



4 December 2025

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

Dear Sirs,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the provision of the Deposit Services (including the proposed maximum daily outstanding balance of the Deposit Services (the “**Maximum Daily Deposit Balance**”)) by Sinochem Finance to the Group under the Financial Services Framework Agreement, for which the Independent Shareholders’ approval is being sought. Details of the Deposit Services are contained in the circular of the Company to the Shareholders dated 4 December 2025 (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. Sinochem Finance is a subsidiary of Sinochem Holdings and is also a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the Maximum Daily Deposit Balance of the Deposit Services under the Financial Services Framework 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, the Deposit Services 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 Deposit Services (including the Maximum Daily Deposit Balance). In view of Sinochem Holdings' interests in the Financial Services Framework Agreement, Sinochem Holdings and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Deposit Services (including the Maximum Daily Deposit Balance).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Sun Po Yuen, has been established to advise the Independent Shareholders whether the terms of the Deposit Services (including the Maximum Daily Deposit Balance) 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 Company, details of which were set out in the circulars of the Company dated 6 December 2023 and 13 December 2024. 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 Deposit Services. 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 Holdings, Sinochem Corporation, Sinochem Finance, 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.

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 Financial Services Framework Agreement, (ii) the annual report of the Company for the year ended 31 December 2024, (iii) the interim report of the Company for the six months ended 30 June 2025, and (iv) other relevant information contained in the Circular. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, Sinochem Holdings, Sinochem Corporation, Sinochem Finance, 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 Deposit Services (including the Maximum Daily Deposit Balance), we have taken the following principal factors and reasons into consideration:

1. Information on the Parties

The Group

The Group is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products. Shares of the Company are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$10.8 billion as at the Latest Practicable Date.

The Group recorded total revenue of approximately RMB21.7 billion and RMB21.3 billion in 2023 and 2024 respectively. Profit attributable to owners of the Company grew by approximately 69.5% to approximately RMB1.1 billion in 2024, from approximately RMB0.6 billion in 2023. The adjusted profit attributable to owners of the Company, excluding certain non-recurring impacts, grew by approximately 7.0% year-on-year to RMB1.2 billion in 2024, mainly attributable to the increased sales volume of the Group's various differentiated products, improved production quality and efficiency and marketing strategies. In the first half of 2025, total revenue of the Group was approximately RMB14.7 billion, representing an increase of approximately 7.6%, and profit attributable to owners of the Company was approximately RMB1.1 billion, representing an increase of approximately 5.0%, as compared to the first half of 2024, mainly due to the reasons discussed above.

In terms of cash flows, the Group has been generating substantial net cash from its operating activities in recent periods, amounting to approximately RMB2.5 billion and RMB1.0 billion in 2023 and 2024 respectively. The Group's net cash generated from operating activities amounted to approximately RMB40 million in the first half of 2025.

As the Group continued to record growth in profitability and strong cash flows from its operating activities as mentioned above, it has maintained a healthy liquidity position in recent periods. Bank loans and other borrowings of the Group decreased from approximately RMB1.8 billion as at 31 December 2023 to approximately RMB1.7 billion as at 30 June 2025. Meanwhile, bank balances and cash (including restricted bank deposits and current and non-current time deposits) of the Group increased from approximately RMB4.2 billion as at 31 December 2023 to approximately RMB5.3 billion as at 30 June 2025. The Group has maintained net cash position (bank balances and cash less bank loans and other borrowings) since 2021 and net cash of the Group reached approximately RMB3.6 billion as at 30 June 2025.



Sinochem Holdings

Sinochem Holdings is a Fortune Global 500 company and the ultimate controlling shareholder of the Company. It is a large-scale chemical conglomerate operating in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operation, and industrial finance. The sole shareholder of Sinochem Holdings is SASAC.

Sinochem Corporation

Sinochem Corporation is a subsidiary of Sinochem Holdings. It is principally engaged in the investment and management of exploration and production of petroleum and natural gas; investment and management of oil refining, gas stations, storage and warehousing; research, development, investment and management of fertilizer, seeds, pesticides and agricultural products; research, development, investment and management of rubber, plastics, chemical materials, fluorine chemicals, coal chemicals and pharmaceuticals; and development, investment and management of mineral resources and new energy.

Sinochem Finance

Sinochem Finance is owned as to 37% by Sinochem Holdings and 63% in aggregate by Sinochem Corporation and Sinochem Capital Co., Ltd. (a non wholly-owned subsidiary of Sinochem Corporation). It is a non-bank financial institution established in the PRC with the approval of the PBOC and subject to the supervision of the NFRA. 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.

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 Financial Services Framework Agreement

Sinochem Finance has been providing a range of financial services, including the Deposit Services, the Loan Services and settlement services, to the Group for over fifteen years, pursuant to the existing and previous financial services framework agreements (as amended, supplemented or otherwise modified from time to time) entered into between Sinochem Finance and the Company. According to the letter from the Board, Sinochem Finance is regulated by the PBOC and the NFRA, and its services are provided in compliance with the relevant rules and operational requirements promulgated by the above authorities, including capital risk guidelines and minimum 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”.



