CHINA MINING INTERNATIONAL LIMITED
中矿国际有限公司
(Incorporated in the Cayman Islands)
(Company Registration No. CT-140095)

CLARIFICATION ANNOUNCEMENT IN RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE REGULATION RELATING TO THE COMPANY'S FULL YEAR RESULTS ("FY24") ANNOUNCED ON 28 FEBRUARY 2025

The Board of Directors (the "**Board**") of China Mining International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the questions raised by the Singapore Exchange Regulation ("**SGX RegCo**") relating to the full year results ("**FY24**") announced on 28 February 2025 (the "**Announcement**").

The Board appends below its corresponding replies to the questions raised by SGX RegCo:

<u>SGX RegCo's Query 1:</u>
We refer to note 11 of the unaudited full year results for the Company regarding the write off for the Bearer Plants used for the Company's agricultural business. It is disclosed that, "The bearer plants was fully written off due to the termination of all the farmland lease in FY2024 amounted to RMB52,427,000 (FY2023: RMB63,940,000)."

a. Please elaborate on what led to the termination of the farmland lease and relevant operations, considering that the Group has only acquired the Agricultural Group in 2021.
b. Please provide the bases for the writing down of bearer plants and clarify the following:
   (i) whether the Company no longer owns the bearer plants;
   (ii) whether there were any other alternatives considered by the Board to realise the value of the bearer plants asset. If no, please explain why.
c. Please disclose the effective date for the termination of the agricultural business (including the farmland lease and the relevant operations).

The Company's Response:

a. Circumstances Leading to Termination of Farmland Leases and Operations
   The termination of the farmland leases and the agricultural business in FY2024 resulted from a series of uncontrollable external events following the Group's acquisition of the Agricultural Group in 2021. The original intent was to build a sustainable pomegranate plantation, processing, and sales business. However, operational viability was progressively undermined by:
   - **Natural Disasters (2021)**: Severe flooding on 20 July 2021 damaged farmland infrastructure (pits, eroded irrigation, destroyed fencing) and impaired fruit tree growth, with recovery remaining slow despite mitigation efforts.
   - **Pandemic Disruptions (2022)**: October 2022 lockdowns halted harvesting and sales, causing significant losses of unharvested and unsold pomegranates, though the Group still achieved a profit that year through resilience measures.

- **Government Policy and Expropriation (2023-2024)**:
  (1) *Jiaoping Expressway (2023)*: Requisition of 200 mu (out of 1,200 mu) fragmented the land and disrupted irrigation networks.
  (2) *Sishui Village Resettlement (Post-2021 Flood)*: Expropriation of 200 mu for housing further fragmented operations.
  (3) *Luoyang-Xinzheng Aviation Fuel Pipeline (2024)*: Destruction of 3,819 fruit trees and a year-long barricade of affected land compounded losses and constraints.
  (4) *Arable Land Redline Policy (2024)*: Mandated conversion of forested land to farmland required tree destruction, incurring additional losses. These events collectively reduced the plantation's operational footprint, damaged bearer plants, and eroded profitability prospects. The downstream high-value businesses (processing, storage, packaging) relied on plantation harvests, which became unsustainable. To prevent further financial deterioration, management terminated the remaining farmland leases in FY2024, returning the land to the government.

b. Bases for Writing Off Bearer Plants and Clarifications
   (i) **Ownership of Bearer Plants**: Following the termination of all farmland leases in FY2024, the Company no longer owns the bearer plants. Per the lease agreements, biological assets (primarily pomegranate trees) on returned land were forfeited to the government without compensation, necessitating a full write-off.
   (ii) **Alternatives Considered to Realize Value**: The Board evaluated options to salvage the bearer plants' value, such as excavation and relocation for sale. However:
   - The government's confiscation upon lease termination precluded compensation or transfer.
   - Costs of unearthing, transporting, and replanting mature trees (harvested October-November) exceeded potential proceeds, given logistical challenges and market conditions.
   - No viable buyers emerged due to the plants' site-specific cultivation and the fragmented land's reduced appeal. Consequently, the Board concluded that full impairment was the only prudent accounting treatment, aligning with International Financial Reporting Standards (IFRS) on asset derecognition and impairment.

c. Effective Date of Termination
   The agricultural business, encompassing farmland leases and all related operations, was effectively terminated on 1 January 2025. As of this date, the agricultural subsidiary ceased all activities, including employee salary payments, marking the complete discontinuation of this segment. This followed the progressive return of leased land throughout FY2024, finalized by year-end.

