
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, registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Softpower International Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION REVISION OF TERMS OF THE LOAN AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

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



A letter from the Board is set out on pages 5 to 18 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 33 of this circular.

A notice convening a Special General Meeting (“SGM”) of Softpower International Limited to be held at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 12 August 2020 at 10:30 a.m. is set out on pages 42 to 43 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less 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 shall not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page 44 of this document for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the Special General Meeting, including:

- **compulsory body temperature checks and health declarations**
- **recommended wearing of a surgical face mask for each attendee**
- **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 meeting as an alternative to attending the meeting in person.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

“2016 Loan Agreement”	the loan agreement dated 11 May 2016 entered into between the Lender (as the lender) and China Victory International Holdings Limited (as the borrower) in respect of a loan facility up to US\$10,000,000, details of which are set out in the Company’s circular dated 15 July 2016;
“2019 Loan Agreement”	the loan agreement dated 9 May 2019 entered into between the Lender and the Borrower for renewal of the Loan and Proposed Annual Caps for a further three years from the Effective Date of the 2019 Loan Agreement;
“2020 Supplemental Loan Agreement”	the supplemental loan agreement dated 21 July 2020 entered into between the Lender and the Borrower and acknowledged by the Guarantor to amend the Original Interest Rate from the Effective Date of the 2020 Supplemental Loan Agreement;
“Annual Caps”	annual aggregate maximum amounts for the principal loan outstanding and the interest due under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) as set out in the section headed “Annual Caps” of this circular;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Borrower”	Agria Group Limited, a wholly-owned subsidiary of the Guarantor;
“Banking Day”	a day (other than a Saturday or a Sunday) on which banks are open for general business in Hong Kong;
“Company”	Softpower International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Deed of Novation”	a deed of novation dated 15 December 2017 entered into amongst the Lender, China Victory International Holdings Limited and the new Borrower in relation to the novation of the rights and liabilities under the 2016 Loan Agreement;
“Director(s)”	the director(s) of the Company;
“Effective Date of the 2019 Loan Agreement”	means 1 August 2019;
“Effective Date of the 2020 Supplemental Loan Agreement”	means the date of fulfillment of conditions precedent in the 2020 Supplemental Loan Agreement;
“Group”	the Company and its subsidiaries;
“Guarantee”	a deed of corporate guarantee to be executed by Guarantor in favour of the Lender guaranteeing the obligations of the Borrower under the 2019 Loan Agreement;
“Guarantor”	Agria Corporation, a company with limited liability incorporated and existing under the laws of Cayman Islands;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Shareholders”	the Shareholder(s) (other than the Lender and its associate) who are not required to abstain from voting on the resolution to be proposed at the SGM to approve the continuing connected transaction contemplated under the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder;
“Independent Board Committee”	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder;

DEFINITIONS

“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020 Supplemental Loan Agreement and the New Interest Rate;
“Latest Practicable Date”	means 22 July 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Lender”	Mao Xing Limited, a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange;
“Loan”	the aggregate principal amount drawn and for the time being outstanding under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement);
“Maturity Date”	means the date falling three (3) years from the Effective Date of the 2019 Loan Agreement (i.e. 31 July 2022);
“NZD”	The New Zealand dollar(s), the lawful currency of New Zealand;
“New Interest Rate”	Five point five per cent (5.5%) of the Loan per annum;
“Original Interest Rate”	Ten point five per cent (10.5%) of the Loan per annum;
“Percentage Ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules;
“Prime Rate”	the US Dollar Prime rate as quoted by the US Board of Governors of the Federal Reserve System from time to time;

DEFINITIONS

“Security Documents”	the Guarantee and any other document executed from time to time by whatever person as a further guarantee of or security for all or any part of the Borrower’s obligations under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary Share(s) of the Company;
“Share Charge”	the share charge to be executed by the Borrower as the charger over 20% equity interest in Agria Asia Investments Limited to secure the Borrower’s liability and obligations under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement);
“Shareholder(s)”	holder(s) of the Shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	The US dollar(s), the lawful currency of the United State of American;
“%”	per cent.

The English text of this circular, the notice of the SGM and accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)

(Stock Code: 00380)

Executive Directors

Mr. Lai Fulin (*Chairman*)

Mr. Yu Ben Ansheng (*Chief Executive Officer*)

Registered office

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10, Bermuda

Independent non-executive Directors

Mr. Wong Yee Shuen, Wilson

Mr. Chen Wei Wen

Mr. Guan Zhiqiang

***Head office and principal place of
business in Hong Kong***

12th Floor, Phase I, Austin Tower

22-26A Austin Avenue

Tsim Sha Tsui, Kowloon

Hong Kong

28 July 2020

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
REVISION OF THE TERMS OF THE LOAN AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 21 July 2020 in relation to the major transaction and continuing connected transaction contemplated under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) and the proposed revision of the Original Interest Rate under the 2019 Loan Agreement pursuant to the 2020 Supplemental Loan Agreement.

The Lender proposes to enter into the 2020 Supplemental Loan Agreement with the Borrower to revise the Original Interest Rate for each of the interest period and to seek approval from the Independent Shareholders' approval at the SGM.

The purpose of this circular is to provide you with, among other things, (i) details of the revision of the Original Interest Rate pursuant to the 2020 Supplemental Loan Agreement; (ii) a letter from the Independent Board Committee with their views on the 2020 Supplemental Loan Agreement and the transaction contemplated thereunder; (iii) a letter of

LETTER FROM THE BOARD

advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2020 Supplemental Loan Agreement; and (iv) notice of the SGM.

I. THE 2019 LOAN AGREEMENT AND THE 2020 SUPPLEMENTAL LOAN AGREEMENT

Reference is made to (i) the announcement of the Company dated 9 May 2019 and (ii) the circular of the Company dated 5 June 2019 in relation to, among other things, the continuing connected transaction of the Group contemplated under the 2019 Loan Agreement. At the special general meeting of the Company held on 24 June 2019, the independent Shareholders had approved the aforementioned continuing connected transaction as well as the respective annual caps of the Loan for the relevant periods during the three years ending 31 July 2022.

Owing to the Borrower's intention to repay the entire amount of the Loan to the Company if the Original Interest Rate remains unchanged, after the negotiation, the Borrower and Lender agreed to enter into the 2020 Supplemental Loan Agreement to adjust downward the interest rate for each of the interest period from ten point five per cent (10.5%) of the Loan per annum to five point five per cent (5.5%) of the Loan per annum.

Save and except for the revision on the Original Interest Rate and the Share Charge by the Borrower, all other terms as set out in the 2019 Loan Agreement remain unchanged. Reference to the principal terms of the 2019 Loan Agreement can be made to the paragraph headed "THE PRINCIPAL TERMS OF THE 2019 LOAN AGREEMENT" in the section headed "Letter from the Board" in the Company's circular dated 5 June 2019.