Based on our discussions with the management of the Group, in its ordinary and usual course of business, the Group conducts a number of transactions with subsidiaries of Sinochem Holdings. These transactions include the sale and purchase of fertilizers and agricultural products, loan arrangements and settlement of various operating expenses, including import services fees and office and factory rental fees. Such transactions and balances between the Group and subsidiaries of Sinochem Holdings are mostly settled through their respective accounts maintained with Sinochem Finance. As set out in the letter from the Board, the Group's purchase of agricultural products in the PRC from, and import of fertilizer and other fertilizer raw materials through, subsidiaries of Sinochem Holdings are expected to increase substantially in the coming years. The anticipated growth in transaction volume with subsidiaries of Sinochem Holdings is expected to drive the demand for the free-of-charge settlement services offered by Sinochem Finance. In addition, the intercompany balances between members of the Group are mostly settled through their respective accounts maintained with Sinochem Finance.

In addition, the management of the Group informed us that the Group's capital management strategy involves placing deposits with either independent commercial banks or Sinochem Finance and investing in short-term and principal-guaranteed financial products, in order to generate interest and/or investment income through utilising the Group's surplus funds. Compared to independent commercial banks in the PRC, Sinochem Finance offers more favourable deposit rates for the Group, which increase returns on the Group's liquidity. Sinochem Finance is also able to facilitate the Group's withdrawals through flexible and convenient procedures, supporting the Group's funding requirements for business development in a timely manner.

Sinochem Finance's financial services are provided to the Group on a voluntary and non-exclusive basis. The Group is not obliged to engage Sinochem Finance for any particular financial service, or at all, and may discontinue any or all financial services provided by Sinochem Finance at any time without incurring extra costs. This means that Sinochem Finance represents an additional choice of financial service provider for the Group to choose from, which in turn serves to enhance the Group's flexibility in capital management strategy.

At present, the financial services provided by Sinochem Finance to the Group, including the Deposit Services, are governed by the Existing Financial Services Framework Agreement for a term up to 31 December 2026. In view of the anticipated growth in settlement needs and the favourable deposit portfolio offered by Sinochem Finance as discussed above, on 27 October 2025, the Company and Sinochem Finance entered into the Financial Services Framework Agreement to increase the Maximum Daily Deposit Balance and extend the agreement term for a further period of three years, which shall take effect from the date immediately following the approval by the Independent Shareholders at the SGM.

For the purpose of protecting the interests of the Shareholders regarding deposits with Sinochem Finance, the Group put in place a number of internal control procedures and corporate governance measures, as further analysed in the section below headed "6. Internal control procedures and corporate governance measures". As a licensed financial institution, Sinochem Finance is required to comply with the relevant rules and operational



requirements, such as the minimum capital adequacy ratio, from the PBOC and the NFRA. Furthermore, on 29 October 2025, Sinochem Corporation has issued an undertaking in favour of the Company to procure Sinochem Finance's performance and obligations under the Financial Services Framework Agreement. In our view, the above measures provide further protection, such that the risk of the Group's deposits placed with Sinochem Finance is properly addressed.

3. Principal terms of the Financial Services Framework Agreement

Pursuant to the Financial Services Framework Agreement, the Group may, from time to time, utilise the financial services available from Sinochem Finance as it deems necessary, on a voluntary and non-exclusive basis. Such financial services include: (a) the Deposit Services; (b) the Loan Services (excluding entrustment loans) to members of the Group on normal commercial terms; (c) arrangement of entrustment loans for members of the Group whereby Sinochem Finance serves as a financial agency; (d) buyer credit services, in which Sinochem Finance would, among others, extend loans and grant credit to customers of members of the Group on normal commercial terms for the purposes of purchasing goods or services from members of the Group only; (e) settlement services between members of the Group and subsidiaries of Sinochem Holdings or third parties (such as customers of the Group); (f) provision of non-financing guarantees for the Group's bidding activities or the fulfilment of contracts with third parties, where no counter-guarantee by members of the Group is required; (g) risk assessment and risk control services; and (h) any other financial services as approved by the NFRA.

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. The Group may discontinue its use of all or any such services provided by Sinochem Finance without having to incur 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. For further details, please refer to the section headed "Principal Terms of the Financial Services Framework Agreement" in the letter from the Board.

Deposit Services

Deposit interest rates offered by Sinochem Finance shall not be lower than the interest rates for deposits of the same tenure and type as offered by the main independent commercial banks with which the Group maintains cooperation in the PRC, provided that it complies with regulatory requirements. The Deposit Services offered by Sinochem Finance will be on terms at least the same as, or more favourable than, that of the deposit services offered by independent commercial banks in the PRC, 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.



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 at least three independent commercial banks with which the Group maintains cooperation in the PRC. No mortgage, pledge or other 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.

Other financial services

For the 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 at least three independent commercial banks in the PRC. No service fee is payable by the Group for the settlement services.

As to the other financial services, the fee and interest payable by the Group shall not (i) be higher than the prevailing market rates or standard rates, or (ii) exceed the fee and interest payable on such services under the same terms obtainable from independent commercial banks in the PRC, depending on the type of the relevant services.

Term

The Financial Services Framework Agreement shall take effect from the date immediately following its approval by the Independent Shareholders at the SGM and shall remain in force for a term of three years, upon which the Existing Financial Services Framework Agreement shall cease to have effect.