<u>**SGX RegCo's Query 2:**</u>
Please clarify whether the Company currently has any operations currently and provide details on the remaining businesses of the Company following the termination of its agricultural business.

The Company's Response:
Following the termination of the agricultural business, the Company retains operational capacity and is actively transitioning to viable activities:

- **Processing and Distribution Assets**: The Group holds processing assets (e.g., pomegranate peeling machines, sorting lines, cold storage facilities) and maintains a sales network with operational staff. These support fresh produce trading, value-added processing, and procurement agency services, currently paused but poised for reactivation under a new business model (see Q3).

- **Mining Asset**: The Group retains an iron ore asset in South Africa, which remains a strategic investment with potential for future development or monetization. While plantation operations have ceased, the Company is not dormant. Management is leveraging existing infrastructure and expertise to pivot operations, ensuring continuity beyond FY2024.

<u>SGX RegCo's Query 3:</u>
Please disclose the Board's assessment on whether the Company is a cash company with reference to listing rule 1018 following the termination of its agricultural business, including its bases of assessment.

The Company's Response:
The Board has assessed that the Company does not meet the definition of a "cash company" under SGX Listing Rule 1018, which applies to entities with no substantive operations and assets consisting substantially of cash or short-term investments. This conclusion is based on:

- **Remaining Operational Assets**: The Company retains tangible processing assets (e.g., machinery, cold storage) and an iron ore asset in South Africa, alongside a skilled workforce and sales network. These assets exceed mere cash holdings and support ongoing business potential.
- **Strategic Transition Plan**: Management is negotiating with debtors for a debt-to-equity swap to restructure liabilities, enabling a new model of purchasing third-party fruits for processing and sales using existing infrastructure. Alternatively, the Board is exploring strategic acquisitions or partnerships, utilizing the Group's network and assets to generate new revenue streams (e.g., cost-cutting and diversified income).
- **Financial Position**: As of 31 December 2024, the Company's assets include cash, receivables, and prepayments, but these are ancillary to operational assets, not the primary business substance. The termination of the agricultural segment was a response to external pressures, not a cessation of business intent. The Board is committed to resuming revenue-generating activities, ensuring compliance with SGX's operational continuity expectations and avoiding Rule 1018 classification.

<u>SGX RegCo's Query 4:</u>
We refer to note 14 of the unaudited full year results for the Company regarding the other receivables and prepayments. Please provide more details, including the breakdown of what the "prepayments" and "prepaid business and related tax" are.

The Company's Response:

- **Breakdown of Prepayments**:

Description	RMB'000
Prepaid plantation maintenance expenses (Henan Zhongnong Huasheng Agricultural Science and Technology Co., Ltd.)	3,559
Prepaid plantation maintenance expenses (Zhengzhou Rundong Fruit Forest Co., Ltd.)	98
Prepaid land rental (Gongyi Zhongnong Huasheng Agricultural Science and Technology Co., Ltd.)	25
Prepayment (Henan Zhongnong Huasheng Industrial Co., Ltd.)	120
Prepayment (Zhengzhou Shengderun Mining Co., Ltd.)	4
Total	**3,806**

Note: The prepaid plantation maintenance expenses (RMB 3,657,000) were paid to Xingyang City Guofeng Agricultural Machinery Operation Professional Cooperative. Post-termination, an agreement was reached for the Cooperative to offset operating expenses using the prepaid balance, reducing the Company's cash outflow.

