practicable Date”	6 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Guarantee”	the letter of guarantee dated 6 September 2022 issued by Syngenta Group to Sinochem Fertilizer with respect to the performance by Sinochem Agriculture of all of its contractual obligations under the New Agreement for the Use of Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Services”	the loan services (excluding entrustment loans) provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)
“maximum daily outstanding balance”	the daily outstanding balance of the total deposits (including accrued interest) placed by the Group with Sinochem Finance, calculated at the close of business of Sinochem Finance on a daily basis

DEFINITIONS

“New Agreement for the Use of Fund”	the agreement for the use of fund dated 5 August 2022 entered into between Sinochem Fertilizer, as the lender, and Sinochem Agriculture, as the borrower
“Other Financial Services”	apart from the Deposit Services and the Loan Services, other financial services provided by Sinochem Finance to the Group pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), including entrustment loan services, commercial bills of exchange services, buyer financing services, settlement services, guarantee services, internet banking services, and other financial services as approved by the CBIRC
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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)
“SGM”	the special general meeting of the Company to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 September 2022 at 3:00 p.m. or any adjournment thereof, the notice of which is set out on pages 72 to 73 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“shareholder(s)”	registered holder(s) of Shares
“Sinochem Agriculture”	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of Syngenta Group

DEFINITIONS

“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation), a limited liability company established under the laws of the PRC, and a subsidiary of Sinochem Group
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“Sinochem Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a limited liability company established under the laws of the PRC, and a subsidiary of Sinochem Corporation
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group Co., Ltd.), a state-owned enterprise incorporated in the PRC, and a 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 incorporated in the PRC, which is wholly owned by the 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
“Supplemental Agreement”	the supplemental agreement to the Financial Services Framework Agreement dated 5 August 2022 entered into between the Company and Sinochem Finance
“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
“%”	percent

LETTER FROM THE BOARD

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

Executive Directors:

QIN Hengde (*Chief Executive Officer*)
FENG Mingwei
Harry YANG

Non-executive Director:

J. Erik FYRWALD (*Chairman*)

Independent Non-executive Directors:

KO Ming Tung, Edward
LU Xin
TSE Hau Yin, Aloysius

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:

Unit 4705, 47th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

14 September 2022

To: the shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT
(AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)
AND
MAJOR AND CONNECTED TRANSACTION
UNDER THE NEW AGREEMENT FOR THE USE OF FUND**

INTRODUCTION

Reference is made to the announcement of the Company dated 5 August 2022 in relation to (i) the Deposit Services to be provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), and (ii) the Fund to be provided by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, to Sinochem Agriculture under the New Agreement for the Use of Fund. The utilization of the Deposit Services and the provision of the Fund constitute the provision of financial assistance by the Group, and are therefore subject to the requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement); (ii) further information on the details of the New Agreement for the Use of Fund; (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.

FINANCIAL SERVICES FRAMEWORK AGREEMENT (AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)

Reference is made to the announcement of the Company dated 24 August 2021 in relation to the Financial Services Framework Agreement entered into between the Company and Sinochem Finance. Pursuant to the Financial Services Framework Agreement, the Group may utilize the financial services available from Sinochem Finance as it deems necessary for a term up to 31 December 2023.

On 5 August 2022, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement, and to renew the term of the Financial Services Framework Agreement to 31 December 2024.

Principal Terms of the Financial Services Framework Agreement (as Revised and Renewed by the Supplemental Agreement)

Parties

- (a) The Company
- (b) Sinochem Finance

Provision of financial services by Sinochem Finance to the Group

The Group will, from time to time, utilize the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (i) Deposit Services, including but not limited to demand deposits, call deposits and term deposits;
- (ii) provision of the Loan Services (excluding entrustment loans) to members of the Group on normal commercial terms, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (iii) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency through which funds of one member of the Group may be channeled for use by another member of the Group. Such funds deposited by members of the Group will be applied for the purposes of providing entrustment loans to members of the Group only;

LETTER FROM THE BOARD

- (iv) commercial bills of exchange services which include the provision to members of the Group on normal commercial terms of services relating to the issuance, acceptance, custody, collection (when due) and discount of commercial bills of exchange, where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted;
- (v) buyer financing services which include the provision to the customers of members of the Group on normal commercial terms of financing services, including but not limited to the extension of loans and the granting of credit for the purposes of purchasing goods or services from members of the Group only;
- (vi) settlement services which include settlement of transactions between members of the Group, and of transactions between members of the Group and third parties, the utilization by Sinochem Finance of the electronic payment and settlement systems it has set up with a number of banks to settle payments from distribution customers to members of the Group, and the utilization by Sinochem Finance of the settlement systems it has set up with banks to audit the settlement business of members of the Group;
- (vii) provision of guarantees at the request of members of the Group for financing, lease financing, bidding activities or the fulfillment of contracts to third parties, where no counter-guarantee by members of the Group is required;
- (viii) internet banking services; and
- (ix) any other financial services as approved by the CBIRC.

The Group utilizes the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all.

Interests, fees and charges

Interests, fees and charges payable to and from Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are determined on the following basis:

- (i) Deposit Services: interest rates shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time, or the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC (whichever is higher);
- (ii) Loan Services: interest rates shall not be higher than the interest rates for loans of the same tenure and type as offered by the independent commercial banks with which the Group maintains cooperation in the PRC;
- (iii) entrustment loan services: the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks in the PRC;

LETTER FROM THE BOARD

- (iv) commercial bills of exchange services: the service fee and discount interest payable by the Group shall not exceed the service fee and discount interest payable on such services under the same terms obtainable from independent commercial banks in the PRC;
- (v) buyer financing services: the service fee and interest payable by the Group shall not exceed the service fee and interest payable on such services under the same terms obtainable from independent commercial banks in the PRC;
- (vi) settlement services: no service fee is payable by the Group; and
- (vii) provision of guarantees, internet banking services and other financial services as approved by the CBIRC: the service fees charged for these services shall not be higher than the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

Term

The Supplemental Agreement shall take effect on the date of approval by the Independent Shareholders at the SGM. The Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) shall expire on 31 December 2024.

In the event that the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are not approved by the Independent Shareholders, the Company will ensure that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will not exceed the original cap amount of the deposit services under the Financial Services Framework Agreement up to its original expiry date of 31 December 2023.

Sinochem Finance and members of the Group shall enter into separate agreements which set out the specific scope of services and the terms and conditions of providing such services according to the principles laid down by the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

Right of set-off

In the event that any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off.

Undertakings

Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the CBIRC in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with the banking institutions approved by the CBIRC.

LETTER FROM THE BOARD

Sinochem Finance has also undertaken that at all times the sum of the outstanding amount of the loans it provides to its customers (excluding the Group) shall not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and the deposits received from parties other than the Group.

Whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), Sinochem Finance shall compensate the Group for the full amount of the loss suffered. Sinochem Group (as an indirect holding company of Sinochem Finance) has issued an undertaking in favour of the Company, pursuant to which Sinochem Group will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

Annual Caps

Deposit Services

The Company intends to revise the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for each of the two years ending 31 December 2023 from RMB1,000,000,000 to RMB2,000,000,000 and to set the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for the year ending 31 December 2024 as RMB2,000,000,000. Such maximum daily outstanding balance has been determined after taking into account several factors, including:

- (i) The Group maintains sufficient bank balances and cash. During the peak season for the sale of fertilizer products in the past three years, its maximum bank balance and cash reached approximately RMB4,758 million. The profitability and cash flow position of the Group have continued to improve in recent years. The profit attributable to owners of the Company grew by approximately 35% from approximately RMB644 million for the year ended 31 December 2020 to approximately RMB867 million for the year ended 31 December 2021, and its net cash generated from operating activities increased by approximately 58% from approximately RMB990 million for the year ended 31 December 2020 to approximately RMB1,569 million for the year 31 December 2021. In addition, the Group intends to dispose of its nitrogen fertilizer business unit that has occupied a large amount of funds (please refer to the announcement of the Company dated 30 December 2021 for details), which, if materialized, will release the working capital of the Group previously utilized by the nitrogen fertilizer business, and therefore improve the Group's liquidity position and further increase the size of its cash deposits;
- (ii) Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit a large amount of its funds with Sinochem Finance to utilize the settlement services free of charge, especially during the peak season for the sale of fertilizer products when the funds of the Group are sufficient;

LETTER FROM THE BOARD

- (iii) The Group is committed to becoming an innovative leading crop nutrition enterprise in China. With the business development of the Group, the purchase and sale of agricultural products between the Group and the subsidiaries of Sinochem Holdings have continued to expand in scale. For example, the transaction amount for the sale of fertilizer and other fertilizer raw materials by Sinochem Group to domestic subsidiaries of the Company is expected to increase substantially from approximately RMB2,544 million for the year ended 31 December 2021 to no more than RMB13,135 million for the year ending 31 December 2022 (please refer to the circular of the Company dated 13 December 2021 for details). The expected expansion of transaction scale will result in the growth of demands for settlement. Increasing the cap on the Deposit Services under the Financial Services Framework Agreement will facilitate the Group to fully utilize the convenient and free-of-charge settlement services offered by Sinochem Finance;
- (iv) Since March 2022, Sinochem Finance has set the interest rates of its various deposit products to the maximum limit stipulated in the regulation of the market interest rate pricing self-regulatory mechanism of the PBOC, so that the interest rates of its deposit products are the highest among the deposit products of the same type and with the same duration in the market. Meanwhile, Sinochem Finance is also able to provide flexible and convenient procedures for withdrawals to meet the funding requirement of the Group for its business development in a timely manner. Increasing the cap on the Deposit Services under the Financial Services Framework Agreement will allow the Group to fully enjoy the advantageous Deposit Services offered by Sinochem Finance, so as to create the greatest value for its shareholders; and
- (v) The Group will utilize the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, including the Deposit Services. The maximum daily outstanding balance only represents the highest daily amount of deposits that the Group may place with Sinochem Finance and there are no obligations for the Group to deposit such amounts with Sinochem Finance. Setting the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will enable the Group to have a greater flexibility in selecting deposit service providers and allocating its resources.

For the two years ended 31 December 2021 and the period from 1 January 2022 to the Latest Practicable Date, the maximum daily outstanding balances of the deposits placed by the Group with Sinochem Finance were approximately RMB873,588,000, RMB934,148,000 and RMB990,000,000, respectively.

As at the Latest Practicable Date, the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement has not exceeded the original cap disclosed in the announcement of the Company dated 24 August 2021.

LETTER FROM THE BOARD

Other Financial Services

The Company estimates that the annual cap in respect of the Other Financial Services for each of the three years ending 31 December 2024 will be RMB10,000,000. Such annual cap has been determined after taking into account several factors, including the capital management strategy of the Group, the business development and financial needs of the Group, and the historical transaction amounts of such services.

For the two years ended 31 December 2021 and the six months ended 30 June 2022, the historical transaction amounts of such services in aggregate were approximately RMB2,680,000, RMB690,000 and RMB650,000, respectively. When setting the annual cap in respect of the Other Financial Services, the Company has considered not only the amounts of its historical transactions with Sinochem Finance, but also the scale of its transactions with independent commercial banks, and assumed that all of the entrustment loan services, commercial bills of exchange services, buyer financing services, guarantee and other financial services that are currently provided to the Group by independent commercial banks or may be required by the Group during the three years ending 31 December 2024 will be provided by Sinochem Finance. For the two years ended 31 December 2021 and the six months ended 30 June 2022, the historical transaction amounts of such services provided to the Group by independent commercial banks amounted to approximately RMB7,920,000, RMB3,730,000 and RMB2,180,000, respectively. As the Group will utilize the services of Sinochem Finance on a voluntary and non-exclusive basis and is not obliged to engage Sinochem Finance for any particular services, the Company considers that it is appropriate to take into account its historical transactions with both Sinochem Finance and independent commercial banks when setting the maximum amount payable to Sinochem Finance in respect of the Other Financial Services, which will allow the Group to have greater flexibility in selecting service providers and allocating its resources.

Financial Effects of the Transaction

Given that the interest rates offered by Sinochem Finance to the Group in respect of the Deposit Services shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time, or the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC (whichever is higher), the return of the surplus funds of the Group will be enhanced due to the possibly higher deposit interests from Sinochem Finance.

Save for the aforesaid, there would be no material effect of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) on the earnings, assets and liabilities of the Group.