In the event that the Deposit Services under the Financial Services Framework Agreement are not approved by the Independent Shareholders at the SGM, the Company will ensure that the Maximum Daily Deposit Balance placed by the Group with Sinochem Finance will not exceed the original cap amount of RMB3.0 billion under the Existing Financial Services Framework Agreement up to its original expiry date of 31 December 2026.

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 shall not have such right of set-off under the Financial Services Framework Agreement.



Undertakings

Sinochem Finance has undertaken that it will apply all the monies deposited by the Group to such activities as approved by the NFRA 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 NFRA.

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

In addition, whenever the Group suffers any financial loss due to the non-performance or default by Sinochem Finance under the Financial Services Framework Agreement, Sinochem Finance shall compensate the Group for the full amount of the loss suffered.

On 29 October 2025, Sinochem Corporation (as the holding company of Sinochem Finance) has issued an undertaking (the “**Undertaking**”) in favour of the Company, pursuant to which Sinochem Corporation will procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement.

As set out in the letter from the Board and the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Holdings (being the ultimate controlling shareholder of Sinochem Finance) has the obligation to take all required steps, such as additional capital contribution to Sinochem Finance based on its funding needs, to restore its financial position.

Our comments

The Group has been utilising the financial services from Sinochem Finance for more than fifteen years. Members of the Group maintain accounts with Sinochem Finance for daily business operations, such as settlements of transactions and balances with subsidiaries of Sinochem Holdings and the intercompany balances among members of the Group. The Group conducts business activities with subsidiaries of Sinochem Holdings, including the sale and purchase of agricultural products and the import of fertilizers, during its ordinary and usual course of business. The volume of such transactions is expected to rise in the coming years, which will in turn increase the demand for settlement services with subsidiaries of Sinochem Holdings through their respective accounts maintained with Sinochem Finance. On the other hand, the Group has recorded growth in profitability and strong net cash from operating activities in recent periods, which in turn has resulted in the Group maintaining substantial bank balances and cash, amounting to approximately RMB5.3 billion as at 30 June 2025. The main purposes of entering into the Financial Services Framework Agreement are to increase the Maximum Daily Deposit Balance and extend the agreement term in order



to cater for the increasing procurement and settlement needs for agricultural products with subsidiaries of Sinochem Holdings and provide a greater flexibility for the Group's capital management strategy in the coming years.

The arrangement under the Financial Services Framework Agreement is on a voluntary and non-exclusive basis, such that the Group has the discretion to determine whether to use any financial services provided by Sinochem Finance. In other words, Sinochem Finance can be regarded as an additional choice of financial service provider. In particular, we note from the pricing policies that the interest rates of the Deposit Services shall be at least the same as, or more favourable than, the interest rates for deposits of the same tenure and type as offered by independent commercial banks in the PRC.

As confirmed with the management of the Group, the risk assessment and risk control services primarily relate to Sinochem Finance's provision of its semi-annual risk assessment report issued by PRC certified public accountants. These relevant services have been covered under the Other Financial Services of the Existing Financial Services Framework Agreement. Save for the Maximum Daily Deposit Balance and the duration, all the major terms of the financial services to be provided by Sinochem Finance under the Financial Services Framework Agreement are similar to those under the Existing Financial Services Framework Agreement.

A number of protection clauses and safeguards are stipulated in the Financial Services Framework Agreement, such as the right of set-off, which is only available to the Group but not to Sinochem Finance. The Group will modify and continue to adopt a certain number of internal control procedures and corporate governance measures in the coming years, such as the restriction that (i) the outstanding amount of the Group's overall financial assistance to Sinochem Holdings and its associates on each day will not exceed 50% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements (the "**Overall Limit**"), and (ii) the Group will not continue to place additional deposits with Sinochem Finance and will arrange to withdraw its existing deposits if any significant credit risk events involving Sinochem Finance and its significant shareholders and de facto controller (being Sinochem Corporation, Sinochem Group and Sinochem Holdings) come to the Group's attention. In particular, the Overall Limit, which stood at approximately RMB5.6 billion as at the Latest Practicable Date (based on 50% of the consolidated net assets of the Company of approximately RMB11.3 billion as at 30 June 2025 as extracted from the Company's 2025 interim report), applies to the aggregate financial assistance to Sinochem Holdings and its associates, including the deposits with Sinochem Finance (with the proposed Maximum Daily Deposit Balance of RMB5.0 billion) and the fund facilities provided to Sinochem Agriculture Holdings Limited ("**Sinochem Agriculture**") and China National Seed Group Co., Ltd. ("**CNSG**") (with the maximum daily loan balance of RMB1.5 billion in total that was approved by the independent shareholders of the Company at a special general meeting held on 21 December 2023, further details of which are set out in the circular dated 6 December 2023 (collectively, the "**Funds Provision**")). As such, despite the two maximum amounts above adding up



to a hypothetical sum of RMB6.5 billion, in practice the overall financial assistance to Sinochem Holdings and its associates would be restricted to the Overall Limit, currently at a lower level of approximately RMB5.6 billion.