- **Breakdown of Prepaid Business and Related Tax**:

Description	**RMB'000**
Prepaid Value-Added Tax (Zhongnong Huasheng Industrial Co., Ltd.)	1,935
Prepaid Value-Added Tax (Zhongnong Huasheng Industrial Co., Ltd.)	166
Total	**2,101**

These represent tax prepayments tied to prior operations, retained for potential offset against future taxable income from new activities.

SGX RegCo's Query 5:
Please explain why there is an increase in prepayments and trade payables, considering that the Company has just terminated its farmland lease and related operations.

The Company's Response:

- **Increase in Prepayments**: The rise from FY2023 to FY2024 (RMB 3,806,000) stems from plantation maintenance prepayments (RMB 2,000,000) made to Xingyang City Guofeng Agricultural Machinery Operation Professional Cooperative in early 2024, before the decision to terminate the agricultural segment. Post-termination, these prepayments were repurposed via an agreement for the Cooperative to cover residual operating costs, preserving Group liquidity. Other prepayments (e.g., land rental, industrial operations) reflect legacy commitments finalized by year-end.
- **Trade Payables Increase**: The increase was due to an accounting error in consolidation. Following the completion of the audit work, a consolidation adjustment was made, resulting in an elimination of the amount.

SGX RegCo's Query 6:
Please explain why there is an increase in trade receivables from RMB1,466,000 as at 31 Dec 2023 to RMB1,974,000 as at 31 Dec 2024, when no revenue has been recognized for FY2024 (other than reversal of doubtful debts).

The Company's Response:
The increase in trade receivables from RMB 1,466,000 (31 December 2023) to RMB 1,974,000 (31 December 2024), despite no revenue recognition in FY2024 (except doubtful debt reversal), is due to:

- A reversal of a prior doubtful debt allowance under Xinxiang Huilong Real Estate Co., Ltd., recognized upon its disposal in December 2024. This accounting adjustment increased the receivable balance without reflecting new operational revenue, consistent with the cessation of agricultural activities. The Board confirms this aligns with IFRS requirements for discontinued operations and disposal accounting.

SGX RegCo's Query 7:
It is noted that there is impairment loss on trade receivables and other receivables of RMB1.9m and RMB3.9m respectively for FY2024.
Please disclose:

(i) the nature of other receivables impaired during the year;
(ii) the reasons for the impairment on trade and other receivables; and
(iii) Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables.

The Company's Response:

(i) **Nature of Impaired Other Receivables**: The RMB 3.9 million impairment relates to receivables under Xinxiang Huilong Real Estate Co., Ltd., written off during its disposal in December 2024 as they were deemed uncollectible post-transfer.

(ii) **Reasons for Impairment**:
- *Trade Receivables (RMB 1.9M)*: Attributed to receivables from Henan Central Agriculture and Commerce Co., Ltd. and Henan Younong Future Supply Chain Management Co., Ltd., impaired upon their disposal in FY2024 due to exclusion from consolidated accounts and assessed non-recoverability.
- *Other Receivables (RMB 3.9M)*: Impaired due to the disposal of Xinxiang Huilong, with receivables tied to prior real estate activities no longer viable post-exit. These impairments reflect the Group's strategic exit from non-core subsidiaries amid the agricultural termination.

(iii) **Board's Opinion on Methodology**: The Board deems the impairment methodologies reasonable, adhering to IFRS 9 (Financial Instruments):
- Expected credit loss models assessed recoverability based on historical payment patterns, debtor status, and disposal outcomes.
- Full impairment was applied where receivables were derecognized due to subsidiary disposals, ensuring conservative and accurate financial reporting reflective of the Group's current structure.

SGX RegCo's Query 8:

Please provide a breakdown of the profit/(loss) from discontinued operations amounting to RMB 35,558,000.

The Company's Response:

Description	**RMB'000**
Gain from lease termination (cancellation of lease liabilities)	35,499
Loss on disposal of subsidiary (Xinxiang Huilong Real Estate Co., Ltd.)	(188)
Loss on disposal of subsidiary (Nice Rhythms Limited)	(195)
Gain on disposal of subsidiary (Henan Central Agriculture and Commerce Co., Ltd.)	442
Total	**35,558**

The net profit reflects the accounting gain from extinguishing lease liabilities upon farmland lease termination, offset by minor losses and a gain from subsidiary disposals, consistent with IFRS 5 (Discontinued Operations).