LETTER FROM THE BOARD

Internal Control Procedures and Corporate Governance Measures

In order to protect the interests of the shareholders, the Group will adopt the following internal control procedures and corporate governance measures in relation to its utilization of financial services provided by Sinochem Finance:

- Prior to placing term deposits with Sinochem Finance, the Group will compare at least three comparable interest rates of deposits of the same tenure and type from independent commercial banks and the deposit benchmark interest rates promulgated by the PBOC at the time of the transaction;
- For the purpose of facilitating settlement service through Sinochem Finance, the Group will also place demand deposits with Sinochem Finance. The Group will compare, on a quarterly basis and whenever there is a change in the deposit benchmark interest rate promulgated by the PBOC, at least three comparable interest rates on such deposits quoted by independent commercial banks with which the Group maintains bank accounts and the deposit benchmark interest rates promulgated by the PBOC, and also take into account the service fee charged by the independent commercial banks for the settlement services (the settlement services offered by Sinochem Finance are free of charge). The Group will determine whether it will continue to place demand deposits with Sinochem Finance for the next quarter based on the above assessment for the previous quarter;
- Before the Group enters into any loan or credit facilities agreements with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least three comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of such offers, together with the offer from Sinochem Finance, will be submitted to the chief financial officer of the Company for review. The chief financial officer of the Company will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer, after taking into account a number of factors including interest rate being offered, and quality and flexibility of the services to be provided by Sinochem Finance and independent commercial banks or financial institutions based on previous experience;
- All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted in accordance with the terms approved by the chief financial officer of the Company or the Board, as appropriate;
- Sinochem Finance is required to (i) provide a report on any changes in its credit ratings to the Company every six months, (ii) provide the Company each month with its financial statements for the previous month, (iii) deliver to the Company a monthly report on the status of the Group's deposits placed with Sinochem Finance on the third day of each month, (iv) inform the Company of any disciplinary actions taken by the CBIRC against Sinochem Finance, or any penalties or fines imposed on Sinochem Finance, or any opinions on corrective

LETTER FROM THE BOARD

measures issued by the CBIRC containig its advice and improvement suggestion on the operation and management of Sinochem Finance, and (v) provide the Company with a risk assessment report on Sinochem Finance prepared by PRC certified public accountants on a semi-annual basis;

- Sinochem Finance will provide operational ratios under regulatory requirements, including capital adequacy ratio, non-performing asset ratio, impaired loan ratio, and asset impairment adequacy ratio, to the Company on a quarterly basis;
- The Company will monitor the status of the deposits placed with Sinochem Finance on a daily basis and the status of the loans and other transactions with Sinochem Finance on a monthly basis through the internet banking services provided by Sinochem Finance;
- In the case of any significant credit risk events involving Sinochem Finance and its significant shareholders and de facto controller (being Sinochem Holdings, Sinochem Group and Sinochem Corporation), including but not limited to its bonds issued in the open market being overdue for more than seven business days or its obligation to make repayment for any large amount of debts guaranteed by it being triggered, the Group will not continue to place additional deposits with Sinochem Finance and will arrange to withdraw its existing deposits;
- The Company will monitor the status of its financial assistance to Sinochem Holdings and its associates (including its deposits with Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the provision of the Fund to Sinochem Agriculture under the New Agreement for the Use of Fund (as described below under the section headed “New Agreement for the Use of Fund”)) on a daily basis to ensure that the outstanding amount of its overall financial assistance to Sinochem Holdings and its associates on each day will not exceed 30% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements, so as to limit the maximum risk exposure arising from its financial assistance to Sinochem Holdings and its associates (including the Deposit Services and the provision of the Fund to Sinochem Agriculture); and
- The internal control department of the Company will conduct an annual review of the above internal control measures and report the review results to the independent non-executive Directors.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions with Sinochem Finance are appropriate and sufficient, and that the procedures and measures give sufficient assurance that the continuing connected transactions will be appropriately monitored by the Company.

LETTER FROM THE BOARD

Reasons for and Benefits of the Transaction

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBIRC and it provides its services in compliance with the relevant rules and operational requirements promulgated by the above authorities, including capital risk guidelines and requisite capital adequacy ratio requirements;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or, to the knowledge of the Company, breached any rules or operational requirements of such regulatory authorities during the past three years. In particular, the CBIRC monitors Sinochem Finance's compliance with relevant regulatory authorities and conducts on-site visits from time to time. To the knowledge of the Company, other than the opinions on corrective measures issued by the CBIRC during its on-site visits, the CBIRC has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation. The opinions on corrective measures issued by the CBIRC refer to its advice and improvement suggestion on the operation and management of Sinochem Finance, which will not affect the credibility and repayment ability of Sinochem Finance. To the knowledge of the Company, Sinochem Finance has not received any further opinions on corrective measures from the CBIRC during the past three years;
- (iii) According to the relevant laws and regulations promulgated by the CBIRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Holdings, being the ultimate holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting additional capital into Sinochem Finance based on its funding needs, to restore its financial position; and
- (iv) Sinochem Group, being the indirect holding company of Sinochem Finance, has issued an undertaking in favour of the Company, pursuant to which Sinochem Group will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement). Sinochem Group is a state-owned enterprise with solid financial track records. Based on its consolidated management accounts, as at 31 December 2021, Sinochem Group had registered and fully paid-up capital of approximately RMB47.1 billion, consolidated net assets attributable to owners of the company of approximately RMB71.9 billion, and cash balance of approximately RMB39.3 billion. For the year ended 31 December 2021, the profit attributable to owners of Sinochem Group amounted to approximately RMB12.8 billion, and its net cash generated from operating activities amounted to approximately RMB16.7 billion. To the knowledge of the Company, Sinochem Group has not defaulted on any of its credit obligations in the past five years.

LETTER FROM THE BOARD

The advantages of utilizing financial services provided by Sinochem Finance over utilizing similar services provided by independent commercial banks are as follows:

- (i) Sinochem Finance has served as a financial service provider of the Group for over ten years. It can provide more favourable deposit portfolio for the Group based on the condition of the Group, which can increase capital returns while retaining the working capital flexibility of the Group;
- (ii) Comparing to other financial institutions, Sinochem Finance does not charge the Group any service fees in respect of the settlement services provided. The Group can deposit its funds with Sinochem Finance to utilize the settlement services free of charge (especially during the peak season for the sale of fertilizer products when the funds of the Group are sufficient), therefore reducing the transaction costs; and
- (iii) Sinochem Finance can offer reliable and stable finance resource and mid-term and long-term credit line for the Group, therefore optimizing the capital structure of the Group. The Company usually needs to make an appointment one week in advance or even longer to obtain loans from external banks while the loan drawdown procedure of Sinochem Finance is rather convenient and can be completed within one or two days, which can meet the capital demand of the Group's business in time.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), the Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost.

The Directors, including the independent non-executive Directors, are of the view that the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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 maximum daily outstanding balance of the Deposit Services and the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are fair and reasonable.

None of the Directors is regarded as having a material interest in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions contemplated thereunder, and hence none of the Directors has abstained from voting on the Board resolution to approve the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

NEW AGREEMENT FOR THE USE OF FUND

References are made to the announcements of the Company dated 8 November 2019 and 17 August 2020 in relation to the Existing Agreement for the Use of Fund entered into between Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, and Sinochem Agriculture. Pursuant to the Existing Agreement for the Use of Fund, Sinochem Fertilizer agreed to provide the fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The Existing Agreement for the Use of Fund will expire on 17 September 2022.

On 5 August 2022, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the New Agreement for the Use of Fund, pursuant to which Sinochem Fertilizer agreed to continue to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture.

Principal Terms of the New Agreement for the Use of Fund

- Parties** : (a) Sinochem Fertilizer (as the lender); and
(b) Sinochem Agriculture (as the borrower)
- Total amount of the Fund** : Not more than RMB1,000,000,000 of a revolving nature. Sinochem Agriculture may re-borrow any portion of the total amount of the Fund that has been repaid or prepaid.
- Interest rate** : The interest rate of the Fund shall be the latest loan prime rate quotation (the “LPR”) for one-year loan as published by the PBOC, less 70 basis points. The interest rate of the Fund shall be adjusted on a quarterly basis based on the latest one-year LPR.
- Term** : The New Agreement for the Use of Fund shall take effect on the date of approval by the Independent Shareholders at the SGM and expire on 31 December 2024.

Sinochem Agriculture shall make withdrawal applications to Sinochem Fertilizer in writing within the total amount of the Fund and during the term of the New Agreement for the Use of Fund. Sinochem Fertilizer shall issue a written confirmation for the release of each fund at the time of its release, setting out the amount of each fund, date of release and maturity date. The maturity date of each fund shall not exceed the term of the New Agreement for the Use of Fund.

LETTER FROM THE BOARD

- Repayment** : Sinochem Agriculture shall repay each fund to Sinochem Fertilizer on the maturity date of such fund, and shall pay any interest accrued on such fund to Sinochem Fertilizer on a quarterly basis. Sinochem Agriculture may, by serving a prior written notice of two business days to Sinochem Fertilizer and upon obtaining the written consent from Sinochem Fertilizer, repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In addition, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date.
- Use of proceeds** : Sinochem Agriculture shall use the Fund for its daily operations (such as grain purchasing and storage) and acquisition of fixed assets.
- Other provisions** : Sinochem Agriculture shall provide detailed information concerning the use of each fund to Sinochem Fertilizer at the time of applying for such fund. Sinochem Fertilizer shall have the right to decide whether to release the fund to Sinochem Agriculture based on the information provided by it. If, during the term of the New Agreement for the Use of Fund, Sinochem Agriculture intends to invest any fixed asset project, its investment amount in which will exceed 25% of its total assets value, Sinochem Agriculture shall obtain a prior written consent from Sinochem Fertilizer for its investment in such project.

Sinochem Agriculture shall notify Sinochem Fertilizer when any of the following events occurs or is likely to occur: (a) the gearing ratio of Sinochem Agriculture exceeds 80% after its registered capital has been paid up, (b) its liquidity ratio is lower than 1, (c) there is a change in its effective controller, (d) its annual gross profit margin is negative, and (e) there is an adverse change in its long-term investments. In any of such cases, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date.

LETTER FROM THE BOARD

Liabilities for breach of contract : If Sinochem Agriculture fails to perform its obligations under the New Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to cease the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released and any interest accrued thereon prior to the maturity date. In addition, if Sinochem Agriculture is unable to repay the Fund and any interest accrued thereon as scheduled or fails to use the Fund in accordance with the use specified in the New Agreement for the Use of Fund, Sinochem Fertilizer shall also have the right to impose on Sinochem Agriculture an additional interest of 50% on the overdue amount or the amount used in breach of the New Agreement for the Use of Fund.

Pricing Basis

The terms of the New Agreement for the Use of Fund are agreed upon by the parties after arm's length negotiations and having regard to the prevailing market price and market practices. When determining the amount of the Fund, the Group has taken into account its cash and cash equivalents on hand and existing borrowings, the interest income available to the Group for placing deposits with banks, the assessment of the Group on the financial and business conditions of Sinochem Agriculture, as well as the financial needs of Sinochem Agriculture and its use of proceeds. When determining the interest rate of the Fund, the Group has made reference to the latest one-year LPR as published by the PBOC and the interest rates of loans of the similar term previously offered by independent commercial banks to Sinochem Agriculture.

Provision of Guarantee

Syngenta Group issued the Letter of Guarantee to Sinochem Fertilizer on 6 September 2022, pursuant to which Syngenta Group provided a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund. If Sinochem Agriculture fails to repay the Fund and any interest accrued thereon pursuant to the New Agreement for the Use of Fund, Sinochem Fertilizer shall have the right to require Syngenta Group to make repayments for Sinochem Agriculture within ten business days after serving a prior written notice to Syngenta Group. The liabilities of Syngenta Group under the guarantee shall be limited to the amount actually released by Sinochem Fertilizer to Sinochem Agriculture and any interest accrued thereon pursuant to the New Agreement for the Use of Fund.

Financial Effects of the Transaction

The Fund will be recorded as loan receivables under current assets of the Group. The provision of the Fund will increase the loan receivables of the Group and will decrease the bank balances and cash of the Group. The interest income from the Fund will be recorded as interest income of the Group.

LETTER FROM THE BOARD

Save for the aforesaid, there would be no material effect of the transaction under the New Agreement for the Use of Fund on the earnings, assets and liabilities of the Group.