Based on our discussions with the management of the Group, the primary purpose of the Overall Limit is to limit the maximum risk exposure arising from the aggregate financial assistance provided by the Group to Sinochem Holdings and its associates. This is in addition to the Maximum Daily Deposit Balance governing the Deposit Services. The Overall Limit, which is benchmarked against the Company's consolidated net assets as set out in the latest published consolidated financial statements, will be adjusted from the existing 30% to 50%. Such adjustment is primarily driven by the increase in the Maximum Daily Deposit Balance from RMB3.0 billion to RMB5.0 billion under the Financial Services Framework Agreement, in order to meet the growing procurement and settlement needs with Sinochem Holdings and its associates, as discussed earlier. It follows that the Overall Limit should be revised accordingly to ensure sufficient allowances for the Group's increasing business needs for Deposit Services. In determining the revised reference level of 50%, the Group has taken into account the amount of Maximum Daily Deposit Balance required to support the Group's daily business operations, and the ratios of the aggregate financial assistance and the Maximum Daily Deposit Balance to the Group's latest consolidated net assets, being approximately 57.5% and 44.2% respectively.

Considering the above and bearing in mind that the increase in the Maximum Daily Deposit Balance aligns with the Group's increasing business needs, we consider the Overall Limit to be an appropriate internal control to limit the risk of the Group's funds provided to Sinochem Holdings and its associates, and at the same time enabling the Group to earn higher interest income compared to deposits placed with independent commercial banks or investing in short-term and principal-guaranteed financial products and maintaining greater flexibility for capital management.

As an enhanced protection to the Group, Sinochem Corporation has issued the Undertaking to procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement. As the ultimate controlling shareholder of Sinochem Finance, Sinochem Holdings has the obligation to take all required steps to restore Sinochem Finance's financial position in the event it has any financial difficulty.

For our further analyses, please refer to the sections below headed "6. Internal control procedures and corporate governance measures" and "7. Regulatory environment of Sinochem Finance".

4. Business and financial information on Sinochem Finance

Scope of business

According to its business licence and as confirmed with the management of the Group, Sinochem Finance is authorised to provide all services as set out in the Financial Services Framework Agreement to members of Sinochem Holdings. Sinochem



Finance is also allowed to provide a limited scope of financial services, such as buyer credit services and discounting services, to customers and suppliers of the Group. We are advised by the management of the Group that Sinochem Finance is not allowed to issue financial bonds and make new equity investments in financial institutions and corporations. As at the Latest Practicable Date, Sinochem Finance is not rated by any credit rating agency.

According to Sinochem Finance's unaudited consolidated management account, as at 30 June 2025, it has registered and paid-up capital and total assets of RMB6.0 billion and approximately RMB70.6 billion respectively, and has a capital adequacy ratio of approximately 12.3%, which is higher than the minimum requirement promulgated by the NFRA of 10.5% for finance companies.

Management of Sinochem Finance

As at the Latest Practicable Date, the board of directors of Sinochem Finance comprises four members. As advised by the management of the Group, the majority of the board members and senior management of Sinochem Finance have extensive experience in the financial capital markets in the PRC and are fully competent 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 consolidated financial statements for the years ended 31 December 2022, 2023 and 2024, and its unaudited consolidated management accounts for the six months ended 30 June 2024 and 2025, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	For the six months ended 30 June		For the year ended 31 December		
	2025	2024	2024	2023	2022
	RMB million (unaudited)	RMB million (unaudited)	RMB million (audited)	RMB million (audited)	RMB million (audited)
Net interest income	111	248	432	423	451
Investment income	81	121	483	455	486
Reversal of impairment/ (Impairment losses)	13	(84)	(79)	(4)	(265)
Profit after taxation	93	196	581	600	447

Net interest income of Sinochem Finance was maintained at a similar level during the period between 2022 and 2024. For the first six months of 2025, net interest income decreased by approximately 55.2% year-on-year to approximately RMB111 million. As advised by the management of the Group, the decreased net interest income was mainly due to the lower average interest rate charged on loans extended, and the higher average rate on deposits offered, by Sinochem Finance to members of Sinochem



Holdings. In this respect, we note that the one-year Loan Prime Rate (“LPR”) and the over-five-year LPR decreased from 3.45% and 4.20% in the beginning of 2024, to approximately 3.00% and 3.50% respectively as at the Latest Practicable Date.

Investment income of Sinochem Finance mainly represented share of results from its associate, namely Manulife-Sinochem Life Insurance Co., Ltd (a Chinese-foreign joint-venture life insurance company established in the PRC, which is owned as to 50% by Sinochem Finance), under equity accounting method and interest income and disposal gains derived from certain funds, publicly traded corporate bonds and certificates of deposit issued by independent commercial banks in the PRC. Investment income declined from approximately RMB486 million in 2022 to approximately RMB455 million in 2023, but rose back to approximately RMB483 million in 2024. The fluctuations were mainly due to the movement of profits shared from its associate and the interest income earned from its investments mentioned above. For the first six months of 2025, investment income of Sinochem Finance was approximately RMB81 million, a decrease of approximately 33.1% from the same period in 2024, mainly due to the higher amount of dividend received from its associate during the first half of 2024.