SGX RegCo's Query 9:

As at 31 Dec 2024, the Group has net current liabilities of RMB 29.3 million (consisting of RMB 23.5 million borrowings), with cash and cash equivalents of RMB 0.96 million. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(i) Please assess the Group's ability to operate as a going concern.
(ii) Please assess the Group's ability to meet its debt covenants (if any)

(iii) Please assess the Group's ability to meet its short-term obligations (including its borrowings) when they fall due.

The Company's Response:
Please see the Company's announcement dated 4 March 2025.

SGX RegCo's Query 10:
As at 31 Dec 2024, the Group has net current liabilities of RMB 29.3 million (consisting of RMB 23.5 million borrowings), with cash and cash equivalents of RMB 0.96 million. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.
(i) Please assess the Group's ability to meet its debt covenants (if any)
(ii) Please assess the Group's ability to meet its short-term obligations (including its borrowings) when they fall due.

The Company's Response:
The management of Zhongnong Huasheng Technology Co. Ltd. (the "Company") acknowledges the Company's net current liabilities of RMB 29.3 million as of 31 December 2024, including RMB 23.5 million in borrowings, against cash and cash equivalents of RMB 0.96 million.
This position reflects the challenges following the deterioration of our agricultural business. We are committed to stabilizing the Group's financial health, enhancing liquidity, and transitioning to sustainable operations. Below, we outline our proactive actions and assessments in response to your queries.

Management has implemented a multi-faceted strategy to address the Group's liquidity constraints and strengthen its financial position post-agricultural suspension:

- **Advance Debt Restructuring Negotiations with Creditors:**
  - **Objective**: Secure debt extensions, reduce benchmark interest rates, achieve partial debt forgiveness, or convert debt to equity.
  - **Details**: Negotiations cover RMB 23.5 million are underway. Preliminary agreements with two of the three debtors amount to RMB 12 million, propose an extension to Q2 2025 and Q1 2026 respectively. The ongoing discussions covering the rest RMB 11 million to extend, swap or waive portions tied to poverty alleviation loans. This alleviates immediate repayment pressures and supports long-term financial stability.
- **Accelerate Recovery of Receivables:**
  - **Action**: Expedite collection of trade receivables, recorded at RMB 1.974 million as of 31 December 2024. Management has prioritized recovery from key debtors, targeting RMB 0.9 million by Q4 2025.
  - **Impact**: This will boost cash reserves, supplementing the current RMB 0.96 million to meet operational needs.
- **Contingency and Fundraising Measures:**
  - **Parent Company Share Issuance**: The parent company plans to raise RMB 10 million via a share issuance in 2025, with proceeds allocated to sustain operations and seed new revenue streams over the next two financial years.
  - **Major Shareholder Support**: The Group has secured a commitment from its major shareholder that, should China Mining International., Ltd. face a shortfall in daily operating funds or delays in bank loan disbursements, it will provide financial support to ensure the Company's normal operations.

These actions collectively aim to reduce net current liabilities, enhance cash flow, and position the Group for a sustainable recovery.