Reasons for and Benefits of the Transaction

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

- (i) As Sinochem Agriculture has established its business nationwide, it can promote Sinochem Fertilizer's products in an effective manner during its provision of agricultural services to its customers. In 2020, Sinochem Agriculture has obtained the central enterprise qualification for national grain procurement. Further, with the establishment of its modern agricultural technological platform (the "MAP") that integrates offline and online functions, Sinochem Agriculture has consistently expanded its service areas, and optimized its business process and profit model. Sinochem Agriculture has built and operated 492 county and city-level MAP technical service centers and over 900 MAP farms nationwide, covering staple crops such as rice, wheat and corn, economic crops such as fruit and vegetable, and crops with local characteristics such as cotton, alfalfa and sugar beet, and achieved business operations in 29 provinces and regions and 657 counties and cities across China. The provision of the Fund by Sinochem Fertilizer to Sinochem Agriculture can further promote the business development of Sinochem Agriculture, which will in turn facilitate Sinochem Fertilizer to further extend its sales channels through Sinochem Agriculture and increase the operating revenue and profitability of Sinochem Fertilizer;
- (ii) The interest rate of the Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group may obtain a higher interest income through the transaction under the New Agreement for the Use of Fund to increase its rate of return on cash and cash equivalents, thereby improving its investment income;
- (iii) All of the Fund will be financed by the Group from its surplus funds. Therefore, the Company is of the view that the provision of the Fund will not affect the working capital or daily operations of the Group during the term of the New Agreement for the Use of Fund, and the loan peak level of Sinochem Fertilizer during such period is expected to be similar to its loan peak level of approximately RMB2,090 million during the year ended 31 December 2021. Moreover, pursuant to the New Agreement for the Use of Fund, Sinochem Fertilizer may, by serving a prior written notice of five business days to Sinochem Agriculture, require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date, which increases the flexibility of fund management by Sinochem Fertilizer. Sinochem Fertilizer can recover the Fund within a short period of time when there is any funding requirement to conduct its daily operations and to repay its existing debts. Such

LETTER FROM THE BOARD

arrangement is not normally available to lenders in usual loan agreements with independent third parties, and is more favourable to the Group as compared to the terms with independent third parties; and

- (iv) The Group has also considered the possibility of increasing its rate of return by investing in industry-related projects, but there are no projects requiring significant capital investment as at the Latest Practicable Date. In addition, the Group has also considered revenue management such as placing deposits, but principal-guaranteed products such as deposits usually have an interest rate which is lower than that for the Fund, and have a fixed term which restricts the Group's ability to withdraw its funds before the maturity date. In particular, due to the mounting pressure from economic downturn caused by the COVID-19 pandemic, the monetary policy of the PRC is expected to be eased further. In the context of the loose monetary policy in the PRC, the yield of deposit products has generally decreased. The investment returns of the Group from principal-guaranteed products such as deposits have been lower than before and it is expected that such investment returns may further decrease.

Internal Control Measures

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

- (i) Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by Sinochem Agriculture at the time of its application for the Fund, so as to ensure the safe use of the Fund and to mitigate the recovery risks during the process of determining the release of the Fund. Sinochem Fertilizer shall be under no obligation to provide the Fund, in whole or in part, to Sinochem Agriculture under the New Agreement for the Use of Fund, and shall have the absolute right to reject Sinochem Agriculture's applications for the Fund if it is not satisfied with the information provided by Sinochem Agriculture or has any concern about its repayment ability. Before releasing the Fund, the manager of the Treasury Division of the Company will review the details of the application and analyze the Group's position of bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should he have any concern about the business or financial position of Sinochem Agriculture;
- (ii) Sinochem Agriculture shall use the Fund strictly in accordance with the use specified in the New Agreement for the Use of Fund, and Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use by Sinochem Agriculture of the Fund to ensure that the Fund will be used for specified purposes;

LETTER FROM THE BOARD

- (iii) The Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture. Although Sinochem Agriculture is still in a loss making situation, its revenue has increased substantially from approximately RMB5,094 million for the year ended 31 December 2020 to approximately RMB13,849 million for the year ended 31 December 2021, representing an increase of approximately 172%. As at 31 December 2021, Sinochem Agriculture had total assets, total liabilities and net assets of approximately RMB18,376 million, RMB18,340 million and RMB36 million, respectively. In addition, since Sinochem Fertilizer provided the fund to Sinochem Agriculture for the first time in December 2018, Sinochem Agriculture has not violated any agreement for the use of fund entered into with Sinochem Fertilizer, or failed to repay any fund to Sinochem Fertilizer on a timely basis. Based on the above due diligence results, and taking into account the guarantee provided by Syngenta Group pursuant to the Letter of Guarantee and the bank facilities available to Sinochem Agriculture as further described in the paragraphs (iv) and (v) below, the Company is optimistic about the repayment capability of Sinochem Agriculture;
- (iv) As at 30 June 2022, Sinochem Agriculture obtained the facilities in a total amount of approximately RMB16,000 million from various financial institutions, and the available credit under such facilities amounted to RMB8,300 million. Sinochem Agriculture may utilize such facilities to make repayment (or even early repayment) of the Fund to Sinochem Fertilizer when necessary; and
- (v) Syngenta Group has provided a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund, thus further mitigating the risks of the Group in the transaction under the New Agreement for the Use of Fund. Syngenta Group has solid financial track records. Based on the information published on the website of the Science and Technology Innovation Board of the Shanghai Stock Exchange, Syngenta Group recorded a total revenue of approximately RMB181,800 million and net profit of approximately RMB8,000 million for the year ended 31 December 2021. Syngenta Group had total assets of approximately RMB493,100 million and net assets of approximately RMB263,000 million as at 31 December 2021. Furthermore, Syngenta Group's corporate rating is AAA grade, which is the highest level in corporate credit ratings.

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

Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei, being Directors of the Company and management members of Syngenta Group, have abstained from voting on the relevant Board resolution to approve the transaction under the New Agreement for the Use of Fund.

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 issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation (an indirect subsidiary of Sinochem Holdings) and its subsidiary, Sinochem Finance is a connected person of the Company. Sinochem Agriculture is a wholly-owned subsidiary indirectly held by Sinochem Holdings (through Syngenta Group), and is also a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the transaction contemplated under the New Agreement for the Use of Fund constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum amount of the Fund to be provided under the New Agreement for the Use of Fund are more than 5%, the transaction under the New Agreement for the Use of Fund is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Deposit Services are regarded as the Group providing financial assistance under the Listing Rules, the Company has aggregated the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the transaction under the New Agreement for the Use of Fund to assess the classification of the transactions under Chapter 14 of the Listing Rules. Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the maximum amount of the Fund to be provided under the New Agreement for the Use of Fund in aggregate are more than 25% but less than 100%, such transactions in aggregate also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

LETTER FROM THE BOARD

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

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

Sinochem 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.

Sinochem Finance is a non-bank financial institution established in the PRC with the approval of the PBOC and subject to the supervision of the CBIRC. Sinochem Finance is principally engaged in the businesses of financial and financing advisory service, credit authentication and related consulting service and agency service; provision of guarantees; entrusted loan and investment; bill acceptance and discount; settlement service; deposit service; loan and finance lease, etc.

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

Syngenta Group is mainly engaged in the technological development, transfer and advisory service in the fields of agricultural technology, biotechnology and information technology; the production and operation of crop seeds; the production of genetically modified crop seeds; and the research and development, and sale of chemical raw materials

LETTER FROM THE BOARD

and products (excluding hazardous chemicals, controlled chemicals, civil explosives and precursor chemicals). Syngenta Group is an indirect wholly-owned subsidiary of Sinochem Holdings.

SGM

Ordinary resolutions approving (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund shall be proposed at the SGM.

In view of Sinochem Holdings' interests in the transactions under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the New Agreement for the Use of Fund, 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 Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund. As Sinochem Holdings indirectly holds 3,698,660,874 Shares, representing approximately 52.65% of the total issued shares of the Company, through Syngenta Group (HK) Holdings Company Limited ("**Syngenta HK**") which is an indirect wholly-owned subsidiary of Sinochem Holdings and the immediate controlling shareholder of the Company, Syngenta HK shall abstain from voting at the SGM. Save for Syngenta HK, none of the shareholders would be required to abstain from voting at the SGM.

A notice convening the SGM to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 September 2022 at 3:00 p.m. is set out on pages 72 to 73 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 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 Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund. 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 28 to 29 of this circular, which contains its advice to the Independent Shareholders, and the letter from Somerley set out on pages 30 to 64 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

14 September 2022

To: the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT
(AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)
AND
MAJOR AND CONNECTED TRANSACTION
UNDER THE NEW AGREEMENT FOR THE USE OF FUND**

We refer to the circular of the Company dated 14 September 2022 (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 Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund 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 Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund.

We wish to draw your attention to the letter from the Board set out on pages 7 to 27 of the Circular, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 30 to 64 of the Circular which contains its opinion in respect of (i) the Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund.

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 Deposit Services (including the maximum daily outstanding balance) under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and (ii) the transaction under the New Agreement for the Use of Fund are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the notice of the SGM.

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

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED

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

14 September 2022

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

Dear Sirs,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT
(AS REVISED AND RENEWED BY THE SUPPLEMENTAL AGREEMENT)
AND
MAJOR AND CONNECTED TRANSACTION
UNDER THE NEW AGREEMENT FOR THE USE OF FUND**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the provision of the Deposit Services (including the proposed maximum daily outstanding balance (the “**Maximum Daily Outstanding Balance**”)) by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), and (ii) the provision of a loan facility by the Group to Sinochem Agriculture under the New Agreement for the Use of Fund (the “**Loan Transactions**”) (collectively, the “**Transactions**”), for which the Independent Shareholders’ approval is being sought. Details of the Transactions are contained in the circular of the Company to the Shareholders dated 14 September 2022 (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 the total issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Finance and Sinochem Agriculture are subsidiaries of Sinochem Holdings, Sinochem Finance and Sinochem Agriculture are connected persons of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the New Agreement for the Use of Fund constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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As the applicable percentage ratios in respect of the Maximum Daily Outstanding Balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the maximum amount of the Fund to be provided under the New Agreement for the Use of Fund are more than 5%, the Loan Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Maximum Daily Outstanding Balance of the Deposit Services and the maximum amount of the Fund to be provided under the New Agreement for the Use of Fund in aggregate are more than 25% but less than 100%, such transactions also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

The Company will convene a SGM to seek approval from the Independent Shareholders in respect of the Transactions. In view of Sinochem Holdings' interests in the transactions under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the New Agreement for the Use of Fund, 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 Transactions.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius, has been established to advise the Independent Shareholders whether the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to certain connected transactions of the Group, details of which were set out in the circulars of the Company dated 3 December 2020, 14 September 2021, 13 December 2021 and 8 April 2022. The above engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Somerley received normal professional fees from the Company. As such, we are of the view that the past engagements do not affect the objectivity of our advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) any of the Group, Sinochem Group, Sinochem Finance, Syngenta Group, Sinochem Agriculture or 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.

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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 Supplemental Agreement, (ii) the New Agreement for the Use of Fund, (iii) the annual report of the Company for the year ended 31 December 2021, (iv) the interim results announcement of the Company for the six months ended 30 June 2022, and (v) other relevant information as 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 Group, Sinochem Finance, Syngenta Group, Sinochem Agriculture or any of their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. The Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)

1. Information on the parties

The Group

The Group is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement, distribution and agricultural services of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$7.3 billion as at the Latest Practicable Date.

The Group's revenue increased by approximately 5.9% year-on-year to approximately RMB22.6 billion in 2021. Profit attributable to owners of the Company grew by approximately 34.6% year-on-year to approximately RMB866.6 million in 2021. The profit growth was mainly due to the Group's efforts to enhance efficiency and reduce costs, and the increase in share of results of the Group's joint ventures, which benefited from a sharp increase in major product price. For the six months ended 30 June 2022, revenue and profit attributable to owners of the Company continued to grow

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to approximately RMB15.3 billion and RMB998.4 million respectively, representing increases of approximately 12.6% and 50.5% compared to the same period last year.

As a result of continued profitability and strong cash flow from operating activities in recent years, the Group's liquidity position has continuously improved. Bank loans and short-term commercial paper (if applicable) of the Group decreased from approximately RMB1.7 billion as at 31 December 2020 to approximately RMB1.5 billion as at 30 June 2022. During the same period, cash and cash equivalent increased from approximately RMB0.8 billion to RMB2.9 billion. In 2021, the Group achieved a net cash position (cash and cash equivalent less bank loans and short-term commercial paper (if applicable)) for the first time for several financial year ends. The Group continued to record net cash position of approximately RMB1.3 billion as at 30 June 2022.

Sinochem Group

Sinochem Group is a subsidiary of Sinochem Holdings, the ultimate controlling shareholder of the Company. Sinochem Group is a state-controlled enterprise and a Fortune Global 500 Company. Its core business areas include, among others, energy, chemical, real estate and finance.

Sinochem Finance

Sinochem Finance is owned as to 37% by Sinochem Holdings and 63% in aggregate by Sinochem Corporation (an indirect subsidiary of Sinochem Holdings) and its subsidiary. It is a non-bank financial institution established in the PRC with the approval of the PBOC and subject to the supervision of the CBIRC. It is principally engaged in the businesses of financial and financing advisory service, credit authentication and related consulting service and agency service, provision of guarantees, entrusted loan and investment, bill acceptance and discount, settlement service, deposit service, and loan and finance lease.

For further information on Sinochem Finance, please refer to the section below headed "4. Business and financial information on Sinochem Finance".