Impairment losses of Sinochem Finance represented changes in allowances for impairment losses prepared in accordance with the regulatory requirements. Compared to the impairment losses in 2022 of approximately RMB265 million, impairment losses in 2023 and 2024 have been lowered to approximately RMB4 million and RMB79 million respectively. Notwithstanding the above allowance for impairment losses, the management of the Group has informed us that Sinochem Finance did not have any actual non-performing assets or loans, or any actual losses arising from such assets or loans, during the past three years. For the first six months of 2025, Sinochem Finance recorded a reversal of impairment losses of approximately RMB13 million, as opposed to the impairment losses of approximately RMB84 million for the first six months of 2024, mainly due to (i) the decline in the balances of loans and advances to members of Sinochem Holdings at the end of June 2025 compared to the end of December 2024, while there was an increase in balances of loans and advances to members of Sinochem Holdings during the corresponding period in 2024, as well as (ii) the macroeconomic indicators prevailing at that time.

Profit after taxation of Sinochem Finance fluctuated during the three years ended 31 December 2024, affected by the fluctuations in investment income and impairment losses as discussed above. The lower level of profit after taxation for the first half of 2025, amounted to RMB93 million, was mainly a result of the lower net interest income as explained above. Nevertheless, Sinochem Finance has been profitable during the periods under review.



Financial position

The following table set out a summary of the consolidated financial position of Sinochem Finance, as extracted and summarised from its audited consolidated financial statements as at 31 December 2022, 2023 and 2024, and its unaudited consolidated management accounts as at 30 June 2025, all of which were prepared in accordance with the Generally Accepted Accounting Principles in the PRC:

	As at 30 June 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022
	RMB million (unaudited)	RMB million (audited)	RMB million (audited)	RMB million (audited)
Assets				
Long-term equity investments	6,764	6,764	4,517	4,170
Loans receivables	47,247	48,511	40,527	43,236
Financial investments	7,290	4,826	8,616	5,756
Cash balances with PBOC and other financial institutions	8,578	4,691	5,623	3,447
Other assets	725	5,583	5,995	1,144
	<u>70,604</u>	<u>70,374</u>	<u>65,279</u>	<u>57,753</u>
Liabilities				
Customers' deposit	57,168	51,734	54,101	45,683
Other liabilities	368	5,665	421	1,783
	<u>57,536</u>	<u>57,400</u>	<u>54,522</u>	<u>47,466</u>
Equity				
Share capital	6,000	6,000	6,000	6,000
Reserves	7,069	6,974	4,756	4,287
	<u>13,069</u>	<u>12,974</u>	<u>10,756</u>	<u>10,287</u>
Capital adequacy ratio (Note)	12.3%	12.2%	14.0%	13.9%

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.



As at 30 June 2025, Sinochem Finance had (i) loans receivables of approximately RMB47.2 billion, mainly representing loans to members of Sinochem Holdings, and (iii) cash balances with PBOC and other financial institutions of approximately RMB8.6 billion, and (iii) financial investments of approximately RMB7.3 billion, mainly representing investment funds, corporate and perpetual bonds and other debt instruments.

As at 30 June 2025, Sinochem Finance had customers' deposit of approximately RMB57.2 billion, a substantial portion of which were either subsequently extended as Sinochem Finance's loans to members of Sinochem Holdings or monies placed with PBOC and other financial institutions.

The equity base of Sinochem Finance gradually increased during the periods under review. As at 30 June 2025, the registered and paid-up capital of Sinochem Finance was RMB6.0 billion, and the total equity of Sinochem Finance was approximately RMB13.1 billion.

Internal controls

We have obtained and reviewed the risk management manual of Sinochem Finance and note that it adopts certain corporate governance and internal control procedures to manage its risk profile, including business and financial risk, and to ensure that the business operations of Sinochem Finance are in compliance with, among others, the relevant laws and regulations of the PRC, as well as the relevant rules and operational requirements promulgated by the NFRA.

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. As set out in the letter from the Board, Sinochem Finance has not defaulted on any of its credit obligations or breached any rules or operational requirements of the regulatory authorities during the past three years. We have also obtained and reviewed the audited consolidated financial statements of Sinochem Finance for the three years ended 31 December 2024, and did not note any default on credit obligations disclosed in such financial statements.

5. Information on Sinochem Corporation

Sinochem Corporation, which has issued the Undertaking to procure the performance and obligations by Sinochem Finance under the Financial Services Framework Agreement, is a subsidiary of Sinochem Holdings.

According to its unaudited consolidated management accounts as at 30 June 2025, Sinochem Corporation had fully paid-up capital of approximately RMB46.5 billion, consolidated net assets attributable to owners of Sinochem Corporation of approximately RMB183.0 billion, and bank balances and cash of approximately RMB36.5 billion as at 30 June 2025. Gearing ratio of Sinochem Corporation, calculated as total liabilities divided by total assets, was approximately 66.3% as at 30 June 2025. Profit attributable to owners of



Sinochem Corporation amounted to approximately RMB2.4 billion in 2024 and approximately RMB0.9 billion for the first six months of 2025. On this basis, Sinochem Corporation operates substantial business operations with a scale that is much larger than the scale of Sinochem Finance, and has been generating substantial profits during the abovementioned periods. According to the credit rating report issued by China ChengXin International Credit Rating Co., Ltd. (“CCXI”, one of the leading PRC credit rating agency approved by the PBOC, according to its website) dated 23 June 2025, the credit rating of Sinochem Corporation was AAA, the highest rating under CCXI’s credit rating scale and implying strong debt repayment capacity, remote default risk and an ability to withstand negative economic environment scenarios. To the knowledge of the Company, Sinochem Corporation 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 Corporation’s financial performance and position, we consider that Sinochem Corporation has strong financial capabilities to procure Sinochem Finance to perform its obligations under the Financial Services Framework Agreement pursuant to the Undertaking.