II. THE PRINCIPAL TERMS OF THE 2019 LOAN AGREEMENT (AS AMENDED OR SUPPLEMENTED BY THE 2020 SUPPLEMENTAL LOAN AGREEMENT)

The principal terms of the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) are as follows:

Date of the 2020 Supplemental Loan Agreement	21 July 2020
Lender	Mao Xing Limited, a wholly-owned subsidiary of the Company
Borrower	Agria Group Limited, a wholly-owned subsidiary of the Guarantor
Principal Amount	US\$10,000,000 (equivalent to approximately HK\$78,500,000), the amount which has been advanced to the original borrower under the 2016 Loan Agreement (i.e. 1 August 2016) and was transferred to the Borrower pursuant to the Deed of Novation

LETTER FROM THE BOARD

Term	A fixed term of 3 years ending on the Maturity Date.
New Interest Rate	<p>The Borrower shall pay the interest on the Loan on each of last Banking Day of an interest period (“Interest Period”) on half yearly basis and in accordance with the agreed schedule of 2019 Loan Agreement with effect from the Effective Date of the 2020 Supplemental Loan Agreement (subject to the fulfillment of the conditions precedent to the 2020 Supplemental Loan Agreement).</p> <p>The interest rate for each of the remaining Interest Period shall be five point five per cent (5.5%) of the Loan per annum.</p>
Early repayment terms	<p>(a) The Borrower may voluntarily repay all or part of the Loan at any time after one (1) year from the Effective Date of the 2019 Loan Agreement provided that it shall provide not less than one (1) month’s prior written notice specifying the intended date of repayment.</p> <p>(b) In the event that the Borrower elects to repay all or part of the Loan within one (1) year from the Effective Date of the 2019 Loan Agreement, in addition to one (1) month’s prior written notice, the Borrower shall pay to the Lender an early repayment fee in the amount of US\$100,000 or at a rate of 3% of the early repayment amount (whichever is higher).</p>
Security for the Loan	<p>(1) The Loan is secured by the Guarantee executed by the Guarantor in favour of the Lender as a continuing security and continuing obligation for performance by the Borrower of its obligations in the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement).</p>

LETTER FROM THE BOARD

Pursuant to the Guarantee, the Guarantor has irrevocably and unconditionally guaranteed and undertaken as principal obligor on first demand by the Lender to pay any and all sums, whether principal, interests, fees or otherwise, which are or at any time may become payable by the Borrower under the 2019 Loan Agreement and the 2020 Supplemental Loan Agreement (the “**Indebtedness**”). In addition, the Guarantor has also guaranteed to pay interest in the same rate and manner as in the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) on the Loan from the date of first demand by the Lender to the date of payment and to be responsible for the costs and expenses incurred by the Lender in enforcing the Guarantee against the Guarantor.

- (2) the Loan is also secured by a Share Charge to be executed by the Borrower in favour of the Lender as a continuing security and continuing obligation for performance by the Borrower of its obligations in the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement). Pursuant to the Share Charge, the Borrower will charge 20% of its share interests in Agria Asia Investments Limited (“**AAIL**”) to the Lender. AAIL is a company with limited liability incorporated in the British Virgin Islands and is wholly-owned by the Borrower. As at the Latest Practicable Date, AAIL is indirectly holding a share equity investment in an agricultural enterprise in New Zealand through Agria (Singapore) Pte. Ltd. (“**Agria Singapore**”), the only and wholly-owned direct subsidiary of AAIL.

According to (i) the latest consolidated management account of Agria Singapore for the eleven months ended 31 May 2020 and (ii) the latest unaudited consolidated financial statement of AAIL for the eleven months period ended 31 May 2020 provided by AAIL:

LETTER FROM THE BOARD

- (a) the net assets value of Agria Singapore is NZD45.1 million (equivalent to approximately US\$28.8 million);
- (b) the net assets value of AAIL as at 31 May 2020 is approximately US\$155.8 million.

Conditions Precedent

The revision of the terms of the Loan pursuant to the 2020 Supplemental Loan Agreement and the New Interest Rate are conditional upon certain conditions precedent, in particular the following, being fulfilled:

- (i) the Lender being satisfied with the results of all technical, legal, financial, operational due diligence on the Borrower and there has been no Material Adverse Effect since the date of signing the 2020 Supplemental Loan Agreement;
- (ii) all necessary consents, approvals, authorisations and licenses in relation to the 2020 Supplemental Loan Agreement (including without limitation, the Independent Shareholders' approval of Company) having been obtained;
- (iii) the Share Charge being duly executed by the Borrower as chargor together with all documents required pursuant thereto;
- (iv) the board of directors of both the Borrower and the Company having approved the 2020 Supplemental Loan Agreement and the New Interest Rate; and
- (v) all authorisations have been obtained and all necessary filings, registrations and other formalities (including without limitation, the approval requirements under the Listing Rules and applicable laws and rules in Hong Kong) have been or will be completed in order to ensure that the 2020 Supplemental Loan Agreement and the New Interest Rate are valid and enforceable.

LETTER FROM THE BOARD

Default

If the Borrower fails to pay any sum payable under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) when due, the Borrower (or the Guarantor as principal obligor on first demand by the Lender) shall pay interest on such sum from and including the due date to the date of actual payment (after as well as before judgment) at the rate of Prime Rate plus 12% per annum.

III. ANNUAL CAPS

The existing Annual Caps pursuant to the 2019 Loan Agreement are as follows:-

	Period from 1 August 2019 to 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021	Period from 1 January 2022 to 31 July 2022
Maximum principal loan outstanding	US\$10,000,000	US\$10,000,000	US\$10,000,000	US\$10,000,000
Approximate maximum interest amount	US\$441,000	US\$1,053,000	US\$1,050,000	US\$610,000
Existing Annual Caps	US\$10,441,000	US\$11,053,000	US\$11,050,000	US\$10,610,000

As of the Latest Practicable Date, the total amount of loan that has been drawn down by the Borrower is US\$10,000,000.00. Since the Loan was drawn down on 1 August 2016, the Borrower has been settling the interest accrued from the Loan with the Group on a timely manner and there has been no history of default by the Borrower.

Since the 2019 Loan Agreement came into effect on 1 August 2019, the historical figures of the transaction (being the maximum principal loan outstanding and the actual interest incurred) for the period from 1 August 2019 to 31 December 2019, and that for the period from 1 January 2020 to 11 August 2020 were US\$10,441,000 and US\$10,645,000 (*Note*) respectively.

LETTER FROM THE BOARD

The Annual Caps for the maximum principal loan outstanding and the maximum interest amount for the remaining terms of the Loan with New Interest Rate under 2020 Supplemental Loan Agreement are as follows:

	Period from 12 August 2020 to 31 December 2020 (Note)	Year ending 31 December 2021	Period from 1 January 2022 to 31 July 2022
Maximum principal loan outstanding	US\$10,000,000	US\$10,000,000	US\$10,000,000
Approximate maximum interest amount	US\$214,000	US\$550,000	US\$320,000
Proposed Annual Caps	US\$10,214,000	US\$10,550,000	US\$10,320,000

Note: For the purpose of calculation of the historical figures and the Annual Caps, the Effective Date of the 2020 Supplemental Loan Agreement is assumed to be 12 August 2020, being the expected date of fulfillment of the conditions precedent under the 2020 Supplemental Loan Agreement.

The amounts of above Annual Caps have been determined with reference to the aggregate principal amount outstanding under the facility granted by the Lender and the annual interest payable under the 2019 Loan Agreement and approved by the independent Shareholders at the special general meeting held on 24 June 2019.

Pursuant to the 2020 Supplemental Loan Agreement, it is agreed that the interest on the aggregate principal amount outstanding payable by the Borrower under the Loan from time to time shall be adjusted downward from ten point five per cent (10.5%) of the Loan per annum to five point five per cent (5.5%) of the Loan per annum and such interest shall be paid to the Lender on the last Banking Day of each interest period.