2. Background to and reasons for the Deposit Services

Since 2009, Sinochem Finance has been providing various financial services (including the Deposit Services, the Loan Services and settlement services) to the Group pursuant to the financial services framework agreements previously entered into between Sinochem Finance and the Company. According to the letter from the Board, Sinochem Finance is regulated by the PBOC and the CBIRC and its services are provided in compliance with the relevant rules and operational

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requirements promulgated by the above authorities, including capital risk guidelines and requisite capital adequacy ratio requirements. Further details of Sinochem Finance's financial and regulatory requirements are set out in the section below headed "7. Regulatory environment of Sinochem Finance". Compared to independent commercial banks, Sinochem Finance (serving as a financial service provider of Sinochem Group) is able to provide services to the Group in a timely manner. For instance, the loan drawdown procedures required by Sinochem Finance are convenient and can be completed within one to two days, while it would usually take the Company one week or even a longer period, to obtain loans from independent commercial banks.

As advised by management of the Group, it is the Group's capital management strategy to either place deposits with independent commercial banks or Sinochem Finance, and to invest in short-term financial products, in order to generate interest and/or investment income. Sinochem Finance provides a favourable deposit portfolio for the Group, which will increase returns on the Group's liquidity and give flexibility to the Group. Sinochem Finance is also able to provide flexible and convenient procedures for withdrawals to meet the funding requirements of the Group for its business development in a timely manner. As set out in the letter from the Board, the Group will utilise the services of Sinochem Finance on a voluntary and non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all. The Group may discontinue its use of all or any of such services provided by Sinochem Finance without having to incur extra cost. This means that Sinochem Finance represents an additional source of financial services for the Group to choose from, which in turn serves to enhance flexibility for the Group's capital management.

Based on our discussions with management of the Group, during the ordinary and usual course of business, the Group conducted a number of transactions with Sinochem Group companies, and these transactions include sales and purchases of fertilizers, loan arrangements and settlement of various operating expenses (including import services fees and office rental fees). Such transactions and balances between the Group and Sinochem Group companies are mostly settled through their respective accounts maintained with Sinochem Finance. As set out in the letter from the Board, the transaction amount for the sale of fertilizer and other fertilizer raw materials by Sinochem Group to the Group under the Fertilizer Import Framework Agreement is expected to increase substantially from approximately RMB2,544 million in 2021 to no more than RMB13,135 million in 2022.

According to the Company's announcement on 31 December 2021, the Group stated its intention to dispose of its nitrogen fertilizer business unit. We understand from management of the Group that the nitrogen fertilizer business is largely a trading business, which absorbed a large amount of working capital (e.g. inventories and accounts receivables) to support such businesses. Upon completion of the potential disposal of its nitrogen fertilizer business, such working capital items previously utilised by the nitrogen fertilizer business will be released and the Group's liquidity position will be further strengthened. This factor, together

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with the expected expansion of transaction scale with Sinochem Group companies as discussed above, will drive the demands for settlement. Increasing the cap on the Deposit Services will facilitate the Group to fully utilise the free-of-charge settlement services offered by Sinochem Finance.

The current financial services provided by Sinochem Finance to the Group are governed by the Financial Services Framework Agreement, which will expire on 31 December 2023. On 5 August 2022, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement, and to renew and extend the term of the Financial Services Framework Agreement to 31 December 2024.

The Group has a number of internal control measures in place to protect the interests of the Shareholders regarding deposits with Sinochem Finance, as further analysed in the section below headed “6. Internal control procedures and corporate governance measures of the Group”. As a licensed financial institution, Sinochem Finance is required to comply with relevant mandatory requirements (such as a minimum capital adequacy ratio) from the PBOC and/or the CBIRC. In addition, Sinochem Group has issued an undertaking in favour of the Company relating to Sinochem Finance’s obligations and performance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement). In our view, the above measures provide assurance that the risk of the Group’s deposits placed with Sinochem Finance are properly addressed.

3. Principal terms of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement)

Pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), the Group may utilise the financial services available from Sinochem Finance as it deems necessary, on a non-exclusive basis, including (a) the Deposit Services; (b) the Loan Services where no mortgage, pledge or other security over the assets or interests of members of the Group will be granted; (c) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency; (d) provision of buyer financing services, in which Sinochem Finance would, among others, extend loans and grant credit to customers of the Group for the purpose of purchasing goods or services from the Group; (e) settlement services between members of the Group and third parties (such as customers of the Group); (f) provision of guarantees for financing, lease financing, bidding activities or the fulfilment of contracts to third parties where no counter-guarantee by members of the Group is required; and (g) any other financial services as approved by the CBIRC. The Group may discontinue its use of all or any such services provided by Sinochem Finance without incurring any extra cost.

Set out below are the major terms of the financial services to be provided by Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement). For further details, please refer to

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the section headed “Principal Terms of the Financial Services Framework Agreement (as Revised and Renewed by the Supplemental Agreement)” in the letter from the Board.

Provision of the Deposit Services

Deposit interest rates offered by Sinochem Finance shall not be lower than (i) the benchmark deposit interest rates of the same tenure and type as promulgated by the PBOC from time to time, or (ii) the deposit interest rates of the same tenure and type as offered by independent commercial banks (whichever is higher). As advised by management of the Group, it is expected that the maximum tenure of any term deposits with Sinochem Finance will not be more than one year. The Deposit Services offered by Sinochem Finance will be on terms at least the same as, or more favourable than, the deposit services offered by independent commercial banks, and the Group has the sole discretion, subject to the relevant caps, to agree the amount of funds to be deposited with Sinochem Finance, when to deposit, when to withdraw, and the amount of funds to be withdrawn, depending on the Group’s own working capital position and requirements.

Provision of Loan Services

Loan interest rates offered by Sinochem Finance shall not be higher than the interest rates for loans of the same tenure and type as offered by independent commercial banks with which the Group maintains cooperation in the PRC. No security over the assets or interests of members of the Group will be granted in respect of the financial assistance from Sinochem Finance to the Group.

Provision of other financial services

For the arrangement of entrustment loans, the annual service fee payable by the Group shall not exceed the service fee payable on entrustment loans of the same tenure and under the same terms obtainable from independent commercial banks in the PRC. No service fee is payable by the Group for settlement services.

As to the other financial services, the fees and interests to be charged by Sinochem Finance shall not be higher than the prevailing market rates or standard rates promulgated by the PBOC from time to time (if applicable).

Term

The Supplemental Agreement shall take effect on the date of approval by the Independent Shareholders at the SGM. The Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) shall expire on 31 December 2024. Sinochem Finance and members of the Group shall enter into separate agreements which set out the

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specific scope of services and the terms and conditions of providing such services according to the principles laid down by the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

The terms governing the deposit services under the Financial Services Framework Agreement shall remain in effect until the date when the approval from the Independent Shareholders in respect of the Deposit Services (including the Maximum Daily Outstanding Balance) is obtained. In the event that the Deposit Services (including the Maximum Daily Outstanding Balance) are not approved by the Independent Shareholders, the Company will ensure that the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance will not exceed the original cap of RMB1.0 billion under the Financial Services Framework Agreement up to its original expiry date of 31 December 2023.

Right of set-off

In the event that any member of the Group fails to recover any amount it deposits with Sinochem Finance, such member of the Group will have the right to offset amounts against any outstanding amounts due to Sinochem Finance by any member of the Group. Sinochem Finance does not have such right of set-off under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

Undertakings

Sinochem Finance will apply all the monies deposited by the Group to such activities as approved by the CBIRC in accordance with the relevant laws and regulations of the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them only with banking institutions approved by the CBIRC.

Sinochem Finance has also undertaken that the sum of the outstanding amount of the loans it provides to its customers (excluding the Group) shall at all times not exceed the sum of Sinochem Finance's share capital, surplus and reserves, and deposits received from parties other than the Group.

In addition, in the event that the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), Sinochem Finance shall compensate the Group for the full amount of the loss suffered.

According to the relevant laws and regulations promulgated by the CBIRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem

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Holding, being the ultimate holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting capital into Sinochem Finance based on its funding needs, to restore its financial position.

Sinochem Group has issued an undertaking (the “**Undertaking**”) in favour of the Company, pursuant to which Sinochem Group will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

Our comments

Sinochem Finance has been providing various financial services to the Group since 2009. Members of the Group have maintained deposit accounts with Sinochem Finance for daily business operations, such as transaction settlements with their customers and other Sinochem Group companies. The entering into of the Supplemental Agreement is to (i) revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance in order to cater for the increasing daily transaction settlement needs and the capital management strategy of the Group, and (ii) to extend the term of the Financial Services Framework Agreement from 31 December 2023 to 31 December 2024.

The arrangement under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) is on a non-exclusive basis, such that the Group has the discretion to determine whether to use any services provided by Sinochem Finance. In other words, Sinochem Finance can be regarded as an additional choice of financial services provider. We note that the deposit interest rates of the Deposit Services shall be at least the same as, or more favourable than, the interest rates for deposits with same tenure and type as offered by independent commercial banks.

A number of protection clauses and safeguards are stipulated in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), such as the right of set-off, which is only available to the Group but not to Sinochem Finance. A number of internal control procedures will be adopted by the Group, such as the restriction that (i) the outstanding amount of the Group’s overall financial assistance to Sinochem Holdings and its associates (including its deposits balance with Sinochem Finance and the Loan Transactions) on each day will not exceed 30% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements (the “**Deposit Restriction**”), and (ii) the Group will not continue to place additional deposits with Sinochem Finance and may withdraw its existing deposits if any significant credit risk events involving Sinochem Finance and its significant shareholders and de facto controller (being Sinochem Holdings, Sinochem Group and Sinochem Corporation) come to the Group’s attention.

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As additional protections, Sinochem Group has undertaken to procure the performance of Sinochem Finance under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and Sinochem Holding has the obligation to take all required steps to restore Sinochem Finance's financial position in the event it has financial difficulty. We consider the Deposit Restriction to be an appropriate internal control to limit the risk of the Group's bank balances and cash deposited with Sinochem Finance. For our further analyses, please refer to the sections below headed "6. Internal control procedures and corporate governance measures of the Group" and "7. Regulatory environment of Sinochem Finance" respectively.

4. *Business and financial information on Sinochem Finance*

Scope of business

According to its business licence, Sinochem Finance is authorised to provide all services as set out in the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and provide similar services to members of Sinochem Group. As confirmed by management of the Group, Sinochem Finance is also allowed to provide a limited scope of financial services, such as buyer financing services and discounting services, to downstream customers and upstream suppliers of the Group. We are advised by management of the Group that Sinochem Finance is not allowed to engage in business other than financial services, such as industrial investment or trading. As at the Latest Practicable Date, Sinochem Finance is not rated by any credit rating agency.

As at 30 June 2022, Sinochem Finance has a registered and fully paid-up capital and total assets of RMB6.0 billion and RMB54.0 billion respectively based on its unaudited management account, and has a capital adequacy ratio of approximately 15.96%, which is higher than the requirement promulgated by the CBIRC of 10% for finance companies.

Management of Sinochem Finance

As at the Latest Practicable Date, the board of directors of Sinochem Finance comprises five members. As advised by management of the Group, majority of the board members and the senior management of Sinochem Finance have extensive experience in the financial capital markets in the PRC and are fully able to understand and monitor the operation and development of Sinochem Finance.

Financial performance

The following table set out a summary of consolidated statements of profit or loss of Sinochem Finance, as extracted and summarised from its audited financial statements for the three years ended 31 December 2019,

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2020 and 2021, and its unaudited management accounts for the six months ended 30 June 2021 and 30 June 2022, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	For the six months		For the year ended 31 December		
	ended 30 June				
	2022	2021	2021	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net interest income	222.8	237.6	428.2	388.4	434.0
Investment income	106.1	66.6	791.5	763.7	561.8
(Impairment losses)/ Reversal of impairment losses	(165.9)	33.9	6.0	(168.8)	(242.5)
Profit after taxation	80.9	246.5	1,082.2	830.6	642.1

Net interest income of Sinochem Finance fluctuated in the past three years. For the first half of 2022, net interest income decreased by approximately 6.2% year-on-year to approximately RMB222.8 million. As advised by management of the Group, such fluctuations were broadly in line with the movements of the average daily loan extended by Sinochem Finance to Sinochem Group companies, which directly affect the interest income generated by Sinochem Finance.

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Investment income of Sinochem Finance mainly represents share of results from long-term equity investments (mainly investment in an associate) and interest income derived from investment funds, corporate and perpetual bonds and other debt instruments. Such income increased from approximately RMB561.8 million in 2019 to approximately RMB763.7 million in 2020 and remained relatively stable in 2021. For the first half of 2022, investment income of Sinochem Finance was approximately RMB106.1 million, a sharp increase from the first half of 2021.