6. Internal control procedures and corporate governance measures

In order to safeguard the deposits with Sinochem Finance and 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, which are summarised below 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 as offered by the main independent commercial banks with which it maintains cooperation in the PRC and ensure that, subject to regulatory requirements, the deposit rates offered by Sinochem Finance are no less than those offered by such banks;
- (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, at least three comparable interest rates on such deposits quoted by independent commercial banks in the PRC with which the Group maintains bank accounts, and take into account the service fee charged by 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 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 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 within three business days in writing upon the occurrence of any of the following events: (a) any bank run, failure to repay any material debts when due, material overdue loans, material system failures, or any other material incidents such as robbery or fraud; (b) any material organizational changes, operational risks or other events which may affect or are likely to affect the normal operations of Sinochem Finance; or (c) any major circumstances where Sinochem Finance is ordered by the NFRA or other competent regulatory authorities to take rectifications; 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 will provide regulatory ratios under regulatory requirements, including capital adequacy ratio and non-performing asset 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 Corporation, Sinochem Group and Sinochem Holdings), 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;
- (i) Sinochem Finance will provide the Group with quarterly information on its interbank deposits and asset structure, including interbank placements, readily disposable assets and assets requiring a longer period of time for disposal;



- (j) The Company will closely monitor the operating conditions of Sinochem Finance. In the event of circumstances that may affect the security of the Group's deposits, including but not limited to non-compliance with regulatory ratios under the Revised Measures (as defined below), bank runs, overdue debts, significant overdue loans, major system failures, regulatory rectification orders or other material incidents, the Company will take appropriate measures to mitigate the risks and safeguard its deposits;
- (k) The Company will monitor on a daily basis the status of its overall financial assistance to Sinochem Holdings and its associates (including, among others, the deposits with Sinochem Finance and the Funds Provision) to ensure that the outstanding amount of such overall financial assistance will not exceed the Overall Limit, being 50% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements. Within this threshold, the Company will set a monitoring cap on the deposits placed with Sinochem Finance and require Sinochem Finance to implement system control based on such monitoring cap. If the deposits exceed the monitoring cap, the system will automatically transfer the excess deposits to the Company's pre-designated accounts with external commercial banks; and
- (l) 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.

As confirmed by management of the Group, during the term of the Existing Financial Services Framework 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 cooperation in the PRC, to the extent that quotations are available to the Group. We have also obtained documentations showing the comparison of the demand deposit interest rates obtained by the Group from three independent commercial banks in the PRC which it maintains bank accounts and from Sinochem Finance, covering all quarters of 2024 and the first third quarters of 2025, and note that the rates offered by Sinochem Finance were consistently the highest among all quotes obtained. We consider the measures relating to the comparison of deposit interest rates with independent commercial banks in the PRC 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 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, particularly (i) the comparison of interest rates being offered by Sinochem Finance with at least three interest rates on comparable deposits from independent commercial banks in the PRC, (ii) the comparison of any loan from Sinochem Finance with at least three offers from independent commercial banks or financial institutions, (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 Overall Limit as an additional safeguard in place to limit the maximum risk exposure arising from the Deposit Services and other financial assistance to 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 are reasonable and appropriate, and that the procedures and measures ensure that the continuing connected transactions under the Financial Services Framework Agreement will be appropriately monitored.

7. Regulatory environment of Sinochem Finance

The banking industry in the PRC is highly regulated, and the current principal regulatory authorities include the NFRA (the successor of the China Banking and Insurance Regulatory Commission ("CBIRC")), responsible for the unified supervision and regulation of the financial industry, other than the securities sector, and the PBOC, responsible for formulating and implementing monetary policies, and drafting major financial laws and regulations, and establishing fundamental prudential regulatory frameworks, as advised by the management of the Group. In the fourth quarter of 2022, the CBIRC issued certain measures and notices, including the revised "Measures for the Administration of Finance Companies of Enterprise Groups" (the "**Revised Measures**") which came into effect on 13 November 2022 under which, licensed finance companies of enterprise groups, including Sinochem Finance, are required to meet certain regulatory ratio requirements. Major applicable regulatory ratio requirements under the prior years' measures and the actual ratios of Sinochem Finance as at 31 December 2022, 2023 and 2024 and 30 June 2025 are set out in the table below:

Risk monitoring indicators	Requirements for PRC licensed finance companies	As at 30 June 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022
Capital adequacy ratio	Not lower than 10.5%	12.33%	12.20%	14.04%	13.88%
Current ratio	Not lower than 25%	61.45%	53.41%	45.57%	43.57%
Loans receivable to the sum of total deposits received and paid-up capital	Not higher than 80%	76.91%	74.97%	69.41%	85.96% (Note 3)
Total external liabilities to net capital	Not higher than 100%	N/A (Note 1)	65.91%	N/A (Note 1)	18.88%
Bills acceptance balance to total assets	Not higher than 15%	5.28%	6.47%	3.74%	2.86%
Bills acceptance balance to interbank deposits balance	Not higher than 300%	67.61%	217.40%	73.85%	175.85%