IV. REASONS FOR AND BENEFITS OF THE REVISION OF THE TERMS OF THE LOAN AGREEMENT

In consideration of the good financial position and the existing cash surplus of the Group, the Company would like to seize the opportunity to obtain greater returns for the Shareholders. The Loan would continue to provide stable interest income to the Group. Even though the interest rate of the Loan is to be reduced from ten point five per cent (10.5%) to five point five per cent (5.5%) per annum pursuant to the 2020 Supplemental Loan Agreement, the interest rate of the Loan is still more favourable than that offered by banks in Hong Kong for 6-month fixed deposit. As the Company has currently not identified other better investment opportunities, the making of the Loan, even at reduced interests, would continue to provide interest income to the Company and is considered to be a good investment opportunity for the Company.

LETTER FROM THE BOARD

Assessment of credit risks in association with prior allegations against the Guarantor and Mr. Lai Guanglin

As disclosed in the Company's circular dated 5 June 2019, there were prior allegations made by the US Securities and Exchange Commission ("SEC") and the New Zealand Overseas Investment Office ("OIO") against the Guarantor and/or Mr. Lai Guanglin, details of which are summarised as follows:-

- (1) Allegations made by SEC against the Guarantor and Mr. Lai Guanglin and the settlements:
 - (i) In relation to the Guarantor:
 - a. the allegation, in summary, concerned the concealment of losses from investors between 2010 and 2013 in connection with its divestiture of a PRC company;
 - b. settlement was reached with SEC on a neither admit nor deny basis and the Guarantor paid a penalty of US\$3,000,000 before 31 December 2018.
 - (ii) In relation to Mr. Lai Guanglin:
 - a. the allegation, in summary, concerned his engagement in a scheme of share price manipulation in 2013 during which period the Guarantor's American depository shares were listed on the New York Stock Exchange (such shares were delisted in January 2017); and
 - b. settlement was reached with SEC on a neither admit nor deny basis on 10 December 2018, Mr. Lai Guanglin paid a penalty of US\$400,000 and was barred from acting as an officer or director of any public company for a period of five years.
- (2) Allegations made by OIO against the Guarantor and the settlements:
 - (i) the allegation by OIO was not in relation to an actual fault on part of the Guarantor or Mr. Lai Guanglin, but rather, OIO casted doubt as to the Guarantor's suitability to act as the controlling shareholder of a New Zealand listed company as a result of the allegations made by SEC. It was a condition for the Guarantor to remain as a "good character" for OIO to approve its acquisition of shares in a New Zealand listed company;

LETTER FROM THE BOARD

- (ii) The Guarantor and Mr. Lai Guanglin reached a settlement with OIO and agreed to pay a penalty of NZD100,000 and NZD120,000 respectively, and both parties agreed to make a combined payment of monitoring and enforcement costs in the amount of NZD30,000. All penalties to OIO were settled on 9 April 2019.

In light of the above, the management of the Company has considered the following factors in assessing the credit risk associated with the above allegations:

- (1) the settlements with SEC and OIO were reached on a neither admitted nor deny basis and, in particular, the allegation made by OIO was not in relation to an actual fault on part of the Guarantor or Mr. Lai Guanglin;
- (2) according to the management of the Guarantor, the total figures of the penalties paid to SEC and OIO account for only an insignificant portion of the Guarantor's net asset value, net current asset and cash and cash equivalent as reflected in the accounts of the Guarantor for the financial year ended 30 June 2019;
- (3) as confirmed by the management of the Guarantor, all penalties had been fully settled;
- (4) the event that gave rise to the allegations made by SEC happened more than six years ago and both the Guarantor and Mr. Lai Guanglin have not been approached by SEC or OIO or any other regulatory authorities for any other enforcement action; and
- (5) the 2020 Supplemental Loan Agreement is continued to be secured by the Guarantee.

Therefore, despite that there were certain allegations made against the Guarantor and Mr. Lai Guanglin in the past, the management of the Company are of the view that the credit risk of the Loan remains relatively low.

Assessment of credit risks in association with the 2020 Supplemental Loan Agreement

The major risks associated with the Loan are (1) the potential default of payment of the Borrower and (2) the impact of reduced interest income under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) to the Group. Therefore, before entering into the 2020 Supplemental Loan Agreement, the Directors had also considered and evaluated the following factors:–

- (1) the net assets value of the Borrower's group covers the maximum amount of the Loan.
- (2) the Borrower and/or its holding company will have adequate source of income for the repayment of the Loan.

LETTER FROM THE BOARD

- (3) according to the management accounts of the Guarantor for the financial period ended 31 December 2019, the Guarantor had unaudited net asset value, net current asset and cash and cash equivalents of approximately US\$58,840,000, US\$26,894,000 and US\$26,904,000 as at 31 December 2019 respectively. As such, the Directors are of the view that the financial performance of the Guarantor should be sufficient to cover potential default risk of the Borrower.

Although the net assets value and the net current asset of the Guarantor shrank significant for the six months ended 31 December 2019, it is expected that the credit risk associated with the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) would not be materially affected. Reasons being:–

- (1) The Guarantor has made long term investment in PGG Wrightson Limited (NZSX: PGW), a company which is listed on the New Zealand Stock Exchange (“PGW”), by holding a considerable amount of its shares. Based on the closing price of NZD2.70 per share of PGW as at 30 June 2020, the total market value of the Guarantor’s investment in PGW amounts to approximately US\$57.8 million (exchange rate adopted: NZD1: USD0.64). The amount of which is above the principal amount of the Loan.
- (2) In addition to the contingent liability as the Guarantor of the Loan, the only liability of the Guarantor is an outstanding bank borrowing in the amount of US\$9,680,000 (the “**Borrowing**”) which will expire in August 2023. Despite the net assets value and the net current asset of the Guarantor reduced significantly as a result of the disposal of shares in PGW, each of the total net asset value, net current and cash and cash equivalent of the Guarantor as at 31 December 2019 could still cover the principle amount of the Loan and the Borrowing.
- (3) The Borrower as the chargor will charge 20% of its issued shares in AAIL to the Lender. As informed by the Borrower, AAIL is a company with limited liability incorporated in the British Virgin Islands. According to the latest management accounts of AAIL for the six months period ended 31 December 2019, AAIL had net assets of approximately US\$153.1 million as at 31 December 2019. Accordingly, the net assets of the charged shares (i.e. 20% of the issued shares of AAIL) represent approximately US\$30.6 million, which covers the amount of the Loan and the interest.

Therefore, in accessing the terms of the Loan under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement), the Directors have, among other things, taken the following factors into consideration: -

- (1) As disclosed, the allegations made by SEC against the Guarantor and/or Mr. Lai Guanglin concerned matters which took place in or before 2013, and had finally been settled on a neither admit nor deny basis;

LETTER FROM THE BOARD

- (2) The Directors noted that the Guarantor was delisted from the New York Stock Exchange in 2017. As informed by the Guarantor, the delisting was not related to any allegations made against the Guarantor and/or Mr. Lai Guanglin; and
- (3) The Guarantor is the sole shareholder of the Borrower (and Chargor). The Borrower (and Chargor) in turn holds 87.12% of the equity interests in AAIL, and AAIL is the sole shareholder of Agria Singapore. Audited financial statement has been prepared for Agria Singapore for the year ended 30 June 2019. The unaudited consolidated statement of financial position of AAIL, the Borrower (and Chargor), and the Guarantor, being investment holding vehicles, were prepared on the basis of the financial information of their subsidiaries accordingly.