(i) Assessment of Ability to Meet Debt Covenants

- **Debt Overview and Covenant Status:**
  As of 31 December 2024, the subsidiary's liabilities (RMB 23,567,281.30) include borrowings from four creditors, detailed below. However, no immediate default has been triggered due to ongoing creditor negotiations and restructuring agreements.
- **Context of Debt Recall:**
  The recall of these loans was an unforeseen event, initiated by an investigation into a debt issuer for unrelated misconduct, not the Company's performance. Under normal circumstances, local government and financial institutions are encouraged to support policy-backed enterprises like the Company, a local agricultural leader, rather than recall loans abruptly.
- **Management Assessment and Mitigation:**
  1. **Debt Restructuring Progress**:
     - **Creditor 1 (Zhengzhou Agricultural Guarantee)**: Debt of RMB 9,486,328.99 is under a January 2025 restructuring plan, with RMB 3.5 million repaid by Q1 2025 by the major shareholder-led syndicate and the remainder (RMB 5,986,328.99) in installments by 31 July 2025.
     - **Creditor 2 (Xingyang Poverty Alleviation)**: Debt of RMB 9,700,000 is secured by seized assets (plant and machinery), with negotiations for extension or forgiveness targeting May 2025, reducing covenant pressure.
     - **Creditor 3 (Shenzhen Qianhai WeBank)**: Debt of RMB 380,952.35 is restructured into 36 installments (final due 19 April 2028), ensuring covenant compliance via extended terms.
     - **Creditor 4 (Zhongyuan Bank)**: Debt of RMB 4,000,000 is under negotiation (expected mid-April 2025) for installment repayment by 31 March 2026, with covenant flexibility anticipated.
  2. **Contingency via Asset Disposal**: Should restructuring falter, disposal of the South African iron ore mining rights and agricultural assets exceeds total debt (RMB 23.5 million), enabling full repayment.
  3. **Conclusion**: The restructuring agreements, expected to finalize in Q2 2025, supported by creditor goodwill and local policy context. The asset disposal contingency ensures compliance if needed, mitigating default risks effectively.

(ii) Assessment of Ability to Meet Debt Covenants

- **Short-Term Obligations Overview:**
  As of 31 December 2024, the Group's short-term obligations total RMB 29.3 million, including RMB 23.5 million in borrowings (of which RMB 23,567,281.30 pertains to the subsidiary) and other payables. The repayment schedule, based on current restructuring plans, approximates RMB 1 million per quarter in 2025, plus a lump sum of RMB 6 million in Q3 2025 (Creditor 1's remaining principal). Cash reserves are RMB 0.96 million.
- **Management Assessment and Strategy:**
  1. **Debt Restructuring Impact:**
     Extensions (e.g., 6 months for Creditor 1, ongoing for Creditor 2) defer most repayments beyond Q2 2025, reducing immediate outflows to RMB 3.5 million by July 2025 (RMB 3.5 million from Creditor 1). Longer-term plans (Creditors 3 and 4) spread obligations to 2026-2028, easing pressure.

2. **Receivables Recovery:**
   Targeting RMB 1.5 million from trade receivables (RMB 1.974 million as of 31 December 2024) by Q3 2025, increasing cash to RMB 2.46 million to cover quarterly needs (estimated RMB 1 million post-cost cuts).
3. **Asset Disposal Contingency:**
   If restructuring or receivables lag, disposal of mining right, fully settling obligations and boosting cash flow. The RMB 9.7 million loan (Creditor 2) is already collateralized by seized assets, minimizing cash flow impact if auctioned.
4. **Major Shareholder Support:**
   The major shareholder may provide further assistance from time to time to help the company to obtain loans from other sources to resume operation.
5. **Operational Revival:**
   Successful restructuring or debt-to-equity swaps could resume agricultural operations, unlocking alternative financing (currently deterred by debt uncertainty), enhancing cash inflows by Q3 2025.

- **Conclusion: The Group can meet short-term obligations through:**
  1. Restructured repayment schedules reducing immediate demands.
  2. Receivables and shareholder support bridging cash gaps.
  3. Asset sales as a robust fallback, ensuring solvency even if primary plans falter. The collateralized nature of the RMB 9.7 million loan further limits cash flow risk, reinforcing our ability to manage obligations through 2025.

SGX RegCo's Query 11:
Please provide us with the movement in trade receivables during FY2024 to arrive at the closing balance of RMB 1,974,000 as per the full year results.

The Company's Response:

	RMB'000
Opening balance as of 31 Dec 2023	1,466
Repayment received for trade receivables	(300)
Reversal of the impairment made on disposedcompany	808
Ending balance as of 31 Dec 2024	1,974

Cautionary Statement
Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants, or other professional advisers.

BY ORDER OF THE BOARD
Guo Wenjun
Executive Chairman and Chief Executive Officer
21 April 2025