Risk monitoring indicators	Requirements for PRC licensed finance companies	As at 30 June 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022
Bills acceptance and discount balance to net capital	Not higher than 100%	59.06%	60.05%	37.19%	21.51%
Deposits for bills acceptance to total deposits received	Not higher than 10%	N/A (Note 2)	N/A (Note 2)	N/A (Note 2)	N/A (Note 2)
Total investment to net capital	Not higher than 70%	67.85%	59.17%	61.82%	76.27% (Note 3)
Fixed assets to net capital	Not higher than 20%	0.05%	0.06%	0.03%	0.04%

Notes:

- (1) As confirmed by the management of the Group, there were no total external liabilities (i.e. Borrowings from banks and other financial institutions and financial assets sold under repurchase agreements) as at 31 December 2023 and 30 June 2025.
- (2) As confirmed by the management of the Group, there were no deposits for bills acceptance as at 31 December 2022, 2023 and 2024 and 30 June 2025.
- (3) As confirmed by the management of the Group, the two risk monitoring indicators as recorded by Sinochem Finance as at 31 December 2022 were not within the relevant requirements pursuant to the Revised Measures which became effective on 13 November 2022, but Sinochem Finance was allowed to meet the new regulatory requirements within six months from the effective date of the Revised Measures. As stated in a report issued by an independent auditor, Sinochem Finance met the transitional regulatory requirements according to the Revised Measures.

As advised by the management of the Group, the NFRA monitors Sinochem Finance's operations and compliance with the applicable requirements of the relevant regulatory authorities and conducts on-site visits from time to time, and may issue opinions on rectification measures to Sinochem Finance. We note that all applicable ratios of Sinochem Finance as at 30 June 2025 were in compliance with the Revised Measures. In particular, the capital adequacy ratio of Sinochem Finance was approximately 12.33% as at 30 June 2025, higher than the 10.5% minimum requirement for PRC licensed finance companies.

As set out in the letter from the Board, to the knowledge of the Company, the NFRA has not taken any disciplinary actions, or imposed penalties or fines on Sinochem Finance since its incorporation.



8. The Maximum Daily Deposit Balance

Review of historical figures

Set out below are the historical Maximum Daily Deposit Balance placed by the Group with Sinochem Finance and the relevant cap amounts for the two years ended 31 December 2023 and 2024, and for the six months ended 30 June 2025:

	For the year ended 31 December		For the six months ended 30 June
	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)
Maximum Daily Deposit Balance placed by the Group with Sinochem Finance	1,973.5	2,850.0	3,000.0
Relevant caps (<i>Note</i>)	2,000.0	3,000.0	3,000.0
Utilisation rates	98.7%	95.0%	100.0%

Note: On 11 October 2023, the Company and Sinochem Finance entered into a supplemental agreement to increase the Maximum Daily Deposit Balance from RMB2.0 billion to RMB3.0 billion for the three years ending 31 December 2024, 2025 and 2026.

As shown in the table above, the relevant caps had been substantially utilised during the periods under review, with utilisation rates ranging from approximately 95.0% to 100.0%. The high utilisation rates were mainly due to the significant volume of transaction settlements with subsidiaries of Sinochem Holdings. As advised by the management of the Group, the Group has been actively monitoring its various accounts with Sinochem Finance, and constantly transferring out substantial amount of cash balances to accounts with pre-designated independent commercial banks in the PRC, to ensure that the relevant cap and the applicable Overall Limit would not be exceeded. During the period from 1 January 2025 and up to the Latest Practicable Date, the maximum balance of the deposits placed by the Group with Sinochem Finance and the outstanding amount of the Group's provision of funds to Sinochem Agriculture and CNSG (i.e. under the Funds Provision), in aggregate, were approximately RMB3,150 million, which is within the relevant the applicable Overall Limit.

Assessment of the Maximum Daily Deposit Balance

The Maximum Daily Deposit Balance is proposed to be RMB5.0 billion during the term of the Financial Services Framework Agreement.

In assessing the reasonableness of such Maximum Daily Deposit Balance, we have discussed with management of the Group the reasons underlying this projection. The Directors have taken into account, among other things, (i) the anticipated increase in volume of transactions with subsidiaries of Sinochem Holdings, which will drive the demand for settlement services, (ii) the maximum and average bank balances and cash



of the Group during the peak season in the first half of 2025, (iii) the Group's intention to place further deposits with Sinochem Finance for the purpose of utilising the free-of-charge settlement services, (iv) 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, (v) the flexible and convenient procedures offered by Sinochem Finance, supporting the Group's withdrawals to meet its funding requirements, and (vi) the nature of the Deposit Services, which are on a voluntary and non-exclusive basis and do not impose any obligation on the Group.