Upon careful consideration of the above factors, the Directors are satisfied that the Share Charge would be sufficient security for the Loan. Further, the Directors have considered the interest payment history by the Borrower. Since the making of the 2016 Loan Agreement, the Borrower had made punctual interest payments in accordance with the terms and conditions of the Loan.

In light of above, the Directors are of the view that, by entering into the 2020 Supplemental Loan Agreement, the financial resources of the Group could still be used efficiently and to generate reasonable interest return amid the recent downturn of global economy. After taking into account the factors as disclosed above in assessing the risks of the Loan, the Company considers that the risks involved in advancing the Loan to the Borrower are relatively low. The terms of the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement), including the New Interest Rate and the Annual Caps, were agreed by the parties to the 2019 Loan Agreement and the 2020 Supplemental Loan Agreement after arm's length negotiation having taken into account the prevailing market interest rates and practices. Further, the Company has not identified any other valuable investment opportunities at the current stage. As such, the Directors (including the independent non-executive Directors) consider that the 2020 Supplemental Loan Agreement are entered into on normal commercial terms, and the terms of the 2020 Supplemental Loan Agreement and the New Interest Rate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Internal Control Measures for the Loan

To safeguard the interest of the Group, the Company will adopt the following review process and assessment criteria when providing the Loan to the Borrower under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement):

- (1) The designated staff of the accounting department of the Company will closely monitor the outstanding loan balances and report the latest status to the financial controller of the Company on a monthly basis to ensure that it does not exceed the stipulated Annual Caps;

LETTER FROM THE BOARD

- (2) The financial controller of the Company will report to the senior management on a monthly basis and the Directors (including the independent non-executive Directors) on half yearly basis in relation to the transaction status.

V. INFORMATION OF THE PARTIES

The Lender is a limited company incorporated in the British Virgin Islands and principally engaged in investment holding. The Lender is a wholly-owned subsidiary of the Company.

The Group is principally engaged in trading of construction materials, mainly pipes and fittings in Hong Kong and Macau.

The Borrower is a limited company incorporated in the British Virgin Islands and principally engaged in investment holding. The Borrower is a direct wholly-owned subsidiary of the Guarantor.

The Guarantor is a limited company incorporated in the Cayman Islands, which is an investment holding company with substantial long term investment in PGG Wrightson Limited, a company which is listed on the New Zealand Stock Exchange (NZX:PGW).

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Lai Guanglin, holding approximately 32.79% of the issued share capital of the Company, is the controlling shareholder of the Company. As Mr. Lai Guanglin is the ultimate controlling shareholder of the Guarantor, the Borrower, being a wholly-owned subsidiary of the Guarantor, is an associate of Mr. Lai Guanglin and therefore, is an associate of the connected person of the Company under Rule 14A.13(3) of the Listing Rules. As such, the transactions contemplated under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, Mr. Lai Fulin (the younger brother of Mr. Lai Guanglin), an executive Director and the Chairman of the Company, has abstained from voting at the relevant board meeting for approving the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder. Apart from the above, none of the Directors has any material interest in the abovementioned transactions and is required to abstain from voting on the board resolutions approving the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder.

As one or more applicable Percentage Ratios of the Annual Caps for the transactions contemplated under the 2020 Supplemental Loan Agreement exceed 5%, the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder are subject to reporting, announcement, independent shareholders' approval and annual review requirements pursuant to Rules 14A.35, 14A.36 and 14A.49 of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and accounts of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

LETTER FROM THE BOARD

As one or more applicable Percentage Ratios of the Annual Caps exceed 25% but all of which are below 100%, the Loan constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Rule 14.33 of the Listing Rules.

Mr. Lai Guanglin, being the controlling shareholder of the Company, and his associates interested in the transactions contemplated under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) will abstain from voting at the SGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Mr. Lai Guanglin and his associates, no Shareholder (or its associates) has any material interest in the transactions contemplated under the 2020 Supplemental Loan Agreement.

VII. SGM

Set out on pages 42 to 43 of this circular is a notice of the Company convening the SGM which will be held at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 12 August 2020 at 10:30 a.m. for the purpose of considering and if thought fit approving the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder.

The 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder are subject to, among other things, the approval by the Independent Shareholders at the SGM to be taken by way of a poll. As mentioned above, Mr. Lai Guanglin and his associates will abstain from voting for the relevant resolution at the SGM due to their interest in the concerned transaction. Other than the above and to the best knowledge and information of the Board, no other Shareholders have material interest in the above transaction and will abstain from voting at the SGM.

As at the Latest Practicable Date, Mr. Lai Guanglin (including his associates) is entitled to voting rights of 437,234,620 Shares (representing approximately 32.79% of the entire issued share capital of the Company and the total voting rights of the holders of the Shares). Mr. Lai Guanglin (including his associates) controls or is entitled to control over the entire voting right in respect of his Shares. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Lai Guanglin (including his associates); and (ii) no obligation or entitlement of Mr. Lai Guanglin (including his associates) as at the Latest Practicable Date, whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for the SGM is enclosed. Whether or not you wish to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the SGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM (or any adjourned meeting) if you so wish.

LETTER FROM THE BOARD

VIII. RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

The letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 33 of this circular and the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the terms of the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at SGM.

The Board considers that the terms of the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

IX. ADDITIONAL INFORMATION

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

By Order of the Board
Softpower International Limited
Lai Fulin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)

(Stock Code: 00380)

28 July 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION REVISION OF TERMS OF LOAN AGREEMENT

We refer to the circular dated 28 July 2020 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the SGM. VBG Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder, as set out on pages 21 to 33 of the Circular.

Having taken into account of the advice of the Independent Financial Adviser, we consider that the 2020 Supplemental Loan Agreement (including the New Interest Rate) is entered into upon normal commercial terms, and that the transactions contemplated under the 2020 Supplemental Loan Agreement are entered in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the 2020 Supplemental Loan

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Agreement (including the New Interest Rate) are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the 2020 Supplemental Loan Agreement, the New Interest Rate and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Wong Yee Shuen, Wilson
*Independent non-executive
Director*

Mr. Chen Wei Wen
*Independent non-executive
Director*

Mr. Guan Zhiqiang
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2020 Supplemental Loan Agreement for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

28 July 2020

*To: The independent board committee and the independent shareholders
of Softpower International Limited*

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION REVISION OF TERMS OF THE LOAN AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020 Supplemental Loan Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 28 July 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcement of the Company dated 9 May 2019 and its circular dated 5 June 2019 in relation to the continuing connected transaction for the Group contemplated under the 2019 Loan Agreement. At the special general meeting of the Company held on 24 June 2019, the then independent Shareholders approved the aforementioned continuing connected transaction as well as the annual caps of the Loan for the relevant periods during the three years ending 31 July 2022.

The Borrower has proposed to the Lender to enter into the 2020 Supplemental Loan Agreement to adjust the annual interest rate of the Loan downward from 10.5% to 5.5%. Save and except for the revision on interest rate and the Share Charge by the Borrower, all other terms as set out in the 2019 Loan Agreement remain unchanged.