Impairment losses made in the past three years represent additional allowances for impairment losses prepared in accordance with the regulatory requirements. Sinochem Finance recorded a reversal of impairment losses in 2021, mainly due to less allowance for impairment losses required due to the decrease in overall loan balance. Notwithstanding the above allowance for impairment losses, which is principally based on the amount of loans outstanding, the management of the Group has informed us that Sinochem Finance has not had any actual non-performing assets or loans during the past three years. For the first half of 2022, Sinochem Finance recorded an impairment losses of approximately RMB165.9 million, mainly due to the increase in loans receivables.

Profit after taxation of Sinochem Finance increased during the three years ended 31 December 2021 when compared to the corresponding period in the previous year, mainly due to the increase in investment income and decrease in impairment losses. For the first half of 2022, profit after taxation of Sinochem Finance decreased by approximately 67.2% to approximately RMB80.9 million, mainly due to the increase in impairment losses as explained above.

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Financial position

The following table set out a summary of consolidated statements of financial position of Sinochem Finance, as extracted and summarised from its audited financial statements for the three years ended 31 December 2019, 2020 and 2021, and its unaudited management accounts for the six months ended 30 June 2022, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	As at 30	As at 31 December		
	June	2021	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Assets				
Long-term equity investments	4,756	4,756	3,899	3,031
Loans receivables	36,582	23,974	26,750	20,155
Financial investments	7,673	8,154	4,512	2,235
Cash balances with other financial institutions	4,602	2,419	3,303	5,407
Other assets	338	1,469	303	288
	<u>53,951</u>	<u>40,772</u>	<u>38,767</u>	<u>31,116</u>
Liabilities				
Deposits received	41,080	23,969	20,545	22,747
Other liabilities	1,754	5,762	8,313	2,437
	<u>42,834</u>	<u>29,731</u>	<u>28,858</u>	<u>25,184</u>
Equity				
Share capital	6,000	6,000	6,000	3,000
Reserves	5,117	5,041	3,909	2,932
	<u>11,117</u>	<u>11,041</u>	<u>9,909</u>	<u>5,932</u>
Capital adequacy ratio				
<i>(Note)</i>	15.96%	20.29%	18.24%	12.31%

Note: Capital adequacy ratio is a measurement of capital position of a financial institution in respect of its exposure to risks such as credit risk, market risk and operational risk, and is calculated as the financial institution's capital base divided by its risk-weighted assets.

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As at 30 June 2022, loans receivables of Sinochem Finance were approximately RMB36.6 billion, mainly representing loans to Sinochem Group companies. Financial investments of Sinochem Finance were approximately RMB7.7 billion, mainly representing investment funds, corporate and perpetual bonds and other debt instruments.

As at 30 June 2022, the deposit base of Sinochem Finance was approximately RMB41.1 billion, a substantial portion of which were either extended as loans to Sinochem Group companies or placed with other financial institutions. As at 30 June 2022, registered capital of Sinochem Finance was RMB6.0 billion.

Internal controls

We have obtained and reviewed the operation manual of Sinochem Finance and note that it adopts certain corporate governance and internal control measures to manage its risk profile, including business and financial risk, and to ensure the business operations of Sinochem Finance are in compliance with the relevant laws and regulations promulgated by the CBIRC.

Sinochem Finance has a delineation of the roles and responsibilities of major operational departments, segregation of powers and duties, internal review and assessment mechanism, proper training and establishment of a risk assessment policy. We are advised by management of Sinochem Finance that Sinochem Finance has not defaulted on any of its credit obligations or breached any rules or operational requirements of such regulatory authorities during the past three years. We have also obtained the audited financial statements of Sinochem Finance for the three years ended 31 December 2021, and did not note any default on credit obligations disclosed in such financial statements.

5. *Information on Sinochem Group*

Sinochem Group, which has provided the Undertaking to procure the obligations of Sinochem Finance, is a subsidiary of Sinochem Holding, one of the largest state-owned enterprises incorporated in the PRC with principal business activities in energy, chemicals, real estate and finance in the PRC. Sinochem Group is a Fortune Global 500 company.

According to its 2021 unaudited consolidated management accounts, Sinochem Group had registered and fully paid-up capital of approximately RMB47.1 billion, consolidated net assets attributable to owners of the company of approximately RMB71.9 billion and a cash balance of approximately RMB39.3 billion as at 31 December 2021. Gearing ratio, which is calculated as total borrowings divided by total assets, was approximately 17.2% as at 31 December 2021. Profit attributable to owners of Sinochem Group amounted to approximately RMB3.3 billion, RMB5.6 billion and RMB12.8 billion in 2019, 2020 and 2021

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respectively. On this basis, Sinochem Group operates substantial business operations with a scale that is much larger than the scale of Sinochem Finance, and has been generating substantial profits in recent years. To the knowledge of the Company, Sinochem Group has not defaulted on any of its credit obligations in the past five years.

Based on the above and assuming no material change to Sinochem Group's financial performance and position, we consider that Sinochem Group has strong financial capabilities to procure Sinochem Finance's obligations under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) pursuant to the Undertaking.

6. Internal control procedures and corporate governance measures of the Group

In order to protect the interest of the Shareholders, the Group will continue to adopt certain internal control procedures and corporate governance measures to regulate the utilisation of financial services provided by Sinochem Finance. As confirmed by management of the Group, there is a proper and complete separation of duties between the Group and Sinochem Finance, and no staff, senior management or director of Sinochem Finance will be involved in the internal control procedures and corporate governance measures of the Group. Below are the key internal control procedures and corporate governance measures summarised from the letter from the Board:

- (a) Prior to placing term deposits with Sinochem Finance, the Group will compare at least three comparable interest rates of deposits of the same tenure and type from independent commercial banks and the deposit benchmark interest rates promulgated by the PBOC at the time of the transaction;
- (b) For the purpose of facilitating settlement service through Sinochem Finance, the Group will also place demand deposits with Sinochem Finance. The Group will compare, on a quarterly basis and whenever there is a change in the deposit benchmark interest rate promulgated by the PBOC, at least three comparable interest rates on such deposits quoted by independent commercial banks with which the Group maintains bank accounts and the deposit benchmark interest rates promulgated by the PBOC, and also take into account the service fee charged by the independent commercial banks for the settlement services (the settlement services offered by Sinochem Finance are free of charge). The Group will determine whether it will continue to place demand deposits with Sinochem Finance for the next quarter based on the above assessment for the previous quarter;
- (c) Before the Group enters into any loan or credit facilities agreements with Sinochem Finance in relation to its borrowings from Sinochem Finance, it will obtain at least three comparable offers from

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independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be). The terms of such offers, together with the offer from Sinochem Finance, will be submitted to the chief financial officer of the Company for review, who in turn will seek approval from the chief executive officer of the Company as appropriate on whether to accept Sinochem Finance's offer, after taking into account a number of factors including interest rate being offered, and quality and flexibility of the services to be provided by Sinochem Finance and independent commercial banks or financial institutions based on previous experience;

- (d) All borrowings of the Group from Sinochem Finance (including drawdowns from credit facilities) will be conducted in accordance with the terms approved by the chief financial officer of the Company or the Board, as appropriate;
- (e) Sinochem Finance shall provide the Company with (i) a report on any changes in its credit ratings every six months, (ii) monthly financial statements of Sinochem Finance, (iii) a monthly report on the status of the Group's deposits placed with Sinochem Finance on the third day of each month, pursuant to the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement), (iv) inform the Company of any disciplinary actions taken by the CBIRC against Sinochem Finance, or any penalties or fines imposed on Sinochem Finance, or any opinions on corrective measures issued by the CBIRC containing its advice and improvement suggestion on the operation and management of Sinochem Finance, and (v) provide the Company with a risk assessment report on Sinochem Finance prepared by PRC certified public accountants on a semi-annual basis;
- (f) Sinochem Finance is required to provide operational ratios under regulatory requirements (including capital adequacy ratio, non-performing asset ratio, impaired loan ratio and asset impairment adequacy ratio) to the Company on a quarterly basis;
- (g) The Company will monitor the status of the deposits placed with Sinochem Finance on a daily basis and the status of the loans and other transactions with Sinochem Finance on a monthly basis through the internet banking services provided by Sinochem Finance;
- (h) In the case of any significant credit risk events involving Sinochem Finance and its significant shareholders and de facto controller (being Sinochem Holdings, Sinochem Group and Sinochem Corporation), including but not limited to its bonds issued in the open market being overdue for more than seven business days or its obligation to make repayment for any large amount of debts guaranteed by it being triggered, the Group will not continue to place additional deposits with Sinochem Finance and will arrange to withdraw its existing deposits;

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- (i) The Company will monitor the status of its financial assistance to Sinochem Holdings and its associates (including its deposits with Sinochem Finance and provision of the Fund to Sinochem Agriculture, as further discussed in the section below headed “B. The New Agreement for the Use of Fund”) on a daily basis to ensure that the outstanding amount of its overall financial assistance to Sinochem Holdings and its associates on each day will not exceed 30% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements, so as to limit the maximum risk exposure arising from its financial assistance to Sinochem Holdings and its associates (including the Deposit Services and provision of the Fund to Sinochem Agriculture); and
- (j) The internal control department of the Company will conduct an annual review of the relevant internal control measures and report the review results to the independent non-executive Directors.

Based on our discussions with management of the Group, during the terms of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and up to the Latest Practicable Date, Sinochem Finance has been offering more favourable deposit interest rates than those offered by other independent commercial banks with which the Group maintains bank accounts, to the extent that quotations are available to the Group. We consider the measures relating to the comparison of interest rates with independent commercial banks to be important to ensure that the interest rates offered by Sinochem Finance shall be at least the same as, or more favourable than the deposit benchmark interest rates, and the interest rates offered by independent commercial banks in the PRC, and that the interest rates available from Sinochem Finance are no less favourable to the Group from time to time.

Having considered the above internal control procedures and corporate governance measures of the Group, particularly (i) the comparison of any loan from Sinochem Finance with at least three offers from independent commercial banks or financial institutions in relation to the loan of the same term or a credit facility of the same nature, (ii) the comparison of interest rates being offered by Sinochem Finance with at least three comparable interest rates on deposits from independent commercial banks and the then deposit benchmark interest rate, (iii) the involvement of the independent non-executive Directors, who will review the implementation of the relevant internal controls and related report(s) annually, (iv) the regular monitoring of the financial information and business performance of Sinochem Finance, and (v) the Deposit Restriction as an additional safeguard in place to limit the risk exposures arising from the Deposit Services and other financial assistance with Sinochem Holdings and its associates, we concur with the Directors’ view that the above internal control procedures and corporate governance measures currently and to be adopted by the Group during the term of the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) are reasonable and appropriate, and that the procedures

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and measures ensure that the continuing connected transactions under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) will be appropriately monitored.

7. *Regulatory environment of Sinochem Finance*

The banking industry of the PRC is regulated by the CBIRC and the PBOC. According to the relevant requirements under “Measures for the Administration of Finance Companies of Enterprise Group” promulgated by the China Banking Regulatory Commission (the “CBRC”) (a predecessor of the CBIRC, before its merging with the China Insurance Regulatory Commission in April 2018), finance companies of enterprise groups are not allowed to engage in non-financial services business and are required to meet certain ratio requirements. Major regulatory ratio requirements and the relevant ratios of Sinochem Finance as at 31 December 2019, 2020 and 2021 and as at 30 June 2022 are set out in the table below:

	Requirements for PRC licensed finance companies	Sinochem Finance			
		As at 30			
		June 2022	As at 31 December		
		2021	2020	2019	
Capital adequacy ratio	Not lower than 10%	15.96%	20.29%	18.24%	12.31%
Inter-bank borrowing balances shall not exceed total capital	Not higher than 100%	12.79%	48.53%	80.01%	30.66%
Outstanding guarantee amounts shall not exceed total capital	Not higher than 100%	7.51%	3.72%	5.29%	40.86%
Non-performing asset ratio	Not higher than 4%	0.00%	0.00%	0.00%	0.00%
Impaired loan ratio	Not higher than 5%	0.00%	0.00%	0.00%	0.00%
Asset impairment adequacy ratio (Note)	Not lower than 100%	N/A	N/A	N/A	N/A
Current ratio	Not lower than 25%	35.25%	38.15%	51.90%	70.05%
Investment to total capital ratio	Not higher than 70%	56.63%	44.46%	38.94%	50.04%
Self-owned fixed assets to total capital ratio	Not higher than 20%	0.02%	0.03%	N/A	N/A

Note: As advised by management of the Group, Sinochem Finance did not record any assets (other than loans receivables) that have credit risk exposure under the Guidelines of Risk-based Classification of Loans promulgated by the CBRC, for the purpose of calculating the asset impairment adequacy ratio as at 31 December 2019, 2020 and 2021 and as at 30 June 2022. Accordingly, such ratio was not applicable during the corresponding periods.