As part of the ordinary and usual course of business, a number of intercompany transactions and balances between the Group and subsidiaries of Sinochem Holdings are settled through their respective accounts maintained with Sinochem Finance. We understand from management of the Group that the Group has been actively monitoring its various deposit balances with Sinochem Finance, and that the current maximum balance of RMB3.0 billion under the Existing Financial Services Framework Agreement is insufficient to accommodate the abovementioned daily transactions with subsidiaries of Sinochem Holdings, therefore the Group is required to transfer funds to other independent commercial banks from time to time, to ensure that the deposit balance would not exceed the relevant cap. As referenced in the letter from the Board, (i) during the first half of 2025, the Group's average bank balances and cash amounted to approximately RMB5.3 billion, with a maximum balance reaching approximately RMB6.2 billion, which represents increases of approximately RMB0.8 billion and RMB1.2 billion respectively, as compared to the same periods in 2024 and 2023, and (ii) the imports of fertilizer and other fertilizer raw materials by the Group through subsidiaries of Sinochem Holdings are expected to increase to no more than RMB9,744.0 million, RMB10,579.0 million and RMB11,335.0 million in 2025, 2026 and 2027, respectively. In addition, we note that the purchases of agricultural products in the PRC by the Group from subsidiaries of Sinochem Holdings are expected to increase to no more than RMB965.0 million, RMB1,113.0 million and RMB1,307.0 million respectively. As such, it is proposed to determine a higher maximum balance of RMB5.0 billion, reducing the number of fund transfers between the Group's accounts with Sinochem Finance and other independent commercial banks, which in turn reduces the administrative costs associated with the monitoring of such deposit balances and the above fund transfer requirements. The higher Maximum Daily Deposit Balance would provide the Group with a greater flexibility and a reduced need to effect such inter-bank fund transfers purely for compliance purpose.

The Group recorded continued profitability and strong cash flows in recent periods. As discussed in earlier section, the Group recorded adjusted profit attributable to owners of the Company of approximately RMB1.2 billion in 2024 and approximately RMB1.1 billion in the first half of 2025. Net cash generated from the Group's operating activities was approximately RMB2.5 billion and RMB1.0 billion in 2023 and 2024 and approximately RMB40 million in the first half of 2025. Due to the above, the Group records an increasingly substantial cash position, with its bank balances and cash (including restricted bank deposits and current and non-current time deposits) increased from approximately RMB4.2 billion as at 31 December 2023 to approximately RMB5.3 billion as at 30 June 2025, while bank loans and other



borrowings decreased from approximately RMB1.8 billion as at 31 December 2023 to approximately RMB1.7 billion as at 30 June 2025. We note that the Group generated a profit of over RMB1 billion in the first half of 2025, however, the net cash generated from its operating activities during the period decreased compared to the same period in 2024. As advised by the management of the Group, this was mainly due to the temporary impact resulting from the postponement of the fertilizer application season and a change in the settlement method with the Group's suppliers, and that substantial cash inflows were received by the Group subsequent to the end of June 2025.

In addition, we have obtained and discussed with management the future cash flow projection of the Group for the three years ending 31 December 2028. Based on the projection, the management of the Group expects that the trend of increase in bank balances and cash will continue in the coming years.

Independent Shareholders should note that the Maximum Daily Deposit Balance represents the upper limit of cash the Group may maintain in accounts with Sinochem Finance, and the Group has no obligation to place its deposits with Sinochem Finance at that upper limit (or any amount at all). To limit the maximum risk exposure arising from the Deposit Services and other financial assistance to connected persons, as mentioned in the section above headed "6. Internal control procedures and corporate governance measures", the Group will ensure that the outstanding daily amount of its overall financial assistance to Sinochem Holdings and its associates (including the Group's deposits with Sinochem Finance and the Funds Provision) will not exceed the Overall Limit, being 50% of the consolidated net assets of the Company as set out in its latest published consolidated financial statements which currently stood at approximately RMB5.6 billion. We understand from the management of the Group that the provisions of funds to Sinochem Agriculture and CNSG under the Funds Provision are primarily used for their short-term working capital turnover during the peak season in a given year, and these funds, if any, are typically substantially repaid within two quarters following the drawdown. As at 31 December 2024, the Group's loans to Sinochem Agriculture amounted to RMB300 million, while no loan was provided to CNSG during 2024. Such RMB300 million loans to Sinochem Agriculture were repaid during the first half of 2025, and as at 30 June 2025, there were no outstanding loans to Sinochem Agriculture or CNSG. Given the ongoing business relationship with subsidiaries of Sinochem Holdings and the flexible and convenient procedures for the Group's withdrawals, the Group intends to maintain a higher level of deposits with Sinochem Finance for the purpose of transacting and settling payments and receipts with subsidiaries of Sinochem Holdings. The Company will continue to monitor the outstanding daily amount of its overall financial assistance to Sinochem Holdings and its associates not exceeding the Overall Limit on a daily basis.

Having considered the above, in particular (i) the anticipated increase in volume of transactions and the commercial needs for settlements with subsidiaries of Sinochem Holdings, and (ii) the substantial increase in the Group's bank balances and cash in recent periods, which is expected to continue in the coming years, we concur with management of the Group regarding the rationale behind determining the Maximum Daily Deposit Balance of RMB5.0 billion for the coming years.



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 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 Deposit Balance.
- (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 requirements attached to the Deposit Services, in particular, (i) the restriction of the value of the Deposit Services by way of the Maximum Daily Deposit Balance and the Overall Limit; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Financial Services Framework Agreement, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.



OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Deposit Services are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the Deposit Services (including the Maximum Daily Deposit Balance) 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 ordinary resolution to be proposed at the SGM to approve the Deposit Services (including the Maximum Daily Deposit Balance).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

John Wong
Director

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