According to the Letter from the Board, the transaction contemplated under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) constitutes a major transaction and a continuing connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, respectively, and is subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements pursuant to the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Wong Yee Shuen, Wilson, Mr. Chen Wei Wen and Mr. Guan Zhiqiang (all being independent non-executive Directors), has been established to advise the Independent Shareholders on (i) whether the terms of the 2020 Supplemental Loan Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the 2020 Supplemental Loan Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the 2020 Supplemental Loan Agreement and the Annual Caps at the SGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion with regard to the 2020 Supplemental Loan Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular as well as the Directors' representation that the allegations of both the US Securities and Exchange Commission ("SEC") and the New Zealand Overseas Investment Office ("OIO") against the Guarantor and/or Mr. Lai Guanglin ("Mr. Lai") have been fully settled). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the SGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Borrower, the Guarantor or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) and the Annual Caps. Our opinion is necessarily based on the market, financial,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 July 2022, and they do not represent forecasts of revenue or cost to be recorded from the continuing connected transaction under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement). Consequently, we express no opinion as to how closely the actual revenue and cost to be incurred under the continuing connected transaction will correspond with the Annual Caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2020 Supplemental Loan Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the 2020 Supplemental Loan Agreement

Information on the Group

The Group is principally engaged in trading of construction materials, mainly pipes and fittings in Hong Kong and Macau.

Based on the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), the Group has been enjoying significant revenue and persistent profits during the past five years. The Group operates its core business mainly through its flagship subsidiary, Bun Kee (International) Limited, a well-established company with a long history. Started over 70 years ago from a small retail shop, the Company has grown up to a company listed on the Stock Exchange since December 2000. The Group is now a one-stop supplier of a comprehensive range of pipes and fittings, and has built a good reputation for the pipes and fittings business in Hong Kong and Macau. It has also established stable major customer and supplier bases over the years.

According to the 2019 Annual Report, the Group had cash and bank balances of approximately HK\$157.7 million as at 31 December 2019, representing a substantial jump of approximately 21.2% as compared to the prior year. We noted that the Group

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held abundant cash on hand which was more than sufficient to cover its entire current liabilities of approximately HK\$128.3 million as at the same said date. As further advised by the Directors, while the Group does not have material immediate capital requirement at present, the Group finances its daily working capital requirement mainly by internal resources. With reference to the 2019 Annual Report, net cash generated from operating activities of the Group amounted to approximately HK\$67.0 million for the year ended 31 December 2019, increasing by approximately 440.4% as compared to the prior year. As at 31 December 2019, the Group had aggregate banking facilities for trade finance of approximately HK\$290.7 million, but only approximately HK\$51.7 million was utilised. Moreover, the total borrowings of the Group were reduced by approximately 17.5% to approximately HK\$47.4 million as at 31 December 2019, thereby reducing the Group's gearing level (calculated as total bank borrowings to total equity) to approximately 8.7%.

Information on the Borrower

With reference to the Letter from the Board, the Borrower is a limited company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Borrower is a direct wholly-owned subsidiary of the Guarantor.

Information on the Guarantor

With reference to the Letter from the Board, the Guarantor is a limited company incorporated in the Cayman Islands and has substantial long term investment in PGG Wrightson Limited (NZSX: PGW), a company which is listed on the New Zealand Stock Exchange. Based on the public information available on the New Zealand Stock Exchange's website, the Guarantor was interested in 33,463,399 shares of PGW as at 30 June 2020, representing approximately 44.33% of the total issued share capital of PGW.

As disclosed in details in the circular of the Company dated 5 June 2019 in relation to the continuing connected transaction for the Group contemplated under the 2019 Loan Agreement and the Letter from the Board, certain allegations were made by the SEC and the OIO against the Guarantor and/or Mr. Lai (altogether, the "**Allegations**"). We understand that the SEC's allegations were related to events which happened more than six years ago whilst the OIO's allegation did not involve an actual fault on the part of the Guarantor or Mr. Lai. As confirmed by the management of the Guarantor, the Allegations had been fully settled in December 2018. In particular, the settlements with SEC were agreed by the Guarantor and Mr. Lai without making any admissions of liability. Moreover, the relevant penalties had already been paid and reflected in the accounts of the Guarantor for the financial year ended 30 June 2019. Neither the Guarantor nor Mr. Lai had been approached by the SEC or the OIO for any further enforcement action.

For our due diligence purpose, we have also requested and reviewed the latest consolidated management accounts of the Guarantor for the eleven months ended 31 May 2020. Based on the said latest accounts, the Guarantor recorded total net asset value, net current asset and cash and cash equivalents of approximately US\$58.2

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million (31 December 2018: US\$122.9 million), US\$26.4 million (31 December 2018: US\$182.6 million) and US\$25.8 million (31 December 2018: US\$17.6 million) as at 31 May 2020, respectively. We understand from the Directors that the Guarantor disposed of some shares of PGW during 2019. After the disposal, its shareholding in PGW decreased from approximately 50.22% to approximately 44.33%. Due to the loss of control and as a result of equity accounting, assets and liabilities including non-controlling interest of PGW were derecognised, and the Guarantor's investment in PGW was recognised as "equity accounted investees", instead of being consolidated into the Guarantor's accounts. According to the management of the Guarantor, this is the main reason for the shrink in the asset size of the Guarantor from 2018 to 2020 as just presented.

On the other hand, based on the closing price of NZD2.7 per share of PGW as at 30 June 2020, the total market value of the Guarantor's investment in PGW was approximately US\$57.8 million (exchange rate adopted: NZD1: US\$0.64).

Reasons for the entering into of the 2020 Supplemental Loan Agreement

As advised by the Directors, the Borrower has proposed to the Lender to adjust downward the interest rate under the 2019 Loan Agreement. The Borrower further informed the Lender that it has intention to repay the entire amount of the Loan to the Lender if the existing interest rate remains unchanged. The Company has obtained and checked the relevant fund proof of the Borrower, namely its bank statements as at 30 June 2020, to validate its financial capability for the repayment. After negotiations, the Borrower and the Lender agreed to enter into the 2020 Supplemental Loan Agreement.

Based on our review of the 2019 Loan Agreement, we noted that the Borrower may voluntarily repay all or part of the Loan anytime and from time to time after one year from the Effective Date of the 2019 Loan Agreement (i.e. after 31 July 2020) (the "**Term on Prepayment**").

As mentioned in the sub-section headed "Information on the Group" of this letter of advice, the Group has been principally engaged in trading of pipes and fittings since its listing on the Stock Exchange in December 2000. During the past five years, the Group has been enjoying significant revenue and persistent profits. As at 31 December 2019, the Group had abundant cash and bank balances of approximately HK\$157.7 million but did not have any capital commitment, and the Group finances its daily working capital requirement mainly by internal resources.

As confirmed by the Directors, the trading of pipes and fittings business of the Group is rather mature, and the Company had not identified any potential projects or investment opportunities with substantial capital requirement for the Group to pursue as at the Latest Practicable Date. Accordingly, the Directors are of the view that the entering into of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) would allow the Group to seize higher returns for the Shareholders from its abundant cash, the majority of which is currently placed as fixed deposits in banks with effective interest rate of approximately 1.4% per annum. Based on the New Interest Rate, the Group shall be able to earn an annual interest income of

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approximately US\$550,000 (equivalent to approximately HK\$4.3 million based on the exchange rate of US\$1: HK\$7.8), representing approximately 96.8% of the Group's net profit in 2019. Hence, despite the fact that the New Interest Rate is much lower than the Original Interest Rate, it is still in the commercial interest of and beneficial to the Company to provide the Loan for a higher return than keeping the repaid Loan (i.e. in the event that the Borrower repays the entire Loan to the Group under the Term on Prepayment if the 2020 Supplemental Loan Agreement is not entered into) as idle bank deposits.