As advised by management of the Group, the CBIRC monitors Sinochem Finance’s compliance with the applicable requirements of the relevant regulatory authorities and conducts on-site visits from time to time, and may issue opinions on corrective measures to Sinochem Finance. As shown in the table above, we note that all applicable ratios of Sinochem Finance as at each of the financial period ends were in compliance with the regulatory requirements for PRC licensed

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finance companies. In particular, the capital adequacy ratio of Sinochem Finance improved from approximately 12.31% as at 31 December 2019 to approximately 20.29% as at 31 December 2021, significantly higher than the 10% minimum requirement for PRC licensed finance companies. The decrease in capital adequacy ratio to approximately 15.96% as at 30 June 2022, still significantly higher than the above minimum requirement, was mainly due to the increase in risk-weighted assets (such as loans receivables) of Sinochem Finance during the period.

As confirmed by the management of the Group, Sinochem Finance has not received any further opinions on corrective measures from the CBIRC during the past three years.

8. *The maximum daily deposit balances*

Review of historical figures

Set out below are the historical maximum daily deposit balances placed by the Group with Sinochem Finance and the relevant cap amounts for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022:

	For the year ended		For the
	31 December		six
	2020	2021	months
	<i>(RMB</i>	<i>(RMB</i>	ended 30
	<i>million)</i>	<i>million)</i>	June
			2022
			<i>(RMB</i>
			<i>million)</i>
Maximum daily deposit balance placed by the Group with Sinochem Finance	873.6	934.1	952.0
Relevant caps	1,000	1,000	1,000
Utilisation rates	87.4%	93.4%	95.2%

As set out in the table above, we note that the relevant caps had been substantially utilised during the periods under review, ranging from 87.4% to 95.2%. The high utilisation rate was mainly due to the high volume of transaction settlements with customers of the Group. As advised by management of the Group, the Group has been constantly monitoring the various deposit accounts with Sinochem Finance, and transferring out sufficient amount of cash balance to other banks, to ensure that the relevant cap is not being exceeded. During the period from 1 January 2022 to the Latest Practicable Date, the maximum daily deposit balance placed by the Group with Sinochem Finance was approximately RMB990.0 million.

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Assessment of the Maximum Daily Outstanding Balances

The Maximum Daily Outstanding Balance is proposed to be RMB2.0 billion for the three years ending 31 December 2024 under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement).

In assessing the reasonableness of such Maximum Daily Outstanding Balance, we have discussed with management of the Group the reasons underlying this projection, which is 100% higher than the existing maximum daily deposit balance. The Directors have taken into account, among other things, (i) the expected increase in transactions with members of Sinochem Group which will increase demands for settlement, (ii) the estimated maximum bank balances and cash of the Group during the peak season in the past three years, (iii) the expected release of a large amount of working capital from the potential disposal of the Group's nitrogen fertilizer business unit, (iv) the intention to deposit funds with Sinochem Finance for the purpose of utilising the free of charge settlement services, (v) the fact that the interest rates of Sinochem Finance's various deposit products reached the maximum limit stipulated in the regulation of the market interest rate pricing self-regulatory mechanism of the PBOC, (vi) the flexible and convenient procedures for withdrawals to meet the Group's funding requirement, and (vii) the nature of the Deposit Services, which are on a voluntary and non-exclusive basis and not an obligation to the Group.

A number of intercompany transactions and balances between the Group and members of Sinochem Group are settled through accounts maintained with Sinochem Finance. We understand from management of the Group that it has been constantly monitoring its various deposit balances with Sinochem Finance, and that due to the current maximum balance of RMB1.0 billion being insufficient for the above daily transactions with members of Sinochem Group, the Group is required to, from time to time, transfer funds from such deposit accounts to other independent banks to ensure that the deposit balance would not exceed the relevant cap. As set out in the letter from the Board, sale of fertilizer and other fertilizer raw materials by Sinochem Group to the Group is expected to increase substantially from approximately RMB2,544 million in 2021 to no more than RMB13,135 million in 2022. If the current maximum balance of RMB1.0 billion is maintained, the expected increase in transactions with Sinochem Group may require more frequent fund transfers between the Group and members of Sinochem Group, which lead to increase in administrative costs relating to the monitoring of such deposit balances and the above fund transfer requirement. The higher Maximum Daily Outstanding Balance would provide the Group with further flexibility and a reduced need to effect such inter-bank fund transfers purely for compliance purpose.

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Bank balances and cash of the Group increased from approximately RMB0.8 billion as at 31 December 2020 to approximately RMB2.9 billion as at 30 June 2022. During the same period, bank loans and short-term commercial paper (if applicable) of the Group decreased from approximately RMB1.7 billion as at 31 December 2020 to approximately RMB1.5 billion as at 30 June 2022. Debt-to equity ratio, calculated on the basis of total interest-bearing debt divided by total equity, decreased from approximately 21.6% as at 31 December 2020 to approximately 16.8% as at 30 June 2022. In 2021, the Group achieved a net cash position (cash and cash equivalent less bank loans and short-term commercial paper (if applicable)) for the first time for several financial year ends. The Group continued to record net cash position as at 30 June 2022 of approximately RMB1.3 billion. Management of the Group expects that the trend of increase in bank balances and cash will continue in the coming years. To substantiate the above, we have obtained the expected future cash flows of the Group for the three years ending 31 December 2024, indicating the future cash requirements for normal business operations.

Based on our discussions with management, working capital of the Group following completion of the potential disposal of nitrogen fertilizer business unit is expected to be further enhanced, mainly due to the release of funds required for the nitrogen fertilizer business and the receipt of proceeds from the potential disposal, which are intended to be used to replenish the working capital of the Group and meet its needs for daily operations. Profitability and cash flow position of the Group have continued to improve in recent years. We note from the Company's 2021 annual report that the profit attributable to owners of the Company increased by approximately 34.5% from approximately RMB644.1 million in 2020 to approximately RMB866.6 million in 2021, and its net cash generated from operating activities increased by approximately 58.4% from approximately RMB990.4 million in 2020 to approximately RMB1,568.6 million in 2021. We note from the Company's 2022 interim results announcement that profit attributable to owners of the Company increased by approximately 50.5% year-on-year to approximately RMB998.4 million for the six months ended 30 June 2022.

The Maximum Daily Outstanding Balance means the maximum amount of cash the Group is allowed to/may maintain in accounts with Sinochem Finance. Shareholders should note that the Group has no obligation to place its deposits with Sinochem Finance at that maximum (or any) amount. To limit the risk exposures arising from the Deposit Services, as mentioned in the section above headed "6. Internal control procedures and corporate governance measures of the Group", the Group will ensure that the outstanding amount of its overall financial assistance to Sinochem Group and its associates (including ChemChina and its associates) on each day will not exceed 30% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements, which was approximately RMB2,896.9 million as at 30 June 2022. Given the ongoing business

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relationship with Sinochem Group companies and the flexible and convenient procedures for withdrawals, the Group intends to maintain deposits with Sinochem Finance for the purpose of transacting and settling payments and receipts with Sinochem Group companies.

Having considered the above, including (i) the expected increase in transactions with Sinochem Group and the commercial needs for settlements with customers and members of Sinochem Group, and (ii) the expected increase in bank balances and cash in the upcoming years and the release of working capital resulting from potential disposal of nitrogen fertilizer business unit, we concur with management of the Group regarding the rationale behind the increase in Maximum Daily Outstanding Balance.

9. Reporting requirements and conditions of the Deposit Services

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Deposit Services are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Deposit Services every year and confirm in the Company's annual report whether the Deposit Services have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Deposit Services every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Deposit Services:
 - (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 Deposit Services 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 Deposit Services; and
 - (iv) have exceeded the Maximum Daily Outstanding Balance.

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- (c) the Company must allow, and ensure that the counterparties to the Deposit Services allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Deposit Services 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 attached to the Deposit Services, in particular, (i) the restriction of the value of the Deposit Services by way of the Maximum Daily Outstanding Balance; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms for the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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.

B. The New Agreement for the Use of Fund

1. Information on the parties

The Group

Please refer to the section above headed "A.1. Information on the parties" for background information of the Group.

Sinochem Fertilizer

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

Sinochem Agriculture

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

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Syngenta Group

Syngenta Group is an indirect wholly-owned subsidiary of Sinochem Holdings. It is mainly engaged in the technological development, transfer and advisory service in the fields of agricultural technology, biotechnology and information technology, the production and operation of crop seeds, the production of genetically modified crop seeds, and the research and development and sale of chemical raw materials and products (excluding hazardous chemicals, controlled chemicals, civil explosives and precursor chemicals).

For further information on Sinochem Agriculture and Syngenta Group, please refer to the section below headed “4. Financial information on Sinochem Agriculture and Syngenta Group”.

2. *Background to and reasons for the Loan Transactions*

We are advised by management of the Group that it has been the responsibility of the Treasury Division of the Company to monitor and analyse the Group’s cash position. The Group has been managing its surplus funds in various ways from time to time, such as placing deposits with independent commercial banks and investing in short-term financial products. Currently, the Group’s cash management policies are to focus on low risk investments.

The Group has considered the possibility of increasing its rate of return by investing in industry-related projects, but there are no projects requiring significant capital investment as at the Latest Practicable Date. The Group has also considered alternatives such as principal-guaranteed products which, however, usually have lower interest rates, and have fixed terms which restrict the Group’s ability to withdraw its funds before maturity dates. In particular, due to the mounting pressure from the economic downturn caused by the COVID-19 pandemic, a recent easing in monetary policy of the PRC has been observed. As at the Latest Practicable Date, the one-year LPR and five-year LPR were 3.65% and 4.3% respectively, representing decreases of 20 percentage points and 35 percentage points from 3.85% and 4.65% respectively in August 2020, being the time of execution of the Existing Agreement for the Use of Fund. In the context of loosened monetary policy in the PRC, the yield of deposit products has generally decreased. The investment returns of the Group from principal-guaranteed products such as deposits may decrease.

Summarised below are the key benefits of the Loan Transactions according to our discussions with management of the Group. For further details, please refer to the section headed “Principal Terms of the New Agreement for the Use of Fund” in the letter from the Board.

- (a) Synergistic benefits from Sinochem Agriculture’s business development: Since 2017, the Group has been selling fertilizer products to Sinochem Agriculture, which would then sell such products to its customers

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together with other items in its product line. Customers of Sinochem Fertilizer are mainly distributors, while Sinochem Agriculture's customers are primarily family farms, major professional farmers, farmer cooperatives and leading enterprises of agricultural industrialization that are engaged in the production of staple foods and economic crops. Sinochem Agriculture has a diverse portfolio of customers across 29 provinces and regions and 657 counties and cities across China. The Directors believe that provision of the Fund by Sinochem Fertilizer to Sinochem Agriculture can further promote the business development of Sinochem Agriculture, which will in turn facilitate Sinochem Fertilizer to extend its sales channels through Sinochem Agriculture and increase the operating revenue and profitability of Sinochem Fertilizer. As advised by management of the Group, sales of fertilizer products by the Group to Sinochem Agriculture in 2021 increased by approximately 50% year-on-year; and

- (b) Higher interest income: The interest rate of the Fund (being latest one-year LPR less 70 basis points, i.e. 2.95% as at the Latest Practicable Date) under the Loan Transactions is higher than the benchmark deposit interest rate of 1.5% and 2.1% specified by the People's Bank of China (the "PBOC") for fixed deposits of one and two years respectively, as at the Latest Practicable Date.

As stated in the letter from the Board, all of the Fund will be financed by the Group from its surplus funds, such that the working capital and daily operations of the Group will not be affected. As confirmed with management of the Group, during the term of the New Agreement for the Use of Fund, the loan peak level of Sinochem Fertilizer during such period is expected to be similar to its loan peak level of approximately RMB2,090 million during the year ended 31 December 2021. Sinochem Fertilizer shall have the right to (i) decide whether to release the Fund to Sinochem Agriculture, on a case by case basis, and (ii) require Sinochem Agriculture to repay the Fund and any interest accrued thereon, in whole or in part, prior to the maturity date. In our view, the Loan Transactions represent support to a major customer of synergistic importance which will facilitate the business growth of the Group, and an opportunity for the Group to earn a higher rate of return as compared to bank deposits while still keeping control over the use of funds and retaining the right to demand repayment at short notice.

As at 30 June 2022, the loan amount provided by Sinochem Fertilizer to Sinochem Agriculture was approximately RMB520 million. The current loan transactions are governed by the Existing Agreement for the Use of Fund, which will expire on 17 September 2022. On 5 August 2022, Sinochem Fertilizer and Sinochem Agriculture entered into the New Agreement for the Use of Fund to continue to provide the Fund in an amount of not more than RMB1.0 billion to Sinochem Agriculture.