Having considered the above, as the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) would allow the Group to seize higher returns for the Shareholders from its abundant cash, we concur with the Directors that the entering into of the 2020 Supplemental Loan Agreement is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the 2020 Supplemental Loan Agreement

Pursuant to the 2020 Supplemental Loan Agreement, the Borrower shall pay the interest on the Loan at the New Interest Rate of 5.5% per annum on each of the last Banking Day of an interest period on half-yearly basis and in accordance with the agreed schedule of 2019 Loan Agreement with effect from the Effective Date of the 2020 Supplemental Loan Agreement.

Save and except for the revision on interest rate and the Share Charge by the Borrower, all other terms as set out in the 2019 Loan Agreement remain unchanged. Shareholders may refer to the section headed "The principal terms of the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement)" of the Letter from the Board for the relevant details.

The New Interest Rate

Pursuant to the 2020 Supplemental Loan Agreement, the New Interest Rate is 5.5% of the Loan. As at 31 December 2019, the Group had abundant cash and bank balances of approximately HK\$157.7 million, the majority of which is currently placed as fixed deposits in banks with effective interest rate of approximately 1.4% per annum. The Group also had total borrowings of approximately HK\$47.4 million as at 31 December 2019, bearing effective interest rate of approximately 4.3% per annum. With the above being the case, the New Interest Rate of 5.5% is higher than the rates that the Group received from deposits (i.e. 1.4%) and paid for borrowings (i.e. 4.3%).

On the other hand, from our independent research, we noted that nearly all major central banks around the world announced extensive reduction of interest rates in March 2020 following the outbreak of the COVID-19 pandemic. The following table depicts the said situation:

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Country/region	Current rate	Previous rate	Extent of reduction	Date of change
United States of America	0.250%	1.250%	80.0%	15 March 2020
Australia	0.250%	0.500%	50.0%	19 March 2020
South Korea	0.750%	1.250%	40.0%	16 March 2020
Brazil	3.750%	4.250%	11.8%	18 March 2020
Great Britain	0.100%	0.250%	60.0%	19 March 2020
Canada	0.250%	0.750%	66.7%	27 March 2020
China	4.050%	4.150%	2.4%	20 February 2020
Europe	0.000%	0.050%	100.0%	10 March 2016
India	4.400%	5.150%	14.6%	27 March 2020
Japan	-0.100%	0.000%	Undetermined	1 February 2016
New Zealand	0.250%	1.000%	75.0%	16 March 2020
Saudi Arabia	1.000%	1.750%	42.9%	16 March 2020

As depicted by the above table, the current interest rates of all major central banks around the world are below 5%. Whereas in Hong Kong, the current Hong Kong dollar best lending rate offered by The Hongkong and Shanghai Banking Corporation is 5%. Accordingly, the New Interest Rate of 5.5% is higher than the interest rates charged by major central banks around the world as well as the Hong Kong dollar best lending rate.

Furthermore, we have performed an independent research regarding provision of financial assistance to either independent third parties or connected persons by listed companies in Hong Kong. Since the Company is neither a bank nor financial institution, and it does not possess any money lending license, our research has also been conducted based on such selection criteria. During the period from 1 March 2020 up to 30 June 2020, we identified 18 such comparable transactions (the “**Comparables**”). We chose the said research period due to its recency before the signing of the 2020 Supplemental Loan Agreement and taking into account the latest market development following the outbreak of the COVID-19 pandemic. To the best of our knowledge and as far as we are aware of, the Comparables are representative and exhaustive. The table below summarises our relevant findings:

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Date of announcement	Company (stock code)	Principal amount of the loan	Term of the loan	Interest rate per annum
18 March 2020	Yuxing InfoTech Investment Holdings Limited (8005)	HK\$60,000,000	18 months	5%
24 March 2020	Lee's Pharmaceutical Holdings Limited (950)	HK\$8,000,000	1 year	5%
27 March 2020	Lee's Pharmaceutical Holdings Limited (950)	US\$2,000,000	1 year	5%
27 March 2020	Zhuzhou CRRC Times Electric Co., Ltd. (3898)	RMB100,000,000	1 year	4.785%
27 March 2020	First Tractor Company Limited (38)	RMB21,000,000	1 year	Between 150 to 200 basic points added to the rate quotation in the market for one-year loans issued by the People's Bank of China (<i>Note 1</i>)
1 April 2020	Nan Hai Corporation Limited (680)	RMB200,000,000	18 months	9.5%
9 April 2020	Tian An China Investments Company Limited (28)	RMB200,000,000	36 months	10%
15 April 2020	Sichuan Energy Investment Development Co., Ltd. (1713)	RMB8,500,000	1 year	8%
8 May 2020	Smart-Core Holdings Limited (2166)	US\$3,800,000	Around 1 year	7%
13 May 2020	MicroPort Scientific Corporation (853)	RMB55,207,420	5 years	5%
18 May 2020	Lee's Pharmaceutical Holdings Limited (950)	US\$3,000,000	1 year	5%
19 May 2020	Hospital Corporation of China Limited (3869)	RMB45,000,000	90 days	4.79%
12 June 2020	Lee's Pharmaceutical Holdings Limited (950)	HK\$3,000,000	1 year	5%
15 June 2020	Shanghai Industrial Holdings Limited (363)	RMB100,000,000	1 year	5%

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Date of announcement	Company (stock code)	Principal amount of the loan	Term of the loan	Interest rate per annum
17 June 2020	Asiasec Properties Limited (271)	RMB40,000,000	3 years	4.75%
22 June 2020	Sheen Tai Holdings Group Company Limited (1335)	RMB40,000,000	6 months	6%
22 June 2020	Kinetic Mines and Energy Limited (1277)	RMB57,000,000	2 years	2% above the one-year loan market quoted interest rate announced by the National Interbank Funding Center (Note 2)
23 June 2020	Shoucheng Holdings Limited (697)	RMB50,000,000	3 years	6.88%
		Maximum		10%
		Median		5%
		Minimum		4.75%

Notes:

- (1) As at the Latest Practicable Date, the benchmark lending rate for one-year loans of the People's Bank of China was 4.35%.
- (2) As at the Latest Practicable Date, the one-year loan market quoted interest rate announced by the National Interbank Funding Center was 3.85%.

Source: the website of the Stock Exchange (www.hkex.com.hk)

As demonstrated above, the New Interest Rate of 5.5% is higher than the interest rates charged on loans by more than half of the Comparables. As such, the New Interest Rate is acceptable based on market comparison.

In view of that the New Interest Rate is higher than (i) the rates that the Group received from deposits and paid for borrowings; (ii) the interest rates charged by major central banks around the world as well as the Hong Kong dollar best lending rate; and (iii) the interest rates charged on loans by more than half of the Comparables, we are of the opinion that the New Interest Rate is fair and reasonable so far as the Independent Shareholders are concerned.

Security for the Loan

Regarding the possible credit risk of the Loan, we noted that pursuant to the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement), the Loan is secured by (1) the Guarantee executed by the Guarantor and (2) the Share Charge executed or to be executed by the Borrower in favour of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lender as a continuing security and continuing obligation for performance by the Borrower of its obligations in the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement). Under the Guarantee, the Guarantor has irrevocably and unconditionally guaranteed and undertaken as principal obligor on first demand by the Lender to pay the Indebtedness (as defined in the Letter from the Board). The Guarantor has also guaranteed to pay interest in the same rate and manner as in the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) on the Loan from the date of first demand by the Lender to the date of payment and to be responsible for the costs and expenses incurred by the Lender in enforcing the Guarantee against the Guarantor. While under the Share Charge, the chargor, i.e. the Borrower, will charge 20% of its share interests in a subsidiary, namely Agria Asia Investments Limited (“**AAIL**”) to the Lender. We understand that AAIL is a company with limited liability incorporated in the British Virgin Islands. According to its latest consolidated management accounts for the eleven months ended 31 May 2020, AAIL had net assets of approximately US\$155.8 million (20% of which being US\$31.2 million) as at 31 May 2020. AAIL is interested in 100% of the shares of Agria (Singapore) Pte. Ltd. (“**Agria Singapore**”). According to the latest management accounts of Agria Singapore for the eleven months ended 31 May 2020, Agria Singapore had net assets of approximately US\$28.8 million (exchange rate adopted: NZD1: US\$0.64) as at 31 May 2020. Furthermore, according to the audited financial statements of Agria Singapore for the financial year ended 30 June 2019, Agria Singapore had net assets of approximately US\$23.8 million (exchange rate adopted: NZD1: US\$0.64) as at 30 June 2019.

As advised by the Directors, in the event of any default of payment by the Borrower, the Company intends to enforce the Guarantee to demand the Guarantor to repay all outstanding amounts. In this relation, we noted from the latest consolidated management accounts of the Guarantor for the eleven months ended 31 May 2020 and as confirmed by the management of the Guarantor, besides the Loan, the only major liability of the Guarantor is an outstanding bank borrowing totalling US\$9,680,000 (the “**Bank Borrowing**”) which will expire in August 2023, a date after the Maturity Date. As such, notwithstanding the shrink of asset size of the Guarantor from 2018 to 2020, each of the total net asset value, net current asset and cash and cash equivalents of the Guarantor as at 31 May 2020 could cover the principal amount of the Loan as well as the Bank Borrowing. From the bank statements of the Guarantor which we have requested and obtained, we noted that the Guarantor had total bank deposits of approximately US\$24.2 million as at 30 June 2020. In addition, we noted that the total market value of the Guarantor’s investment in PGW amounted to approximately US\$57.8 million as at 30 June 2020, which is likewise above the principal amount of the Loan as well as the Bank Borrowing. Although the latest consolidated management accounts of the Guarantor were unaudited, the latest value of its material assets (being its cash on hand and investment in PGW) can be substantiated. Furthermore, given that the material assets of the Guarantor are liquid assets, it is likely that they are easier to be realised for settlement of the repayment obligation of the Borrower to the Company in the event of any default of payment by the Borrower.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As aforementioned, the Allegations had been fully settled in December 2018. In particular, the settlements with SEC were agreed by the Guarantor and Mr. Lai without making any admissions of liability. Moreover, the relevant penalties had already been paid and reflected in the accounts of the Guarantor for the financial year ended 30 June 2019. Neither the Guarantor nor Mr. Lai had been approached by the SEC or the OIO for any further enforcement action. As also advised by Directors, throughout the term of the Loan, the Borrower has been repaying the interests accrued punctually. Judging from all the aforesaid, we concur with the Directors that the credit risk of the Loan is acceptable.

Independent Shareholders should note that the credit risk of the Loan has not been fully mitigated given that, amongst others, the latest management accounts of the Guarantor and AAIL were unaudited, which may affect their credibility. Nonetheless, as the New Interest Rate is fair and reasonable and the Loan would allow the Company to obtain a higher return than keeping it as idle bank deposits, Independent Shareholders should consider if the credit risk of the Loan is bearable based on their own risk tolerance level.

3. The Annual Caps

Under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement), the Annual Caps of the Loan for the remaining term of the Loan are as follows:

	Period from 12 August 2020, being the assumed Effective Date of the 2020 Supplemental Loan Agreement, to 31 December 2020	Year ending 31 December 2021	Period from 1 January 2022 to 31 July 2022
Maximum principal loan outstanding	US\$10,000,000	US\$10,000,000	US\$10,000,000
Approximate maximum interest amount	US\$214,000	US\$550,000	US\$320,000
Proposed Annual Caps	US\$10,214,000	US\$10,550,000	US\$10,320,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As referred to in the Letter from the Board, the Annual Caps were determined with reference to the maximum principal amount outstanding under the facility granted by the Lender (i.e. the Loan of US\$10 million) and the interest payable under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) based on the New Interest Rate of 5.5%, for each of the above periods. We consider that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Compliance with the Listing Rules

We understand that the Group has established a system of internal control measures as detailed in the sub-section headed “Internal control measures for the Loan” of the Letter from the Board to govern the implementation of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement). For this reason, we have obtained and read through the relevant internal control manual of the Company and discussed with the Company on how such measures will practically be carried out.

In addition, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Loan must be restricted by the Annual Caps for the periods concerned under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement); (ii) the terms of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) (together with the Annual Caps) must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the extension of the Loan is carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the Loan exceed the Annual Caps, or that there is any material amendment to the terms of the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the Company’s internal control measures together with the stipulated requirements for continuing connected transaction of the Listing Rules in place, the provision of the Loan under the 2019 Loan Agreement (as amended and supplemented by the 2020 Supplemental Loan Agreement) will be monitored and thus the interest of the Independent Shareholders may be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2020 Supplemental Loan Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the entering into of the 2020 Supplemental Loan Agreement is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2020 Supplemental Loan Agreement, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited financial statements of the Group for the year ended 31 December 2019 are set out on pages 63 to 159 of the 2019 annual report of the Company, which was published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.softpower.hk).

The audited financial statements of the Group for the year ended 31 December 2018 are set out on pages 63 to 163 of the 2018 annual report of the Company, which was published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.softpower.hk).

The audited financial statements of the Group for the year ended 31 December 2017 are set out on pages 88 to 175 of the 2017 annual report of the Company, which was published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.softpower.hk).

2. INDEBTEDNESS

Borrowings

At the close of business on 31 May 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$47,994,000, details of which are set out below:

	<i>HK\$'000</i>
Trust receipt loans, secured	37,291
Trust receipt loans, unsecured	<u>10,703</u>
	<u><u>47,994</u></u>

The secured loans were secured by corporate guarantees, bank deposits of HK\$36,000,000 and certificate of deposit of HK\$10,000,000.

Lease liabilities

As at 31 May 2020, the total lease liabilities of the Group amounted to approximately HK\$133,919,000. Certain lease liabilities amounting to approximately HK\$132,728,000 were secured by rental deposits pursuant to the corresponding tenancy agreements.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities authorised or created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under

acceptances (other than normal trade bills), acceptance credits, other recognised lease liabilities or lease commitments, mortgages or charges, material contingent liabilities or guarantees outstanding as at the close of business on 31 May 2020.

There had been no material changes in indebtedness or contingent liabilities of the Group since 31 December 2019 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Group's available financial resources including the internally generated funds, the working capital available to the Group is sufficient for the Group's requirements for a least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal business of the Group is importing and selling of a range of pipes (including copper tube, ductile iron and steel pipes) related products, fittings as well as offering comprehensive services and solutions to contractors, designers, consultants and government agencies in Hong Kong and Macau. The Group strive to provide high quality products to the customers and serve them with value-added customer services.