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The Group has a number of internal control measures in place to protect the interests of the Shareholders regarding the Loan Transactions, as more particularly described and analysed in the section below headed “6. Internal control procedures”. Moreover, Syngenta Group has provided a guarantee in favour of Sinochem Fertilizer for the joint and several liabilities (the “**Joint and Several Guarantee**”) in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund. The above provides assurance that the potential risk of the Loan Transactions faced by the Group is properly addressed.

3. Principal terms of the New Agreement for the Use of Fund and the Letter of Guarantee

The New Agreement for the Use of Fund

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

Set out below are the major terms of the New Agreement for the Use of Fund. For further details, please refer to the section headed “Principal Terms of the New Agreement for the Use of Fund” in the letter from the Board.

Interest rate

The interest rate of the Fund shall be the latest loan prime rate quotation (the “**LPR**”) for one-year loan as published by the PBOC, less 70 basis points. The interest rate of the Fund shall be adjusted on a quarterly basis based on the latest one-year LPR.

Term

The New Agreement for the Use of Fund shall take effect on the date of approval by the Independent Shareholders at the SGM and expire on 31 December 2024. Upon taking effect, the New Agreement for the Use of Fund shall supersede the Existing Agreement for the Use of Fund. The Fund is of a revolving nature, and any portion of total amounts repaid or prepaid may be re-borrowed by Sinochem Agriculture. The maturity date of each fund shall not exceed the new maturity date of the New Agreement for the Use of Fund.

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Repayment

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

Other provisions

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

Sinochem Agriculture shall notify Sinochem Fertilizer when any of the following events occurs or is likely to occur: (a) the gearing ratio of Sinochem Agriculture exceeds 80% after its registered capital has been paid up, (b) its liquidity ratio is lower than 1, (c) there is a change in its effective controller, (d) its annual gross profit margin is negative, and (e) there is an adverse change in its long-term investments. In any of such cases, Sinochem Fertilizer shall have the right to stop the release of the Fund to Sinochem Agriculture and to require Sinochem Agriculture to repay the Fund that has been released together with any interest accrued thereon prior to the maturity date.

Letter of Guarantee

On 6 September 2022, Syngenta Group issued the Letter of Guarantee to Sinochem Fertilizer, pursuant to which Syngenta Group has provided a Joint and Several Guarantee in favour of Sinochem Fertilizer in connection with all the contractual obligations of Sinochem Agriculture under the New Agreement for the Use of Fund. If Sinochem Agriculture fails to repay any of the Fund or any interest accrued thereon, Sinochem Fertilizer shall have the right to require Syngenta Group to make repayments for Sinochem Agriculture within ten business days after serving a prior written notice to Syngenta Group.

We have discussed with the Company's PRC legal adviser, Junhe LLP (the "**PRC Legal Adviser**"), and understand that the Joint and Several Guarantee, compared to an ordinary guarantee, provides a higher level of protection to the lender under PRC law. In a situation where the relevant borrower defaults on a loan repayment, the guarantor under ordinary

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guarantee arrangements may refuse the lender's demand of assuming guarantee responsibilities before the judicial or arbitration procedures confirming that the relevant borrower is incapable of repaying the loan, except for certain circumstances as required under the applicable PRC laws and regulations, including, among others, (a) the relevant borrower has disappeared and has no property to compensate, or (b) the People's Court has accepted the bankruptcy case of the relevant borrower. Under the Joint and Several Guarantee arrangements, if Sinochem Agriculture (the borrower) fails to perform its obligations at the maturity of the loan, Syngenta Group (the guarantor), upon request from Sinochem Fertilizer (the lender), will be required to assume guarantee responsibilities within the scope of the Letter of Guarantee without any such judicial or arbitration procedures.

The PRC Legal Adviser further stated in its opinion letter that, among others, (i) the New Agreement for the Use of Fund is legally binding on the parties thereto when it becomes effective, (ii) the Letter of Guarantee is legally binding on Syngenta Group when it becomes effective, and (iii) Syngenta Group, as the guarantor, has provided a Joint and Several Guarantee to Sinochem Fertilizer as regards Sinochem Agriculture's contractual liabilities under the New Agreement for the Use of Fund, such that in the event that Sinochem Agriculture fails to perform its obligations, Syngenta Group is required to assume all the contractual liabilities for and on behalf of Sinochem Agriculture in accordance with the relevant guarantee scope, period, amount and form under the Letter of Guarantee.

Our view

The Loan Transactions are in line with the objectives of the Group's cash management policies to generate appropriate investment returns from its surplus funds not currently required by its principal businesses, and to maintain flexibility for the Group to recover such funds should it have any funding needs or any investment opportunity arise. The Group has been managing its surplus funds by way of, for example, placing deposits with independent commercial banks and investing in short-term financial products. We understand from management of the Group that (i) interest rates for one-year fixed term deposit and two-year fixed term deposit were 1.75% and 2.25% respectively, and (ii) yields of low risks short-term financial products offered by independent commercial banks was in a range from approximately 1.89% to 2.59%. The above rates are lower than the interest rate offered under the Loan Transactions of 2.95% (LPR as at the Latest Practicable Date less 70 basis points).

Unlike the above fixed bank deposits and short-term financial products where funds would be locked up for a period of time, the Loan Transactions allow Sinochem Fertilizer to have a right to demand early repayment, which provides the Group with a greater flexibility to adjust its treasury management exercises. Based on our experience, the right to require early repayment is not normally available to lenders with independent third parties

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in normal term loan facilities. In our opinion, such early repayment right given to Sinochem Fertilizer is a favourable term to the Group in the context of the Loan Transactions, allowing it to reduce or terminate the borrowings extended to Sinochem Agriculture, if its own financing needs unexpectedly exceed the Group's projections.

In the event that Sinochem Agriculture fails to perform its obligations under the New Agreement for the Use of Fund, Syngenta Group is required to make repayments on behalf of Sinochem Agriculture in accordance with the Letter of Guarantee. Syngenta Group will be liable for all the joint and several obligations of Sinochem Agriculture under the New Agreement for the Use of Fund, including any early repayment or repayment of the total outstanding principal and interest of the Loan Transactions as if it is the borrower under the Loan Transactions. Sinochem Fertilizer is allowed to demand Syngenta Group to settle any outstanding amounts for and on behalf of Sinochem Agriculture. In our view, the Letter of Guarantee provides protection to the Group as regards its credit risk associated with the Loan Transactions.

We have reviewed the terms of the New Agreement for the Use of Fund, including the basis for determination of the agreed interest rate. The PBOC has been publishing the one-year LPR and five-year LPR for RMB loan on a monthly basis, being benchmark lending rates that banks charge their most creditworthy customers. We note that the one-year LPR RMB loan exhibited a downward trend, from 3.85% in August 2020 (around the time when the Existing Agreement for the Use of Fund was entered into) to 3.65% in August 2022. We have discussed with management of the Group and reviewed the lists of Sinochem Agriculture's borrowings from independent commercial banks in 2022, summarising details (such as date, parties involved, borrowing amount, interest rate and date of maturity) as at 30 June 2022, and reviewed six sample contracts (the "**Selected Contracts**") selected on a random basis. We understand from management of the Group that all existing Sinochem Agriculture's borrowings from independent commercial banks were without guarantee and with a term of two year or less. We note that the applicable interest rates of the Selected Contracts, ranging from 2.7% to 3.2%, are broadly comparable to the applicable interest rate of the New Agreement for the Use of Fund.

When determining the interest rate of the Fund, the Company has made enquiries to its principal banks, all of which are independent commercial banks in the PRC. Based on the discussions, the banks indicated to the Company that the interest rate to be charged on a two-year guaranteed loan shall be the prevailing LPR for the one-year RMB loan less 70 to 90 basis points. Given the above, together with (i) the Joint and Several Guarantee from Syngenta Group, and (ii) the early repayment right given to Sinochem Fertilizer which is not normally available to independent lenders, we consider the use of one-year LPR less 70 basis points for the Loan Transactions to be fair and reasonable.

LETTER FROM SOMERLEY

Certain covenants were added into the New Agreement for the Use of Fund as compared to the Existing Agreement for the Use of Fund, to protect the interests of the Company and the Shareholders as a whole. For example, Sinochem Agriculture shall notify Sinochem Fertilizer when its gearing ratio exceeds 80%, liquidity ratio is lower than 1, or there is a change in its effective controller. Such covenants allow the Group to closely monitor the financial performance and business operation of Sinochem Agriculture.

Having considered the above, in particular the reasons for and benefits of the Loan Transactions, we are of the view that the Loan Transactions represent an appropriate means of liquidity management by the Group to bring synergistic benefits of supporting the Group's fast growing and important customer, and to generate a higher interest income than its bank deposits.

4. *Financial information on Sinochem Agriculture and Syngenta Group*

Sinochem Agriculture

Since its incorporation in 2015, Sinochem Agriculture has been pursuing its business development and expansion plans. According to its website, Sinochem Agriculture has a modern agricultural technological platform (“MAP”) which, among others, provides online and offline comprehensive solutions to its customers and partners in the agriculture sectors of the PRC. We understand from management of the Group that the number of Sinochem Agriculture's modern agricultural platform technical service centres increased from 325 in 2020 to 492 in 2021. As at 31 December 2021, MAP demonstration farms across the PRC had service network covered 29 provinces, cities and autonomous regions, around 2.0 million farm households and over 218.4 million mu of cultivated land.

The following table set out a summary of the consolidated statements of profit or loss of Sinochem Agriculture for the three years ended 31 December 2019, 2020 and 2021, as extracted from its audited financial statements, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	For the year ended 31 December		
	2021	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	13,849	5,094	1,668
Loss for the year	(43)	(243)	(329)

LETTER FROM SOMERLEY

Revenue of Sinochem Agriculture mainly derived from the sale of agricultural products (including fertilizers, seeds and pesticides) and the provision of agricultural related services. Revenue substantially increased from approximately RMB1,668 million in 2019 to approximately RMB5,094 million in 2020, and further to approximately RMB13,849 million in 2021. Such increase was primarily attributable to the growth in the sale of agricultural products as driven by the increased network coverage of Sinochem Agriculture's MAP technical services centres and demonstration farms. The Group has benefited from Sinochem Agriculture's significant growth in revenue. As advised by management of the Group, the sales of fertilizer products by the Group to Sinochem Agriculture in 2021 increased by approximately 50% year-on-year.

Given the substantial increase in Sinochem Agriculture's scale of operation, resulting in substantial increase in revenue and improvement in gross profit margin in the past three years, loss for the year narrowed from approximately RMB329 million in 2019 to approximately RMB243 million in 2020 and further to approximately RMB43 million in 2021.

The following table set out a summary of consolidated statements of financial position of Sinochem Agriculture, as extracted and summarised from its audited financial statements for the three years ended 31 December 2019, 2020 and 2021, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	As at 31 December		
	2021	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	18,376	8,156	2,930
Total liabilities	18,340	8,076	2,605
Total equity	36	80	325

As at 31 December 2021, total assets of Sinochem Agriculture mainly included (i) inventories, (ii) prepayments, mainly representing advance payments for the procurement of crops, (iii) cash and cash equivalents, and (iv) property, plant and equipment and construction in progress, mainly relating to MAP technical service centres, farm machines and demonstration farms.

As at 31 December 2021, total liabilities of Sinochem Agriculture mainly included contract liabilities mainly relating to inventory payment received in advance from its customers, and borrowings from banks and members of Sinochem Group or ChemChina. To the knowledge of the Company, Sinochem Agriculture has not defaulted on any of its credit obligations since incorporation.

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As advised by management of the Group, Syngenta Group entered into a capital increase agreement with Sinochem Agriculture, pursuant to which Syngenta Group will inject capital of RMB3.0 billion to shore up the capital base of Sinochem Agriculture. Out of the RMB3.0 billion, RMB1.0 billion has been injected by Syngenta Group during 2021.

As set out in the letter from the Board, the Group has conducted due diligence and assessment on the repayment capability of Sinochem Agriculture. Sinochem Agriculture has not violated any agreement with Sinochem Fertilizer or failed to repay any fund to Sinochem Fertilizer on time, since the first release of Fund in December 2018. We have been provided with the relevant due diligence materials, including detailed analysis on Sinochem Agriculture's historical financial performance and position and future business plan. As at 30 June 2022, Sinochem Agriculture had available credit under facilities from various financial institutions of approximately RMB8,300 million. Sinochem Agriculture may utilise such facilities to repay of the Fund to Sinochem Fertilizer when necessary.