To stay in the forefront of competition, the management of the Group will continue to manage the costs tightly and enhance the cost-effectiveness of the Group.

In addition, as mentioned in the section headed "REASONS FOR AND BENEFITS OF THE REVISION OF THE TERMS OF THE LOAN AGREEMENT" in the Letter from the Board of this circular, although the New Interest Rate will be reduced to 5.5% per annum, it is still higher than the interest rate for 6-month fixed deposit in the banks of Hong Kong. Therefore, the 2020 Supplemental Loan Agreement is still regarded as a good investment opportunity for the Company given the good financial position and cash surplus of the Group.

5. FINANCIAL EFFECT OF THE 2020 SUPPLEMENTAL LOAN AGREEMENT

Taking into account the interest income which could be derived from the Loan as contemplated under the 2019 Loan Agreement (as amended or supplemented by the 2020 Supplemental Loan Agreement) would cover all necessary expenses to be incurred by the Group and the revision of the terms of the transactions contemplated under the 2020 Supplemental Loan Agreement shall be no less favorable than the interest rate for 6-month fixed deposit in the banks of Hong Kong, the Company expects to have positive effect on its earnings as well as earning per share for the Shareholders.

If the Group is to fund the Loans by its bank borrowings, its assets and liabilities will be increased by the same amount of such borrowings at the time when such borrowings are obtained. Save for the aforesaid, there would be no material effect on the Group's assets and liabilities as a result of the transactions contemplated under the 2020 Supplemental Loan Agreement.

1. RESPONSIBILITY STATEMENT

This document, 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. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

Long positions in the shares and underlying share of the Company

Name of Director	Capacity	Personal Interests	Corporate Interests	Total	Approximate percentage of Shares in issue
Yu Ben Ansheng	Beneficial owner/ Interest of controlled corporation	3,000,000	146,000,000 (Note)	149,000,000	11.18%

Note: These shares are held by King Jade Holdings Limited, which is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director and the Chief Executive Officer of the Company. Accordingly, Mr. Yu is deemed to be interested in such shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in shares and underlying share of the Company

Name of Shareholders	Capacity	Number of Shares/ underlying shares held	Approximate percentage of Shares in issue
Singapore Zhongxin Investment Company Limited ^(Note 1)	Beneficial owner	437,234,620	32.79%
Lai Guanglin ^(Note 1)	Interest of controlled corporation	437,234,620	32.79%
Li Juan ^(Note 2)	Interest of spouse	437,234,620	32.79%
Qu Zhi	Beneficial owner	333,317,500	25%
King Jade Holdings Limited ^(Note 3)	Beneficial owner	146,000,000	10.95%

Notes:

1. Singapore Zhongxin Investment Company Limited is wholly and beneficially owned by Mr. Lai Guanglin. Accordingly, Mr. Lai is deemed to be interested in such shares under the SFO.
2. Ms. Li Juan, the spouse of Mr. Lai Guanglin, is also deemed to be interested in Mr. Lai's interest in the Company under the SFO.
3. King Jade Holdings Limited is wholly and beneficially owned by Mr. Yu Ben Ansheng, an executive Director and the Chief Executive Officer of the Company. Accordingly, Mr. Yu is deemed to be interested in such shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, so far as known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular ending on the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Group and are or may be material:

- (i) the consultancy services agreement dated 1 April 2020 entered into between Brothers Capital Limited and the Company in relation to provision of consultancy services;
- (ii) the 2019 Loan Agreement.

Save as disclosed above, during the two years immediately preceding the date of this circular, no contracts (not being contracts entered into in the ordinary course of business) has been entered into by the Company and/or members of the Group and is or may be material.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they appear.

The following is the qualification of the expert who has provided its advice, which is contained in this circular:

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

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2019), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and the head office and principal place of business in Hong Kong of which is at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Ocorian Management (Bermuda) Limited at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and the Hong Kong branch share registrar and transfer office of which is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Mr. Cheng Siu Kwan, aged 50, joined the Company as the Financial Controller in December 2012 and has been appointed as the Company Secretary of the Company in February 2013. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Cheng held various finance positions at a number of companies listed on The Stock Exchange of Hong Kong Limited and has over 25 years of experience in auditing, finance and accounting.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) this circular;
- (b) the 2019 Loan Agreement;
- (c) the 2020 Supplemental Loan Agreement;
- (d) the letter from the Independent Board Committee as set out in this circular;
- (e) the letter from the Independent Financial Adviser as set out in this circular;
- (f) the written consent of the Independent Financial Adviser;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix II;

- (h) the bye-laws of the Company; and
- (i) the annual reports for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 of the Company.

NOTICE OF THE SGM



(Incorporated in Bermuda with limited liability)

(Stock Code: 00380)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Softpower International Limited (the “**Company**”) will be held at 12th Floor, Phase I, Austin Tower, 22-26A Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 12 August 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as the ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the supplemental loan agreement dated 21 July 2020 (the “**2020 Supplemental Loan Agreement**”) entered into by Mao Xing Limited (the “**Lender**”), a wholly-owned subsidiary of the Company, as lender, and Agria Group Limited (the “**Borrower**”) as borrower, to amend or supplement the terms of the loan agreement dated 9 May 2019 (the “**2019 Loan Agreement**”). The 2019 Loan Agreement together with the 2020 Supplemental Loan Agreement constitute continuing connected transaction (the “**Continuing Connected Transaction**”) for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (details of the 2020 Supplemental Loan Agreement are set out in the Company’s circular dated 28 July 2020 (the “**Circular**”) and copies of the 2019 Loan Agreement, the 2020 Supplemental Loan Agreement and the Circular have been tabled at the meeting and marked “A”, “B” and “C” respectively for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the New Interest Rate and the Annual Caps (as defined and more particularly described in the Circular) in respect of the Continuing Connected Transaction be and are hereby approved and confirmed; and

NOTICE OF THE SGM

- (c) the directors of the Company be and are hereby authorised to do such acts and execute such other documents (including without limitation any related documents) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the 2020 Supplemental Loan Agreement and the New Interest Rate and the transactions contemplated thereunder.”

By order of the Board
Softpower International Limited
Lai Fulin
Chairman

Hong Kong, 28 July 2020

Notes:

1. A form of proxy for use at the SGM or any adjournment thereof is enclosed.
2. A shareholder of the Company (a “**Shareholder**”) entitled to attend and vote at the SGM convened by the above notice (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
3. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. Where there are joint registered holders of any share, any one of such persons may vote at any 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 joint holders be present at any meeting personally or by proxy, that one of the said persons 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. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting at the meeting should he/she/it wish. If a Shareholder attend and vote at the SGM, the authority of his/her/its proxy will be deemed to be revoked.

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 Special General Meeting to protect attending shareholders, staff and stakeholders from the risk of infection:

1. 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.
2. The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
3. No refreshment will be served, and there will be no corporate gift.
4. Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Special General Meeting; 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 addition, the Company reminds all shareholders that physical attendance in person at the meeting 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 meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document.

If any shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our head office and principal place of business in Hong Kong or to our email at ir@softpower.hk.

If any shareholder has any question relating to the meeting, please contact the share registrar of the Company, Computershare Hong Kong Investor Services Limited, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: 2862 8555
Fax: 2865 0990