Syngenta Group

Syngenta Group, which has provided Sinochem Fertilizer with the Joint and Several Guarantee, is a group with substantial scale. According to the audited financial statements of Syngenta Group for the year ended 31 December 2021, Syngenta Group recorded revenue and profit of approximately RMB181.8 billion and RMB8.0 billion respectively in 2021. Syngenta Group had consolidated net assets of approximately RMB263.0 billion as at 31 December 2021. Gearing ratio, which is calculated as total liabilities divided by total assets, was approximately 46.7% as at 31 December 2021. Syngenta Group had net cash generated from operating activities of approximately RMB11.1 billion, RMB17.3 billion and RMB24.4 billion in 2019, 2020 and 2021 respectively. The above suggests that Syngenta Group operates substantial business operations with a scale that is much larger than the scale of Sinochem Agriculture, and has been generating substantial operating cash flows in recent years. To the knowledge of the Company, Syngenta Group has not defaulted on any of its credit obligations in the past five years.

On the basis of the above and assuming no material change to Syngenta Group's financial performance and position, we consider that Sinochem Agriculture, taking into account the Joint and Several Guarantee from Syngenta Group, has sufficient financial resources and substantial backing from Syngenta Group to honour their obligations under the New Agreement for the Use of Fund.

LETTER FROM SOMERLEY

5. *Financial effects of the Loan Transactions*

Earnings, net assets and gearing

As the Group is entitled to receive interest income from the Loan Transactions, at a loan interest rate higher than the existing deposit interest rate earned by the Group's surplus cash, there should be a positive impact on the Group's future earnings.

As advised by management of the Group, the Group has right to demand early repayment of the Fund under the Loan Transactions, such that the provision of the Fund will be accounted for as loan receivables under current assets in the Group's consolidated statement of financial position, with a corresponding decrease in bank balances and cash of the Group. There would be no material impact on the net assets of the Group.

As set out in the Company's 2022 interim results announcement, as at 30 June 2022, the current ratio and the debt-to-equity ratio of the Group was approximately 1.45 times and 16.8% respectively. Given that the provision of the Fund would be classified as current assets, and all of the Fund will be financed from the Group's surplus funds, it is expected that there will be no material impact arising from the Loan Transactions on the Group's current ratios and debt-to-equity ratio.

Working capital

As stated in the letter from the Board and the indebtedness statement in Appendix I to the Circular, as at 30 June 2022, the Group had bank balances and cash of approximately RMB2.9 billion, and total bank loans of approximately RMB1.5 billion, approximately 89% of which are repayable after one year. Further, we note from the Company's 2022 interim results announcement that as at 30 June 2022, the Group had capital commitments of approximately RMB1.4 billion (mainly relating to commitments to purchase property, plant and equipment).

In this respect, we have reviewed, and discussed with management of the Group, the projected cash flows of the Group for the three years ending 31 December 2024. Based on our discussion with management of the Group, (i) having considered the Group's capital commitments and treasury management exercises (including the provision of the Fund), it is expected that the Group still maintains sufficient working capital for its business operations, and (ii) in the event that the interest-bearing liabilities of the Group need to be refinanced, the Group believes that the relevant interest rates will be lower than those under the Loan Transactions. The auditors of the Company have provided a comfort letter on the Director's statement relating to the sufficiency of working capital of the Group for the 12 months from the date of the Circular.

LETTER FROM SOMERLEY

6. *Internal control procedures*

The Group will implement a series of internal control measures to monitor and mitigate the investment risks while generating investment returns through the Loan Transactions. In order to ensure prudent use of the Fund by Sinochem Agriculture, set out below are the measures adopted by the Group, as summarised from the letter from the Board:

- (a) Sinochem Fertilizer shall have the right to decide whether to release the Fund to Sinochem Agriculture based on the information provided by them at the time of its application for the Fund, so as to ensure the safe use of the Fund and to mitigate the recovery risks during the process of determining the release of the Fund. Sinochem Fertilizer shall be under no obligation to provide the Fund, in whole or in part, to Sinochem Agriculture under the New Agreement for the Use of Fund, and shall have the absolute right to reject Sinochem Agriculture's applications for the Fund if it is not satisfied with the information provided by Sinochem Agriculture or has any concern about its repayment ability;
- (b) Before releasing the Fund, manager of the Treasury Division of the Company will review the details of the application and analyse the Group's position of bank balances and cash. The manager will then report to the general manager of the Finance Department and the chief financial officer of the Company for approval. The chief financial officer will seek approval from the chief executive officer of the Company should he have any concern about the business or financial position of Sinochem Agriculture. No common director between the Company and Sinochem Group (or Syngenta Group or Sinochem Agriculture) will be involved in the above approval process; and
- (c) Sinochem Agriculture shall use the Fund strictly in accordance with the use specified in the New Agreement for the Use of Fund, and Sinochem Agriculture shall provide its business operation reports or financial reports to Sinochem Fertilizer on a monthly basis. The Company will monitor the use by Sinochem Agriculture of the Fund to ensure that the Fund will be used for specified purposes;

We concur with the Directors that the above internal control procedures would limit the risks associated with the Loan Transactions, and protect the interests of the Company and the Shareholders as a whole. Such risk is further reduced by the Joint and Several Guarantee provided by Syngenta Group in favour of Sinochem Fertilizer.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the 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

LETTER FROM SOMERLEY

consider that the Transactions are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Transactions.

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

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

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinofert.com):

- the Annual Report 2019 dated 26 March 2020 (pages 99 to 195)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0408/2020040800383.pdf>);
- the Annual Report 2020 dated 30 March 2021 (pages 110 to 207)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600321.pdf>);
- the Annual Report 2021 dated 22 March 2022 (pages 103 to 207)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000797.pdf>);
and
- the interim results announcement for the six months ended 30 June 2022 dated 23 August 2022
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0823/2022082300174.pdf>).

INDEBTEDNESS

As at the close of business on 31 July 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had total outstanding debts, all being secured and unguaranteed bank borrowings, of approximately RMB1,459 million. As at the close of business on 31 July 2022, the Group had lease liabilities of approximately RMB85 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, no member of the Group had outstanding at the close of business on 31 July 2022 any mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, or any obligations under hire purchase contracts or finance leases payable or any guarantees or other contingent liabilities.

WORKING CAPITAL

Taking into account the Group's cash and cash equivalents on hand, financial resources available to the Group and cash generated from future operations, the Directors after due and careful enquiry, are of the view that, in the absence of unforeseeable circumstances, the Group has sufficient working capital for the Group's present requirements, that is, for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The operating results of the Group have maintained steady growth in recent years, with its profit attributable to owners of the Company increasing from approximately RMB644 million for the year ended 31 December 2020 to approximately RMB867 million for the

year ended 31 December 2021. As disclosed in the interim results announcement published by the Company on 23 August 2022, the profit attributable to owners of the Company continued to grow, and the Group recorded an increase of 50.53% for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

The Group is committed to becoming an innovative leading crop nutrition enterprise in China. Looking forward, the Group will continue to focus on the business transformation and upgrading, follow the trend of the rapidly changing fertilizer industry in China, and take root in modern agriculture to promote healthy and sustainable development of arable land. The basic fertilizers division will further explore the strategic procurement channels and exert its strengths of supply chain to secure stable supply of quality product resources and satisfy the demand of industrial and agricultural production. The distribution division will continue to optimize the product structure, accelerate the implementation of differentiation strategy, and promote the integration of research, production and sales to improve the gross profit of products. The production division will seize market opportunities and give full play to its resource advantages to ensure stable, long-lasting and optimal operations. Meanwhile, the Group will strengthen its strategic collaboration with Syngenta Group to further promote the sales growth.

In the course of its business development, the Group intends to make certain risk-controllable financial investments with its surplus funds according to its cash management policies. The use of Sinochem Finance as a platform to manage the funds of the Group under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) will allow for better monitoring and control of the funds and more efficient deployment of funds between member companies of the Group. Given that the interest rates offered by Sinochem Finance to the Group in respect of the Deposit Services shall not be lower than the benchmark interest rates for deposits of the same tenure and type as promulgated by the PBOC from time to time, or the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC (whichever is higher), the return of the surplus funds of the Group will be enhanced due to the possibly higher deposit interests from Sinochem Finance. In addition, the interest rate of the Fund to be provided by Sinochem Fertilizer to Sinochem Agriculture under the New Agreement for the Use of Fund is higher than the interest rate available to the Group for placing cash deposits with commercial banks in the PRC. The Group will obtain a higher interest income through the transaction under the New Agreement for the Use of Fund to increase its rate of return on cash and cash equivalents, thereby improving its investment income.

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

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

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

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

3. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group, within the two years preceding the Latest Practicable Date and are or may be material:

- (a) an asset transfer contract was entered into between Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (中化重慶涪陵化工有限公司, “**Sinochem Fuling**”) and Chongqing Fuling Shale Gas Industry Investment and Development Co., Ltd. (重慶市涪陵頁岩氣產業投資發展有限公司, “**Fuling Shale Gas**”) on 26 March 2021, pursuant to which Sinochem Fuling agreed to sell a long-distance natural gas

pipeline and auxiliary facilities to Fuling Shale Gas at a consideration of RMB93,868,700 (for further details, please refer to the Company's announcement dated 26 March 2021);

- (b) a guarantee contract was entered into by Sinochem Fertilizer on 31 March 2021 in favour of Sinochem Finance, pursuant to which Sinochem Fertilizer agreed to provide a guarantee up to the amount of RMB670,000,000 for the due performance of the repayment obligations of Yangmei Pingyuan Chemical Company Limited (陽煤平原化工有限公司, “**Yangmei Pingyuan**”) under a loan contract entered into between Yangmei Pingyuan and Sinochem Finance. In this connection, a guarantee fee agreement was entered into between Sinochem Fertilizer and Yangmei Pingyuan on 31 March 2021, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee at a rate of 1% per year of the maximum guarantee amount (for further details, please refer to the Company's announcement dated 31 March 2021);
- (c) a promoters agreement was entered into among Sinochem Fertilizer, Qinghai Salt Lake Industry Co., Ltd. (青海鹽湖工業股份有限公司, “**Qinghai Salt Lake**”) and Sinochem Capital Investment Management Co., Ltd. (中化資本投資管理有限責任公司) on 7 December 2021, pursuant to which the parties agreed to form a joint venture with a registered capital of RMB166,600,000, and Sinochem Fertilizer agreed to make a capital contribution of RMB74,970,000, representing 45% equity interest in the joint venture (for further details, please refer to the Company's announcements dated 12 November 2021 and 7 December 2021);
- (d) the Financial Services Framework Agreement and the Supplemental Agreement; and
- (e) the New Agreement for the Use of Fund.

4. 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
J. Erik Fyrwald	Syngenta Group	Chief executive officer
Qin Hengde	Syngenta Group	Chairman of China region
Feng Mingwei	Syngenta Group	Vice chairman of China region

5. 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).

6. COMPETING INTERESTS

Mr. Feng Mingwei, an executive Director of the Company, is the vice chairman of the board of directors of Qinghai Salt Lake. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of salt lake resources.

As at the Latest Practicable Date, the board of directors of Qinghai Salt Lake consists of 11 directors. Mr. Feng Mingwei is not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Mr. Feng Mingwei has extensive experience in the fertilizer industry, is aware of his duties and responsibilities as a Director and senior management member of the Company, and is able to devote sufficient time to the business of the Group. The Company believes that Mr. Feng Mingwei is able to exercise his 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.

7. 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 2021 (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.

8. 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 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. EXPERT

The following is the qualification of the expert who has given 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 all 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 2021 (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.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. CHEUNG Kar Mun, Cindy, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of The Hong Kong Chartered Governance Institute.

- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (c) The principal place of business and head office of the Company in Hong Kong is at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are 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:

- (a) the Financial Services Framework Agreement and its Supplemental Agreement;
- (b) the New Agreement for the Use of Fund;
- (c) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 64 of this circular; and
- (d) the written consent referred to in the section headed “Expert” in this appendix.

NOTICE OF SPECIAL GENERAL MEETING

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofert Holdings Limited (the “**Company**”) will be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29 September 2022 at 3:00 p.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 Supplemental Agreement to the Financial Services Framework Agreement (as defined and described in the circular to the shareholders of the Company dated 14 September 2022 (the “**Circular**”)) and the execution thereof and the Deposit Services (as defined and described in the Circular) contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) be and is 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 Deposit Services and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to the Deposit Services 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 New Agreement for the Use of Fund (as defined and described in the Circular) and the execution thereof and implementation of the transaction thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as

NOTICE OF SPECIAL GENERAL MEETING

they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the New Agreement for the Use of Fund 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 New Agreement for the Use of Fund 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
Qin Hengde

Executive Director and Chief Executive Officer

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

14 September 2022

Notes:

1. The register of members of the Company will be closed from 26 September 2022 to 29 September 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 23 September 2022.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (Chairman); and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.